Post Hearing Information Pack of

UBTECH ROBOTICS CORP LTD
深圳市優必選科技股份有限公司

(A joint stock company incorporated in the People's Republic of China with limited liability)
(the "**Company**")

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UBTECH ROBOTICS CORP LTD
深圳市優必選科技股份有限公司

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

[REDACTED]

Number of [REDACTED] under the [REDACTED]	:	**[REDACTED] H Shares (subject to the [REDACTED])**
Number of [REDACTED]	:	**[REDACTED] H Shares (subject to [REDACTED])**
Number of [REDACTED]	:	**[REDACTED] H Shares (subject to the [REDACTED] and [REDACTED])**
[REDACTED]	:	**[REDACTED] per H Share, plus brokerage of 1.0%, SFC transaction levy of 0.0027%, AFRC transaction levy of 0.00015% and Stock Exchange trading fee of 0.00565% (payable in full on application in Hong Kong dollars and subject to refund)**
Nominal value	:	**RMB1.00 per H Share**
[REDACTED]	:	**[REDACTED]**

Sole Sponsor, [REDACTED]

[REDACTED]

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The [REDACTED] and the [REDACTED] (for themselves and on behalf of the [REDACTED]) may, with our consent, reduce the number of [REDACTED] being [REDACTED] under the [REDACTED] and/or the indicative [REDACTED] below that stated in this document at any time on or prior to the morning of the last day for lodging applications under the [REDACTED]. In such a case, a notice of the reduction of the number of [REDACTED] and/or the indicative [REDACTED] will be published on the website of the Stock Exchange at www.hkex.com.hk and our website at www.ubtrobot.com as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day for lodging applications under the [REDACTED]. Further details are set forth in "Structure and Conditions of the [REDACTED]" and "How to Apply for the [REDACTED]" in this document.

The obligations of the Hong Kong [**REDACTED**] under the [**REDACTED**] are subject to termination by the Sole Sponsor, the [**REDACTED**] and the [**REDACTED**] (for themselves and on behalf of the [**REDACTED**]) if certain grounds arise prior to 8:00 a.m. on the [**REDACTED**]. See "[**REDACTED**] — [**REDACTED**] Arrangements and [**REDACTED**] — [**REDACTED**] — [**REDACTED**] — Grounds for termination".

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ATTENTION

[REDACTED]

IMPORTANT

[**REDACTED**]

IMPORTANT

[**REDACTED**]

EXPECTED TIMETABLE[1]

[**REDACTED**]

EXPECTED TIMETABLE[1]

[**REDACTED**]

EXPECTED TIMETABLE[1]

[**REDACTED**]

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This summary aims to give potential investors an overview of the information contained in this document. As this is a summary, it does not contain all the information that may be important to potential investors and is qualified in its entirety by, and should be read in conjunction with, the full text of this document. Potential investors should read the whole document including the appendices hereto, which constitute an integral part of this document, before making a decision to invest in our [**REDACTED**]. *There are risks associated with any investment. Some of the particular risks in investing in our* [**REDACTED**] *are set out in "Risk Factors". Potential investors should read that section carefully before making a decision to invest in our* [**REDACTED**].

BUSINESS OVERVIEW

UBTech is an established robotic company based in the PRC, dedicated to the design, production, commercialization, sales and marketing and research development (R&D) of smart service robotic products and services *(Note)*. Our offerings, ranging from consumer-level robots and appliances, enterprise-level smart service robotic products and services tailored for education, logistics and other sectors, are equipped to different extent with smart features that sense, interact, analyze and process human instructions and external environment such as mapping, temperature measurement and facial recognition. According to Frost & Sullivan, we are the No. 3 in the smart service robotic products and services industry in China (in terms of revenue) in 2022 with a market share of 2.8%, and China's No. 1 provider of education smart robotic products and services (in terms of revenue) in 2022 with a market share of 22.5%.

During the Track Record Period, we generated revenue of RMB740.2 million, RMB817.2 million, RMB1,008.3 million, RMB283.5 million and RMB261.1 million in FY2020, FY2021, FY2022, 6M2022, and 6M2023, respectively, primarily from the sales of the following smart service robotic products and services:

(i) ***Education smart robotic products and services****:* During the Track Record Period, our education smart robotic products and services accounted for 82.7%, 56.5%, 51.2% and 29.0% of our total revenue in FY2020, FY2021, FY2022 and 6M2023, respectively. Our education smart robotic products and services are sold to government educational bureaus. They are used as teaching tools to assist students in STEAM curricula learning such as AI and programming learning, rather than just common hardware including computers and projectors, in the teaching process. For example, students can learn AI knowledge and apply programming skills learned from our AI education curriculum and command and control our smart robotic products such as uKit through our AI education software such as uCode and uPython to give them instructions to perform specific tasks. Our education smart robotic products and services mainly include (a) smart robotic products including humanoid Yanshee, Alpha Mini (education) and uKit and Jimu series (education), which are devices that can interact with students to perform certain functions on default or enhanced functions such as dancing based on the codes or commands written or designed by the students or end-users during their learning process; (b) software such as AI smart education platform for coding and programming learning; and (c) ancillary services such as providing support for teacher training and operation and utilization of our products and services;

(ii) ***Logistics smart robotic products and services****:* During the Track Record Period, our logistics smart robotic products and services accounted for 1.7%, 23.3%, 26.1% and 29.4% of our total revenue in FY2020, FY2021, FY2022 and 6M2023, respectively. Our

Note: A smart service robot refers to a robotic system that is designed to perform various tasks and provide services to human autonomously, excluding industrial robots. These robots are equipped with technologies such as computer vision, voice interaction and SLAM (i.e. simultaneous localization and mapping, a technology which allows a robot to build a map of an unknown environment and localize itself in that map at the same time) and automation, allowing them to perceive and interact with external environment. Smart service robotic service is a service which integrates smart service robots with the necessary peripheral hardware and software products and services to perform intended tasks.

logistics smart robotic products and services are designed for enterprises with large factories and warehouses, such as new energy vehicle manufacturers. Our major products include automated guided vehicles (AGVs) and automated mobile robots (AMRs) under our Wali (瓦力) Series which can deliver components, semi-finished products and finished products to designated places within the production facilities or warehouses. We also provide software and ancillary services to our customers, including WMS (Warehouse Management System) and MES (Manufacturing Execution System), which can also be connected to our customers' in-house system platforms to achieve more comprehensive products and services offerings;

(iii) ***Other sector-tailored smart robotic products and services***: During the Track Record Period, our other sector-tailored smart robotic products and services accounted for 5.2%, 11.0%, 8.2% and 8.5% of our total revenue in FY2020, FY2021, FY2022 and 6M2023, respectively. This segment comprises of smart robotic products and services covering various use scenarios including schools (e.g. for greeting and sanitisation purpose), hospitals, airports, train stations, shopping malls, banks and electrical substations to provide services such as guiding assistance, reception, sanitation, security patrol, safety inspection and monitoring of environmental conditions. Our major products offered mainly include Cruzr series, Walker series, and ADIBOT series; and

(iv) ***Consumer-level robots and other hardware devices***: During the Track Record Period, our consumer-level robots and other hardware devices accounted for 8.4%, 8.3%, 13.1% and 32.6% of our total revenue in FY2020, FY2021, FY2022 and 6M2023, respectively. This segment refers to the sales of robotic products with AI-functions that are consumer grade and mass market level such as computer vision and voice interaction to consumers for household use. Our major products offered include AiRROBO vacuum cleaner, AiRROBO cat litter box and Alpha Mini (non-education) series.

For FY2020, FY2021, FY2022, 6M2022 and 6M2023, we incurred net losses of RMB707.0 million, RMB917.5 million, RMB987.4 million, RMB515.2 million and RMB547.9 million, respectively.

We are committed to R&D and delivery of smart service robotic products and services and we self-developed a full stack of (i) robotic, (ii) AI that are consumer grade and mass market level and (iii) integrated robotic and AI technologies for application in a range of enterprise-level and consumer-level use scenarios across various sectors. Our AI technologies include (i) computer vision technology which allows our smart service robotic products to identify objects and recognize human-beings, and (ii) voice interaction technology which allows our smart service robotic products to process voice and complete tasks that involve the interaction with voices of users.

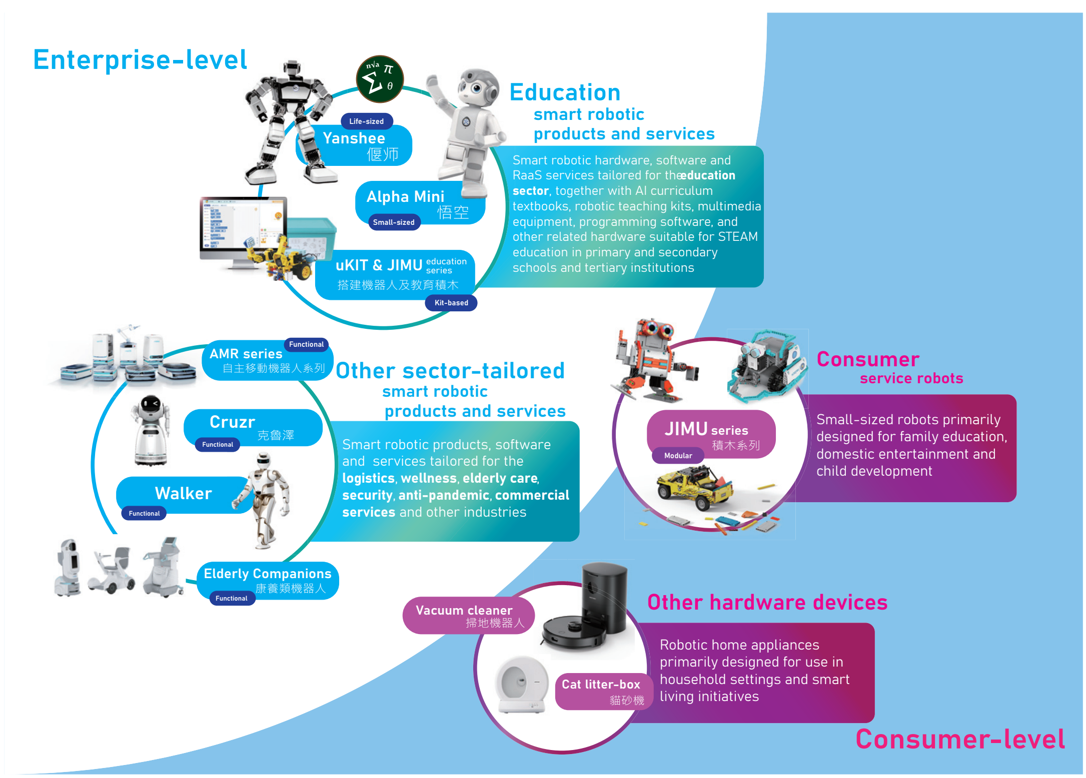
Meanwhile, leveraging the technical knowledge gained in our R&D process, we are able to and have expanded our offerings to a diversity of other smart service robotic products, devices and services to end-users for use scenarios in different sectors in response to market conditions. For example, in 2017, we started offering education smart robotic products and services by providing interactive, programmable and/or codable smart robotic products in default scenarios, and further developed to offer comprehensive products and services offerings comprising AI education software (such as uCode — a graphical block-based visual programming tool for students aged 7 to 14 years old; and uPython — a programming tool for Python robot beginners) and teaching materials, curriculum design and other ancillary services. Since 2020, we further offered logistics smart robotic products and services such as logistics smart robots capable of accurate goods transportation and automated storage and retrieval system, in light of, among other factors, the rising demand for new energy vehicles, the transformation of manufacturing industry in China and increasing labor cost, which allowed us to apply our technologies for warehousing logistics and delivery purposes.

Our smart service robotic products and services. We have commercialized and rolled out a wide range of smart service robotic products and services in a range of enterprise-level and consumer-level use scenarios across various sectors in response to market trend throughout the years. The table below sets forth the key milestone of our products and services:

Year	Key milestone
2016	We launched our consumer-level robots and other hardware devices.
2017	We launched our (i) education smart robotic and (ii) general service smart robotic products and services.
Late 2020	We launched our logistics smart robotic products and services.
Second half of 2022	We launched our wellness and elderly care smart robotic products and services.

Our smart service robotic products and services form a broad range of offerings and are offered to enterprise-level and consumer-level customers.

For our enterprise-level smart service robotic products and services, we focus on offering technology-driven, industry-tailored offerings that deliver measurable business results for our customers. For our consumer-level robots and other hardware devices, we focus on consumer trends, customer needs and value-for-money. The diagram below sets forth our major robotic products and services offered during the Track Record Period:



The chart below shows our revenue, average selling price and sales volume during the Track Record Period by our robotic products and services segments as well as by our major products and services lines:—

	FY2020				FY2021				FY2022				6M2022				6M2023			
	Revenue		ASP	Sales volume[1]	Revenue		ASP	Sales volume[1]	Revenue		ASP	Sales volume[1]	Revenue (unaudited)		ASP	Sales volume[1]	Revenue		ASP	Sales volume[1]
	(RMB'000)	%	(RMB/ unit)	(Unit'000)	RMB'000	%	(RMB/ unit)	(Unit'000)	RMB'000	%	(RMB/ unit)	(Unit'000)	RMB'000	%	(RMB/ unit)	(Unit'000)	RMB'000	%	(RMB/ unit)	(Unit'000)
Enterprise-level smart service robotic products and services	**663,537**	**89.6**	**N/A**	**N/A**	**742,874**	**90.9**	**N/A**	**N/A**	**862,543**	**85.5**	**N/A**	**N/A**	**228,392**	**80.6**	**N/A**	**N/A**	**174,715**	**66.9**	**N/A**	**N/A**
Education smart robotic products and services	***612,249***	***82.7***	***N/A***	***N/A***	***461,843***	***56.5***	***N/A***	***N/A***	***516,688***	***51.2***	***N/A***	***N/A***	***177,984***	***62.8***	***N/A***	***N/A***	***75,668***	***29.0***	***N/A***	***N/A***
• Education hardware products and services, and software	403,702	54.5	3,150	128	254,654	31.2	3,740	68	279,874	27.8	4,702	60	100,601	35.5	4,646	22	16,504	6.3	1,312	13
• Others[2]	103,583	14.0	N/A	N/A	95,752	11.7	N/A	N/A	139,320	13.8	N/A	N/A	26,308	9.3	N/A	N/A	22,895	8.8	N/A	N/A
• Ancillary services[3]	104,964	14.2	N/A	N/A	111,437	13.6	N/A	N/A	97,494	9.7	N/A	N/A	51,076	18.0	N/A	N/A	36,269	13.9	N/A	N/A
Logistics smart robotic products and services[4]	***12,690***	***1.7***	***N/A***	***N/A***	***190,786***	***23.3***	***N/A***	***N/A***	***263,437***	***26.1***	***N/A***	***N/A***	***41,129***	***14.5***	***N/A***	***N/A***	***76,801***	***29.4***	***N/A***	***N/A***
Other sector-tailored smart robotic products and services	***38,598***	***5.2***	***N/A***	***N/A***	***90,245***	***11.0***	***N/A***	***N/A***	***82,418***	***8.2***	***N/A***	***N/A***	***9,279***	***3.3***	***N/A***	***N/A***	***22,246***	***8.5***	***N/A***	***N/A***
• General service smart robotic products and services[5]	36,297	4.9	86,422	0.4	77,440	9.5	135,385	0.6	30,569	3.0	29,224	1	9,021	3.2	114,186	0.1	15,003	5.7	60,497	0.2
• Walker series and others[6]	2,301	0.3	N/A	N/A	12,805	1.6	N/A	N/A	51,849	5.1	N/A	N/A	258	0.1	N/A	N/A	7,243	2.8	N/A	N/A

	FY2020				FY2021				FY2022				6M2022				6M2023			
	Revenue		ASP	Sales volume(1)	Revenue		ASP	Sales volume(1)	Revenue		ASP	Sales volume(1)	Revenue (unaudited)		ASP	Sales volume(1)	Revenue		ASP	Sales volume(1)
	(RMB'000)	%	(RMB/ unit)	(Unit'000)	RMB'000	%	(RMB/ unit)	(Unit'000)	RMB'000	%	(RMB/ unit)	(Unit'000)	RMB'000	%	(RMB/ unit)	(Unit'000)	RMB'000	%	(RMB/ unit)	(Unit'000)
Consumer-level robots and other hardware devices	**62,016**	**8.4**	**N/A**	**N/A**	**67,795**	**8.3**	**N/A**	**N/A**	**132,448**	**13.1**	**N/A**	**N/A**	**46,765**	**16.5**	**N/A**	**N/A**	**85,028**	**32.6**	**N/A**	**N/A**
• Consumer-level robots and other hardware devices	59,372	8.0	940	63	65,575	8.0	664	99	131,900	13.1	639	206	45,847	16.2	639	72	83,185	31.9	658	126
• Others(7)	2,644	0.4	N/A	N/A	2,220	0.3	N/A	N/A	548	0.1	N/A	N/A	918	0.3	N/A	N/A	1,843	0.7	N/A	N/A
Others(8)	**14,673**	**2.0**	**N/A**	**N/A**	**6,561**	**0.8**	**N/A**	**N/A**	**13,281**	**1.3**	**N/A**	**N/A**	**8,366**	**3.0**	**N/A**	**N/A**	**1,396**	**0.5**	**N/A**	**N/A**
TOTAL	**740,226**	**100.0**	**N/A**	**191**	**817,230**	**100.0**	**N/A**	**167**	**1,008,272**	**100.0**	**N/A**	**267**	**283,523**	**100.0**	**N/A**	**94**	**261,139**	**100.0**	**N/A**	**139**

Notes:

(1) The sales volume by products and services segments constitute the sales volume of the core robotic products for each of our respective segments and disregards the sales volume of other accessories and ancillary products and/or services. See "Financial Information — Description of Selected Items in Consolidated Income Statements — Revenue" for details on our sales volume by products and services segments during the Track Record Period.

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

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

(4) Revenue derived from logistics smart robotic products and services are presented in terms of number of projects and average revenue per project and therefore there is no corresponding sales volume and average selling price. See "Financial Information – Description of Selected Items in Consolidated Income Statements – Revenue – By products and services – (ii) Logistics smart robotic products and services" for details.

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

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

The average selling price of general service smart robotic products and services decreased from RMB114,190 per unit in 6M2022 to RMB60,500 per unit in 6M2023, primarily due to the decrease in average selling price of ADIBOT from RMB97,040 per unit in 6M2022 to RMB27,850 per unit in 6M2023 because we implemented price reductions on these products to clear out our existing inventories in our U.S. subsidiary to facilitate the transition of our overseas sales channel to direct distributors and the increase in sales volume of our ADIBOT as a percentage to our total sales volume of general service smart robotic products and services from 41.8% in 6M2022 to 77.8% in 6M2023. See "Financial Information — Description of Selected Items in Consolidated Income Statements — Revenue — By products and services — (iii) Other sector-tailored smart robotic products and services" for details on the reasons for the price reductions on the ADIBOT series in relation to our U.S. subsidiary. The decrease in average selling price was partially offset by the sales of seven units of our new wellness and elderly care smart robotic products and services, such as walking assistance smart robot, wheelchair smart robot and companion smart robot which were of higher average selling price. Their aggregate revenue accounted for 44.0% of the total revenue of general service smart robotic products and services in 6M2023.

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

(7) "Others" under our consumer-level robots and other hardware devices segment mainly represented the sales of accessories and purchased parts. Average selling price is not meaningful as product types and specification vary significantly within this category.

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

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

See "Financial Information — Description of Selected Items in Consolidated Income Statements" for details on our average selling price, sales volume and gross profit margin during the Track Record Period.

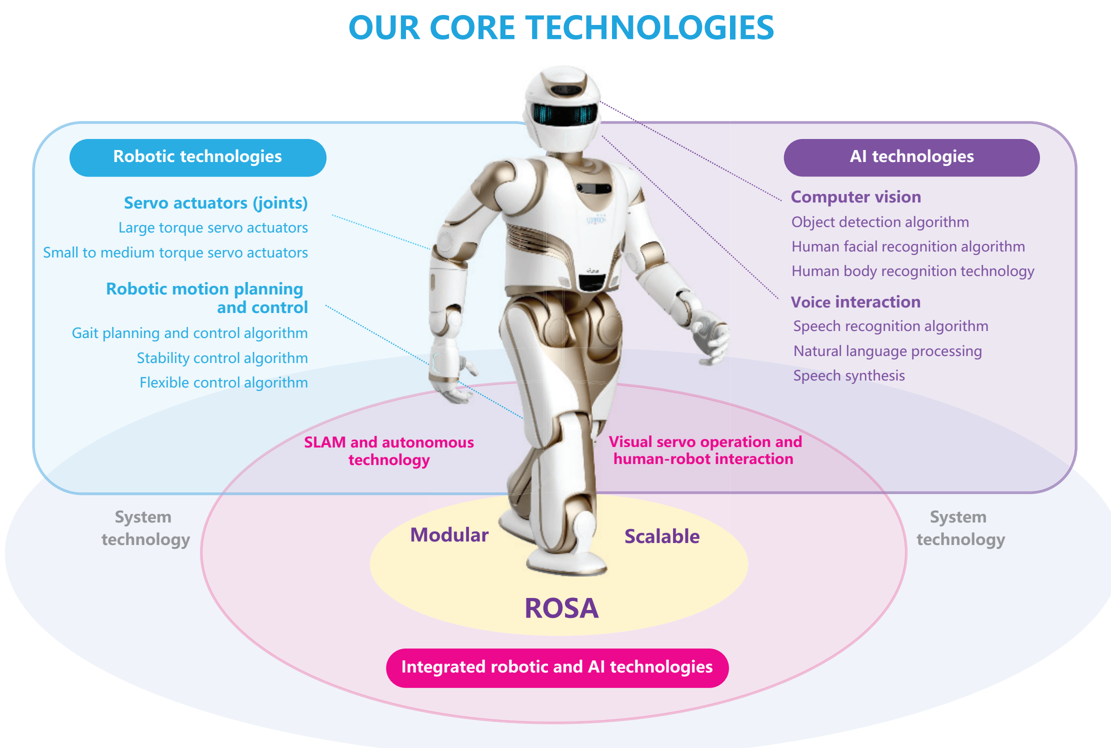
During the Track Record Period, our sales of education and logistics smart robotic products and services were the major contribution to our revenue, accounting for 84.4%, 79.8%, 77.3% and 58.4% of our total revenue for FY2020, FY2021, FY2022 and 6M2023, respectively. In contrast, sales of our Walker series and accessories, which fall under our other sector-tailored smart robotic products and services segment, only accounted for 0.1%, 1.1%, 4.8% and 0.9% of our total revenue for the same periods, respectively. Although we expect the revenue contribution of our Walker series to increase, in the short term, the contribution of education and logistics smart robotic products and services may continue to be significant.

Our total revenue is subject to seasonal fluctuations and our sales generally peaked in the fourth quarter, which is mainly attributable to most of our revenue being contributed by our customers of enterprise-level smart service robotic products and services (i.e. over 85% of our total revenue for FY2020, FY2021 and FY2022) that generally have a financial year ending on December 31 of the calendar year. On the other hand, our sales of consumer-level robots and other hardware devices are generally more stable than enterprise-level smart service robotic products and services throughout the financial year and we recorded a continuous increase in revenue from RMB62.0 million in FY2020 to RMB132.4 million in FY2022 and from RMB46.8 million in 6M2022 to RMB85.0 million in 6M2023, primarily due to our continuous launch of new products such as our AiRROBO vacuum cleaner in FY2021 and AiRROBO cat litter box in FY2022. As a result, our revenue contribution of enterprise-level smart service robotic products and services decreased from over 85% in each of FY2020, FY2021, FY2022 to approximately 67% in 6M2023 whereas our revenue contribution of consumer-level robots and other hardware devices increased from less than 15% in each of FY2020, FY2021 and FY2022 to approximately 33% in 6M2023 mainly due to, in addition to the aforementioned seasonal fluctuations of our total revenue throughout a financial year, increase in sales of AiRROBO vacuum cleaner and AiRROBO cat litter box.

Market opportunities and our growth. According to Frost & Sullivan, although the penetration rate of smart service robotic products and services in the smart service robotic products and services industry in the PRC remained low in recent years, the market size of the global and PRC smart service robotic products and services market is estimated to grow from US$23.5 billion to US$62.8 billion at a CAGR of 17.8% between 2022 and 2028 and from RMB51.6 billion to RMB183.2 billion at a CAGR of 23.5% between 2022 and 2028, respectively.

We believe that our technological capabilities can be applied to various scenarios while driven by market conditions and government policy support. See "Business — Business Overview" for details on the market opportunities and our growth in relation to each of our business segments.

R&D technological capabilities. At the heart of our offering is our R&D capabilities and breakthroughs in relation to our core technologies and smart service robotic products and services. Our in-house R&D team, established since 2012 and comprising over 700 employees as of June 30, 2023, is headed by doctoral-degree holders with expertise in robotic and AI-related areas and supported by a number of in-house scientists, engineers and other employees who have obtained at least undergraduate robotic and/or AI-related degrees. We have self-developed a full stack of modularized robotic and AI technologies that are consumer grade and mass market level which serve as building blocks for adaptation and application in a range of enterprise-level and consumer-level scenarios. During the Track Record Period, we incurred R&D expenses of RMB428.8 million, RMB517.1 million, RMB428.3 million and RMB224.3 million in FY2020, FY2021, FY2022 and 6M2023, respectively, which accounted for 57.9%, 63.3%, 42.5% and 85.9% of our total revenue for the corresponding years/periods. Set out below is a summary of our core technologies as applied on Walker, our biped life-sized humanoid robot:



With our self-developed full-stack robotic and AI technologies, we have been able to develop and commercialize a wide range of smart service robotic products and services. During the Track Record Period, we were able to quickly adapt to customer needs and preferences with more than 50 types of products launched and sold over 760,000 units of robotic products.

Our full-stack technologies, backed by more than 1,800 registered robotic and AI-related patents as of June 30, 2023 of which more than 380 are overseas patents, is a combination of *robotic technologies* (robotic motion planning and control technology and servo actuators) and our *AI technologies* (computer vision and voice interaction technologies), which together power a number of *integrated robotic and AI technologies* (SLAM and autonomous technology, visual servo operation and human-robot interaction), rounded out with and controlled through Robot Operating System Application Framework (ROSA), our self-developed robotics application framework. We believe that our technological capabilities are in particular underpinned by our core strength of and dedication to robotic technologies. During the Track Record Period, our self-developed technologies and patents have received two national-level awards and four provincial-level science and technology awards from the PRC government, and one international-level award.

Most of the patents held by our Group are invention patents registered in the PRC. As advised by our PRC Legal Adviser and pursuant to the Patent Law of the People's Republic of China (《中華人民共和國專利法》), an invention patent registered in the PRC is valid for a term of 20 years from the date of filing of the application for the patent, an utility model patent registered in the PRC is valid for a term of 10 years from the date of filing of the application for the patent, and a design patent registered in the PRC is valid for a term of 15 years from the date of filing of the application for the patent. The invention patents of our Group registered in jurisdictions outside the PRC are generally valid for a term of 20 years from the dates of the filing of the applications for such patents, and the design patents of our Group registered in jurisdictions outside the PRC are generally valid for terms ranging from 15 years from the dates of publication to 25 years from the dates of the filing of the applications for such patents.

Examples of patents held by our Group in relation to our core technologies which we consider to be material or may be material to our business include the following: (i) in relation to servo actuators, a patent for enhancing the accuracy in angle transmission of the servo motor, (ii) in relation to robotic motion planning and control, a patent for enhancing the walking stability of robots, (iii) in relation to computer vision, a patent for enhancing the robots' ability in climbing stairs, (iv) in relation voice interaction, a patent for enhancing the robots' ability and efficiency in voice recognition, (v) in relation to SLAM and autonomous technology, a patent for enhancing the robots' userfriendliness and intelligence during the process of navigation and (vi) in relation to Visual servo operation and human-robot interaction, a patent for enhancing the robots' ability in grasping moving objects. All of the aforementioned patents are registered in the PRC.

See "Business — Intellectual Property" for details on the key patents held by our Group and their intended usage and functions.

Our R&D focuses on core technologies for humanoid robots. We have been focusing our R&D efforts on advancing core technologies utilized in humanoid robots. Our goal is to not only improve the performance of our humanoid robots but also to induce a spill-over effect of R&D in relation to technologies utilized in smart service robotic products and services for use scenarios in different sectors as the development of biped life-sized humanoid robots involves the integration and combination of various core technologies such as computer vision, voice interaction, servo actuators, motion planning and control, and positioning navigation. It has always been our strategies to dedicate resources to concurrently conduct R&D projects across various robotic and AI technologies while primarily focusing R&D efforts on core technologies utilized in humanoid robots, which may inevitably increase our R&D expenses.

By striking a balance between continuous investments in core technologies utilized in humanoid robots and competing effectively in markets where customers prioritize other factors such as pricing and comparable functions, we believe we can deliver value to our customers and drive sustainable growth over the long term.

Customer base and sales networks. We serve a broad customer base primarily in China and also over 50 other countries in the world. During the Track Record Period, we served over 900 enterprise-level group customers, covering (i) government educational bureaus and enterprises who purchase our education smart robotic products and services; and (ii) enterprises which purchase our other sector-tailored smart robotic products and services, as well as distributors who resell our products to customers such as consumers and consumer-level general retail customers. The sales to our top five customers in each year/period during the Track Record Period amounted to RMB492.6 million, RMB426.7 million, RMB720.9 million and RMB116.3 million, respectively, representing 66.5%, 52.2%, 71.5% and 44.5% of our total revenue for the respective years/period. The sales to our largest customer in each year/period during the Track Record Period amounted to RMB279.7 million, RMB175.0 million, RMB276.6 million and RMB71.4 million, representing 37.8%, 21.4%, 27.4% and 27.4% of our total revenue for the respective years/period.

During the Track Record Period, our revenue generated through direct sales and our self-operated online stores contributed to at least 80% of the total revenue in each year/period during the Track Record Period, whereas the remaining revenue was generated through distributors. See "Business — Sales — Our sales networks" for details.

During the Track Record Period, the majority of our revenue was generated from sales in the PRC (constituting 92.2%, 92.2%, 87.0% and 73.3% of the total revenue for FY2020, FY2021, FY2022 and 6M2023, respectively), whereas the remaining revenue was generated from other overseas countries which mainly included the United States and Japan. See "Business — Sales — Our sales regions" for details.

Production and our suppliers. As of the Latest Practicable Date, we had seven production facilities in operation. We also leverage contract manufacturers to produce certain products, mainly including humanoid Alpha Mini and smart robotic appliances, to increase the flexibility of our production capacity and optimize our production network. Our suppliers primarily consist of (i) providers of raw materials and hardware for the development, assemble and production of our smart service robotic products and services, and (ii) subcontractors in relation to services which we consider it is more efficient to subcontract that are not within our expertise in order to reduce our operational costs and focus on our core business (e.g. teaching support services for our education smart robotic products and services and contract manufacturing services). The purchases from our top five suppliers in each year/period during the Track Record Period amounted to RMB144.3 million, RMB195.0 million, RMB188.2 million and RMB105.8 million, respectively, representing 35.2%, 34.7%, 26.3% and 50.7% of our total cost of sales for the respective years/period. The purchases from our largest supplier in each year/period during the Track Record Period amounted to RMB73.9 million, RMB93.7 million, RMB60.5 million and RMB44.8 million, representing 18.0%, 16.7%, 8.5% and 21.5% of our total cost of sales for the respective years/period.

OUR COMPETITIVE STRENGTHS

We believe the following strengths contribute to our success and differentiate us from competitors:

- Established provider of smart service robotic products and services in the PRC;
- Self-developed full-stack technologies for smart robotics driven by our R&D efforts;
- Successful commercialization of product and services offerings grounded in core technologies utilized in humanoid robots with multiple use scenarios;
- China-based with overseas market presence and partnerships; and
- Experienced management team supported by dedicated industry professionals.

OUR STRATEGIES

To further strengthen our market position in the smart service robotic products and services market, whilst maximizing long-term shareholder value and customer value, we intend to implement the following business strategies:

(i) the further advancement of our R&D capabilities to enhance our core technologies and products and services offerings,

(ii) the enhancement of our R&D infrastructure to improve our R&D capabilities and efficiencies,

(iii) the enhancement of our brand awareness and market penetration, and

(iv) the further optimization of our management and operational efficiency.

USE OF [REDACTED]

Assuming (1) an [**REDACTED**] of [**REDACTED**] per H Share, being the mid-point of the indicative [**REDACTED**] of [**REDACTED**] to [**REDACTED**] per H Share, and (2) that the [**REDACTED**] is not exercised, the [**REDACTED**] from the [**REDACTED**] are estimated to be approximately [**REDACTED**] after deducting [**REDACTED**] and other [**REDACTED**] payable by us in connection with the [**REDACTED**]. In line with our business strategies, we intend to use our [**REDACTED**] for the following purposes:

- approximately [**REDACTED**] of the [**REDACTED**] (approximately [**REDACTED**]), will be used to further advance our R&D capabilities to enhance our core technologies and products and services offerings
- approximately [**REDACTED**] of the [**REDACTED**] (approximately [**REDACTED**]), will be used for partial repayment of bank loans
- approximately [**REDACTED**] of the [**REDACTED**] (approximately [**REDACTED**]), will be used to enhance our R&D infrastructure
- approximately [**REDACTED**] of the [**REDACTED**] (approximately [**REDACTED**]), will be used for the enhancement of our brand awareness and market penetration
- approximately [**REDACTED**] of the [**REDACTED**] (approximately [**REDACTED**]), will be used to further optimize our management and operational efficiency
- approximately [**REDACTED**] of the [**REDACTED**] (approximately [**REDACTED**]), will be used for working capital and other general corporate purposes

SUMMARY OF HISTORICAL FINANCIAL INFORMATION

Our financial performance

We experienced a growth in revenue during the Track Record Period, and we recorded a revenue of RMB740.2 million, RMB817.2 million, RMB1,008.3 million, RMB283.5 million and RMB261.1 million in FY2020, FY2021, FY2022, 6M2022 and 6M2023, respectively. Our revenue grew by 10.4% between FY2020 and FY2021 and by 23.4% between FY2021 and FY2022. Our revenue decreased by 7.9% between 6M2022 and 6M2023. For FY2020, FY2021, FY2022, 6M2022 and 6M2023, our gross profit was RMB330.7 million, RMB256.0 million, RMB294.0 million, RMB38.8 million and RMB52.6 million, respectively. Our gross profit decreased by 22.6% between FY2020 and FY2021 and increased by 14.9% between FY2021 and FY2022 and increased by 35.6% between 6M2022 and 6M2023. The fluctuation of our overall gross profit margin was mainly driven by the mix of different revenue stream, mix of different products among each products and services segment, as well as the fluctuation of gross profit margins among different revenue stream.

Despite our revenue growth, we recorded net loss during the Track Record Period. See "Business Sustainability and Measures to Achieve Profitability" in this section below for details.

The following summary of consolidated income statements data, consolidated statements of financial position data and cash flows data have been derived from our consolidated financial statements set forth in the Accountant's Report included in Appendix I to this document. You should read the summary historical financial information below in conjunction with our consolidated financial statements included in "Appendix I — Accountant's Report". Our consolidated financial statements have been prepared in accordance with HKFRS.

Summary Consolidated Income Statements

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

	FY2020	FY2021	FY2022	6M2022	6M2023
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Revenue	740,226	817,230	1,008,272	283,523	261,139
Cost of sales	(409,488)	(561,277)	(714,227)	(244,698)	(208,502)
Gross profit	330,738	255,953	294,045	38,825	52,637
Selling and marketing expenses	(313,298)	(357,607)	(361,023)	(171,563)	(189,848)
General and administrative expenses	(212,061)	(325,899)	(398,083)	(162,461)	(177,550)
Research and development expenses	(428,766)	(517,072)	(428,280)	(204,995)	(224,337)
Net impairment losses on financial assets	(40,067)	(7,358)	(46,386)	(9,825)	(8,653)
Loss for the year/period	(706,999)	(917,519)	(987,368)	(515,158)	(547,917)
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)
	(706,999)	(917,519)	(987,368)	(515,158)	(547,917)

NON-HKFRS MEASURES

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

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

	FY2020	FY2021	FY2022	6M2022	6M2023
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Reconciliation of net loss and "adjusted net loss (non-HKFRS measure)" and "adjusted EBITDA (non-HKFRS measure)"					
Net loss for the year/period	(706,999)	(917,519)	(987,368)	(515,158)	(547,917)
Add:					
Share-based compensation	64,490	156,396	204,387	114,916	179,466
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

	FY2020	FY2021	FY2022	6M2022	6M2023
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Adjusted net loss for the year/period (Non-HKFRS measure)	(642,509)	(761,123)	(782,037)	(400,242)	(366,903)
Add:					
Interest expenses[(Note)]	54,414	32,222	24,435	15,438	8,823
— Interest expenses on lease liabilities	*3,969*	*4,245*	*3,185*	*1,580*	*1,405*
— Interest expenses on borrowings	*49,853*	*29,811*	*38,688*	*21,894*	*25,311*
— Interest expenses on advances from ultimate controlling shareholder	*592*	—	—	—	—
— Interest expenses capitalised	—	*(1,834)*	*(17,438)*	*(8,036)*	*(17,893)*
Income tax expense	31,504	16,558	16,509	420	292
Depreciation of right-of-use assets	31,055	41,355	36,693	20,505	18,452
Depreciation of property, plant and equipment	46,183	54,754	51,018	26,534	22,136
Amortization of intangible assets	1,886	3,596	2,332	790	2,334
Less:					
Finance income	12,715	12,703	3,628	2,525	3,369
Adjusted EBITDA (Non-HKFRS measure)	(490,182)	(625,341)	(654,678)	(339,080)	(318,235)

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

Our "adjusted EBITDA (non-HKFRS measure)" increased from negative RMB490.2 million in FY2020 to negative RMB625.3 million in FY2021 primarily due to the decrease in gross profit from education smart robotic products and services and consumer-level robots and other hardware devices. Our "adjusted EBITDA (non-HKFRS measures)" increased from negative RMB625.3 million in FY2021 to negative RMB654.7 million in FY2022, which was consistent with the increased net loss in FY2022. Our "adjusted EBITDA (non-HKFRS measures)" decreased from negative RMB339.1 million in 6M2022 to negative RMB318.2 million in 6M2023, primarily due to the increased gross profit resulting from improved gross profit margin for most products and services segment and decreased net write-down of inventories in 6M2023 and increased share-based compensation in 6M2023. For details of the write-down of inventories, see "Financial Information — Description of Selected Items in Consolidated Income Statements — Cost of Sales" in this document.

Revenue

During the Track Record Period, we generate revenue primarily from sales of (i) education smart robotic products and services, (ii) logistics smart robotic products and services, (iii) other sector–tailored smart robotic products and services, and (iv) consumer-level robots and other hardware devices. See "Financial Information — Review of Historical Results of Operation — Summary of historical financial information during the Track Record Period — Revenue" for details on our revenue throughout the Track Record Period.

Gross profit and gross profit margin

The following table sets forth our gross profit and gross profit margin by our robotic products and services segments as well as our major product and service lines during the Track Record Period:

	FY2020		FY2021		FY2022		6M2022		6M2023	
	Gross profit /(loss)	Gross profit /(loss) margin	Gross profit /(loss)	Gross profit /(loss) margin	Gross profit /(loss)	Gross profit /(loss) margin	Gross profit /(loss)	Gross profit /(loss) margin	Gross profit /(loss)	Gross profit /(loss) margin
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000 (unaudited)	%	RMB'000	%
Enterprise-level smart service robotic products and services	**329,470**	**49.7**	**274,329**	**36.9**	**365,961**	**42.4**	**88,347**	**38.7**	**44,321**	**25.4**
Education smart robotic products and services	309,865	50.6	207,045	44.8	290,079	56.1	87,125	49.0[1]	26,632	35.2[1]
• Education hardware products and services, and software	266,293	66.0	158,254	62.1	177,601	63.5	62,697	62.3	(1,094)	(6.6)
• Others[2]	13,067	12.6	26,703	27.9	70,797	50.8	10,038	38.2	4,537	19.8
• Ancillary services[3]	30,505	29.1	22,088	19.8	41,681	42.8	14,390	28.2	23,189	63.9
Logistics smart robotic products and services	1,885	14.9	26,919	14.1	20,843	7.9	4,461	10.8	9,547	12.4
Other sector-tailored smart robotic products and services	17,720	45.9	40,365	44.7	55,039	66.8	(3,239)	(34.9)	8,142	36.6
• General service smart robotic products and services	17,575	48.4	35,857	46.3	15,427	50.5	12	0.1	4,433	29.5
• Walker series and others[4]	145	6.3	4,508	35.2	39,612	76.4	(3,251)	(1,260.1)	3,709	51.2
Consumer-level robots and other hardware devices	**19,164**	**30.9**	**(17,869)**	**(26.4)**	**(2,955)**	**(2.2)**	**(12,596)**	**(26.9)**	**13,871**	**16.3**
• Consumer-level robots and other hardware devices	18,176	30.6	(14,399)	(22.0)	(1,076)	(0.8)	(12,942)	(28.2)	12,688	15.3
• Others[5]	988	37.4	(3,470)	(156.3)	(1,879)	(343.4)	346	37.7	1,183	64.2
Others[6]	(5,316)	(36.2)	696	10.6	1,657	12.5	1,936	23.1	(3,556)	(254.7)
Sub-total	**343,318**	**46.4**	**257,156**	**31.5**	**364,663**	**36.2**	**77,687**	**27.4**	**54,636**	**20.9**
Net write-down of inventories	(12,580)	–	(1,203)	–	(70,618)	–	(38,862)	–	(1,999)	–
Total	**330,738**	**44.7**	**255,953**	**31.3**	**294,045**	**29.2**	**38,825**	**13.7**	**52,637**	**20.2**

Notes:

(1) Our gross profit margin from sales of education smart robotic products and services decreased from 49.0% in 6M2022 to 35.2% in 6M2023 primarily due to (i) the decrease in gross profit margin of education hardware products and services, and software from gross profit margin of 62.3% in 6M2022 to a gross loss margin of 6.6% in 6M2023; and (ii) decrease in gross profit margin from others in 6M2023 primarily due to the decrease in revenue from sales of accessories for Alpha Mini (education) and uKit and Jimu (education) which had a relatively higher gross profit margin of over 50% in 6M2022. Our gross profit margin of education hardware products and services, and software decreased from 6M2022 to 6M2023 primarily due to (a) the decrease in average selling price of our uKit and Jimu (education) Series because we implemented price reductions on these products to clear out our existing inventories in our U.S. subsidiary to facilitate the transition of our overseas sales channel to direct distributors, which had a significant impact on the gross profit margin of our education smart robotic products and services segment, as the majority of the large contract value of education smart robotic products and services projects for FY2023 was secured after June 30, 2023 which has resulted in a relatively low revenue base of our education smart robotic products and services segment in 6M2023. However, we believe that the gross loss margin of our education hardware products and services, and software in 6M2023 will be turned around to a gross profit margin due to the one-off nature of such price reductions and the average selling price of education smart robotic products and services projects with large contract value that we have secured after June 30, 2023 is not affected by such price reductions; and (b) the relatively high gross profit margin attained from a large sales order to a customer in Shaoyang in 6M2022 for promoting STEAM products to schools in Shaoyang, including uKit and Jimu (education) Series, humanoid Yanshee and humanoid Alpha Mini (education) which did not recur in 6M2023. For details, see "Financial Information — Description of Selected Items in Consolidated Income Statements — Gross profit and gross profit margin — (i) Education smart robotic products and services" of this document for further details.

(2) "Others" under our education smart robotic products and services segment mainly represented the sales of other accessories and purchased items, including but not limited to (i) teaching and learning resources such as textbooks, teachers' manuals and training modules; (ii) add-on components to our education smart robotic products to enhance their functionalities and performance; (iii) expansion packs containing extra content and scenarios which improve user experience; and (iv) ancillary hardware such as customized programming notebooks and compliers. Please refer to the section headed "Business — Our Products and Services — At Enterprise level — Education Smart Robotic Products and Services" of this document for further details of the products.

(3) "Ancillary services" of our education smart robotic products and services segment mainly included (i) providing professional team support for teacher training and operation and utilization of our products and services; and (ii) designing project services, themed activities and competitions. Please refer to the section headed "Business — Our Products and Services — At Enterprise level — Education Smart Robotic Products and Services" of this document for further details of such ancillary services.

(4) Walker series and others mainly represented the sales of Walker series and accessories.

(5) "Others" under our consumer-level robots and other hardware devices segment mainly represented the sales of accessories and purchased parts.

(6) "Others" primarily included sales of raw materials and spare parts during the Track Record Period and sales of certain customized products (mainly being customized notebook and other accessories) in FY2020. The gross loss attained in FY2020 was primarily due to sales of certain customized products at loss, which are no longer used by us. The gross loss incurred from others in 6M2023 was primarily due to the scrap of certain raw materials in 6M2023.

See "Financial Information — Review of Historical Results of Operation — Summary of historical financial information during the Track Record Period — Gross profit and gross profit margin" for details on our gross profit and gross profit margin throughout the Track Record Period.

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

In FY2020, FY2021, FY2022, 6M2022 and 6M2023, we had operating loss of RMB595.6 million, RMB882.5 million, RMB953.3 million, RMB503.3 million and RMB542.2 million, respectively. The operating loss was generally due to our (i) share-based compensation of RMB64.5 million, RMB156.4 million, RMB204.4 million, RMB114.9 million and RMB179.5 million, in FY2020, FY2021, FY2022, 6M2022 and 6M2023, respectively; and (ii) one-off share-based payments to facilitate acquisition of a subsidiary of RMB92.0 million in FY2022. Our adjusted net losses (Non-HKFRS measure) was primarily due to the research and development expenses for developing new products to capture market shares, selling and marketing expenses for promoting our brands and products and general and administrative expenses for supporting our operations. See "Financial Information — Review of Historical Results of Operation — Summary of historical financial information during the Track Record Period — Operating loss, adjusted net losses (Non-HKFRS measure) and net loss" for details on our operating loss, adjusted net losses (Non-HKFRS measure) and net loss throughout the Track Record Period.

Summary of Consolidated Statements of Financial Position

The following table sets forth a summary of our consolidated statements of financial position as of the dates indicated:

	As of December 31,			As of June 30,
	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000
Total non-current assets	882,436	1,076,810	1,402,843	1,612,702
Total current assets	1,557,743	1,590,435	1,385,159	2,006,137
Total assets	2,440,179	2,667,245	2,788,002	3,618,839
Total non-current liabilities	140,083	233,523	369,583	565,298
Total current liabilities	1,275,860	1,673,724	1,364,495	1,449,103
Total liabilities	1,415,943	1,907,247	1,734,078	2,014,401
Net current assets/(liabilities)	281,883	(83,289)	20,664	557,034
Net assets	1,024,236	759,998	1,053,924	1,604,438
Non-controlling interests	4,891	7,552	92,645	141,434

See "Financial Information — Liquidity and Capital Resources — Net Current Assets/(Liabilities)" for details on our net current assets/(liabilities) throughout the Track Record Period.

Our net assets decreased from RMB1,024.2 million as of December 31, 2020 to RMB760.0 million as of December 31, 2021, primarily due to loss for the year of RMB917.5 million in FY2021, partially offset by the issuance of ordinary shares of RMB500.0 million. Our net assets increased to RMB1,053.9 million as of December 31, 2022, primarily due to (i) the issuance of ordinary shares of RMB861.3 million; (ii) the equity incentive schemes – value of services of RMB204.4 million; and (iii) the acquisition of Shanghai UBJ of RMB118.9 million, including issuance of ordinary shares in connection with the acquisition of Shanghai UBJ of RMB92.0 million and change of non-controlling interest of RMB26.9 million. The increase was partially offset by the loss for the year of RMB987.4 million in FY2022.

Our net assets then increased to RMB1,604.4 million as of June 30, 2023, primarily due to the (i) equity incentive schemes – value of services of RMB179.5 million; and (ii) issuance of ordinary shares of RMB820.0 million. The increase was partially offset by the loss for the period of RMB547.9 million in 6M2023.

Summary Consolidated Statements of Cash Flows

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

	FY2020	FY2021	FY2022	6M2022	6M2023
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Net cash flows used in operating activities	(602,647)	(680,696)	(543,488)	(115,114)	(526,548)
Net cash flows used in investing activities	(189,392)	(227,062)	(389,526)	(106,565)	(218,769)
Net cash flows generated from financing activities	1,028,326	560,470	802,797	697,393	1,218,281
Net increase/(decrease) in cash and cash equivalents	236,287	(347,288)	(130,217)	475,714	472,964
Cash and cash equivalents at beginning of year/period	388,839	621,754	273,103	273,103	145,398
Effect of foreign exchange rate changes, net	(3,372)	(1,363)	2,512	1,159	786
Cash and cash equivalents at end of year/period	621,754	273,103	145,398	749,976	619,148

See "Financial Information — Liquidity and Capital Resources — Cash Flows — Operating activities" and "Financial Information — Liquidity and Capital Resources — Cash Flows — Investing activities" for details on our net cash used in operating and investing activities, respectively, throughout the Track Record Period.

KEY FINANCIAL RATIOS

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

	As of or for the year ended December 31,			As of or for the six months ended June 30,
	2020	2021	2022	2023
Gross profit margin[(1)] (%)	**44.7**	**31.3**	**29.2**	**20.2**
Current ratio[(2)] (times)	1.2	1.0	1.0	1.4
Quick ratio[(3)] (times)	0.9	0.7	0.8	1.1
Gearing ratio[(4)] (%)	65.8	111.2	65.4	62.4

Notes:

(1) Calculated by dividing gross profit by revenue for the year/period multiplied by 100%. See "Financial Information — Review of Historical Results of Operation" for more details on our gross profit margins.

(2) Calculated by dividing total current assets by total current liabilities as of the end of the year/period.

(3) Calculated by dividing total current assets minus inventory by total current liabilities as of the end of the year/period.

(4) Calculated by dividing total interest-bearing borrowings and lease liabilities divided by total equity as of the end of the year/period multiplied by 100%.

BUSINESS SUSTAINABILITY AND MEASURES TO ACHIEVE PROFITABILITY

	FY2020	FY2021	FY2022	6M2022	6M2023
				(Unaudited)	
Revenue *(RMB'000)*	740,226	817,230	1,008,272	283,523	261,139
Gross profit margin *(%)*(1)	44.7	31.3	29.2	13.7	20.2
Net margin *(%)*(2)	(95.5)	(112.3)	(97.9)	(181.7)	(209.8)

Notes:

(1) Gross profit margin equals to gross profit for the year/period divided by revenue for the year/period and multiplied by 100%.

(2) Net margin equals net loss for the year/period divided by revenue for the year/period and multiplied by 100%.

Revenue growth, net-loss and operating net cash outflow

Despite we recorded a growth in revenue, we experienced net-loss during the Track Record Period. Furthermore, we experienced net cash outflows from operating activities mainly including R&D expenses, selling and marketing expenses, general and administrative expenses to develop and promote our new products and services.

Measures to achieve profitability

In order to strengthen our position in the smart service robotic products and services market and achieve profitability, we intend to enhance our financial performance by (i) continuously growing our revenue and business scale through (a) enhancing the selection and market presence of our smart service robotic products and services offerings, (b) commercializing our products and services for application in new use scenarios of different sectors, (c) expanding our sales network and market penetration; and (ii) effectively managing our cost and expenses. Despite our continued efforts to increase our business scale, create value for our customers and end-users and effectively manage our cost and expenses, we may continue to incur net losses in the near future including the financial year ending December 31, 2023, primarily due to our substantial expenditures in relation to our R&D expenses, selling and marketing expenses and general administrative expenses. See "Business — Business Sustainability and Measures to Achieve Profitability" for details.

OUR CONTROLLING SHAREHOLDERS

As of the Latest Practicable Date, Mr. Zhou Jian, Shenzhen Sanciyuan, Mr. Xia Zuoquan, Mr. Xia Yongjun, Ms. Wang Lin, Shenzhen Evolution, Mr. Xiong Youjun, Shenzhen Zhineng Youxuan and Mr. Zhao Guoqun (collectively, the "**Concert Parties**") together held approximately 52.59% (approximately 25.48%, 3.58%, 5.63%, 2.72%, 2.02%, 9.74%, 2.04%, 0.79% and 0.61% respectively) of the issued share capital of our Company. Mr. Zhou Jian, through his role as the general partner of Shenzhen Sanciyuan, indirectly controls approximately 3.58% of the issued share capital of our Company. Ms. Wang Lin, through her role as the general partner of Shenzhen Evolution, indirectly controls approximately 10.00% of the issued share capital of our Company. Furthermore, each of Mr. Zhao Guoqun, Mr. Xia Yongjun, Ms. Wang Lin, Mr. Xiong Youjun, Mr. Xia Zuoquan and Shenzhen Zhineng Youxuan has entered into concert party agreements with Mr. Zhou Jian. Immediately following the completion of the [**REDACTED**] (assuming the [**REDACTED**] is not exercised), the Concert Parties will be a group of Controlling Shareholders of our Company. See "Relationship with our Controlling Shareholders" for details of our Controlling Shareholders.

Immediately following the completion of the [**REDACTED**] (assuming the [**REDACTED**] is not exercised), Mr. Zhou Jian, Shenzhen Sanciyuan, Mr. Xia Zuoquan, Mr. Xia Yongjun, Ms. Wang Lin, Shenzhen Evolution, Mr. Xiong Youjun, Shenzhen Zhineng Youxuan and Mr. Zhao Guoqun will together hold approximately [**REDACTED**] (approximately [**REDACTED**], [**REDACTED**], [**REDACTED**], [**REDACTED**], [**REDACTED**], [**REDACTED**], [**REDACTED**], [**REDACTED**] and [**REDACTED**] respectively) of the issued share capital of our Company.

[REDACTED] INVESTMENTS

Our Company has entered into several rounds of [**REDACTED**] financing agreements with our [**REDACTED**] Investors since 2013 (including but not limited to QM25 Limited, Shanghai Ding Hui Jia Ling Investment Center Limited Partnership* (上海鼎暉嘉瓴投資中心(有限合夥)), Tencent Technology (Shenzhen) Co., Ltd.* (騰訊科技(深圳)有限公司) and ICBC (Shenzhen) Equity Investment Fund Limited Partnership* (工銀(深圳)股權投資基金合夥企業(有限合夥))) with the aggregate fund raising amount of approximately RMB5.61 billion up to the Latest Practicable Date. See "History, Development and Corporate Structure — [**REDACTED**] Investments" for further details of the identity and background of the [**REDACTED**] Investors.

RISK FACTORS

There are certain risks relating to our business operations. These can be categorized into (i) risks relating to our industry; (ii) risks relating to our business; (iii) risks relating to conducting business in the PRC; (iv) risks relating to International Sanctions; and (v) risks relating to the [**REDACTED**] and our Shares. See "Risk Factors" for details.

— There are uncertainties in the future market demand of smart service robotic products and services and we cannot assure that we will continue to generate the same level of revenue and that our business will continue to grow.

— Developments in alternative technologies and products may adversely affect the demand for smart service robotic products and services.

— The growth of robotic and AI technologies commercialization or the usage of AI technologies in the smart service robotic products and services industry may not meet expectation, and our business, growth and prospects may be significantly affected as a result.

— The standards of and applications for robotic and AI technologies are constantly evolving. Any inappropriate use or flaws of such technologies, whether actual or perceived, intended or inadvertent, or committed by us or by other third parties, could have negative impact on our business and the public's acceptance of smart service robotic products or services.

— The smart service robotic products and services industry is becoming increasingly competitive. If we fail to compete successfully, our business, financial condition and results of operations may be materially and adversely affected.

NON-COMPLIANCE MATTERS

During the Track Record Period, we were involved in certain non-compliance incidents. See "Business — Non-Compliance Matters" for details of our non-compliance incidents.

[REDACTED] STATISTICS(1)

	Based on an [REDACTED] of [REDACTED] per Share	Based on an [REDACTED] of [REDACTED] per Share
[REDACTED] of our Domestic Shares(2)	[REDACTED]	[REDACTED]
[REDACTED] of H Shares converted from Domestic Shares(3)	[REDACTED]	[REDACTED]
[REDACTED] of our H Shares(4)	[REDACTED]	[REDACTED]
[REDACTED] of our Shares(5)	[REDACTED]	[REDACTED]
Unaudited [REDACTED] adjusted consolidated net tangible assets attributable to owners to the Company per Share(6)	[REDACTED]	[REDACTED]

Notes:

(1) All statistics in this table are on the assumption that the [**REDACTED**] is not exercised.

(2) The calculation of [**REDACTED**] is based on [**REDACTED**] Domestic Shares expected to be in issue immediately upon completion of the [**REDACTED**].

(3) The calculation of [**REDACTED**] is based on [**REDACTED**] H Shares converted from Domestic Shares expected to be in issue immediately upon completion of the [**REDACTED**].

(4) The calculation of [**REDACTED**] is based on [**REDACTED**] H Shares expected to be in issue immediately upon completion of the [**REDACTED**].

(5) The calculation of [**REDACTED**] is based on [**REDACTED**] Shares expected to be in issue immediately upon completion of the [**REDACTED**].

(6) The unaudited [**REDACTED**] adjusted consolidated net tangible assets per Share is arrived at after the adjustments referred to in note (2) of Appendix II to this document and on the basis that [**REDACTED**] Shares (representing [**REDACTED**] ordinary Shares as at June 30, 2023 and [**REDACTED**] to be issued upon the completion of the [**REDACTED**]) were in issue, assuming that the [**REDACTED**] had been completed on June 30, 2023 but does not take into account of any Shares which may be allotted and issued by the Company pursuant to the exercise of the [**REDACTED**].

DIVIDEND POLICY

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

[**REDACTED**]

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

During the Track Record Period, total [**REDACTED**] of [**REDACTED**] were incurred, among which (i) [**REDACTED**] and [**REDACTED**] were charged to our consolidated income statements in FY2022 and 6M2023, respectively, and (ii) expenses directly attributable to the issuance of [**REDACTED**] of [**REDACTED**] were recognized as prepayment for [**REDACTED**] in the consolidated statements of financial position as at June 30, 2023, which will be deducted from equity upon [**REDACTED**]. We expect to incur [**REDACTED**] and other additional [**REDACTED**] of [**REDACTED**] after June 30, 2023 (assuming an [**REDACTED**] of [**REDACTED**] per [**REDACTED**], being the mid-point of the [**REDACTED**] stated in this document), of which [**REDACTED**] will be charged to the consolidated income statements after June 30, 2023, and [**REDACTED**] will be deducted from equity upon completion of the [**REDACTED**]. The [**REDACTED**] above are the latest practicable estimate and are for reference only. The actual amount may differ from this estimate.

IMPACT OF COVID-19

Since the end of December 2019, the outbreak of a novel strain of coronavirus named COVID-19 has materially and adversely affected the global economy. Since early 2020, there has been global exposure to COVID-19. See "Business — Impact of COVID-19 outbreak" for further details.

In view of the outbreak of COVID-19, there had been decrease in demand of our education smart robotic products and services due to the temporary suspension of schools in certain provinces in from our education smart robotic products and services from RMB612.2 million in FY2020 to RMB461.8 million in FY2021; and we temporarily suspended our production facilities in Shenzhen in FY2020 and FY2022 on a few occasions. However, our Directors believe that the suspensions did not have a material impact on our overall operations and financials, as (i) our production and inventory levels were sufficient to support our operations; and (ii) the revenue of our Group increased from RMB740.2 million in FY2020, to RMB817.2 million in FY2021, and RMB1,008.3 million in FY2022 due to introduction of new products.

The entire document should be read carefully and we strongly caution potential investors not to place any reliance on any information contained in press articles or disseminated through our media relating to us and/or the [**REDACTED**], certain of which may not be consistent with the information contained in this document.

RECENT DEVELOPMENTS

Our revenue is subject to seasonal fluctuation, whereby our sales typically peak in the fourth quarter of the year, as most of our revenue were contributed by our customers of enterprise-level smart service robotic products and services (over 85% of our total revenue for FY2020, FY2021 and FY2022) which generally have a financial year ending on December 31 of the calendar year. Revenue from our education smart robotic products and services, which form a major component of our total revenue, is generated from contracts which are generally obtained through tendering on a case-by-case or project-by-project basis, while we only secured limited purchase orders for our education smart robotic products and services in 6M2023. This is because there were limited tenders published by our potential customers during the same period. Based on our discussions with potential customers, we anticipate that an increasing number of notices of tender(s) with sizable contract value will be published, or are being published, after 6M2023. For example, in September

2023, we secured an education smart robotic products and services project tendered by a government educational bureau located in Ganzhou City of Jiangxi Province with a contractual value of RMB291.9 million, of which approximately RMB232 million is expected to be recognized as revenue in FY2023. As of the Latest Practicable Date, we have secured purchase orders of not less than RMB613 million which are expected to be recognized as revenue in FY2023.

In light of the foregoing factors, our revenue and gross profit for the six months ended December 31, 2023 are expected to be substantially higher than that for 6M2023. Based on our unaudited management accounts for the nine months ended September 30, 2023 ("**9M2023**"), our revenue for the three months ended September 30, 2023 ("**3Q2023**") was greater than that for 6M2023, and increased moderately as compared to the corresponding three-month period in 2022. Meanwhile, our gross profit for 3Q2023 was significantly higher than that for 6M2023, and represented a slight increase as compared to the corresponding three-month period in 2022 mainly due to the substantial decrease in net write-down of inventories. Our gross profit margin for 3Q2023 likewise improved as compared to 6M2023. As a result of the foregoing increase in revenue and gross profit in 3Q2023, our revenue and gross profit for 9M2023 increased by not less than 10% and 10%, respectively, as compared to the nine months ended September 30, 2022 ("**9M2022**"), while our gross profit margin remained stable for 9M2023 and 9M2022. In particular, gross profit margin of our education smart robotic products and services increased from 35.2% in 6M2023 to not less than 50% for 9M2023 and is comparable to the gross profit margin for this business segment for 9M2022. Looking forward, as we continuously deliver our products and services under our secured purchase orders towards the end of the year, we expect our results for the entire FY2023 to better reflect our overall financial performance.

In August 2023, (i) our Walkers were deployed in the Chengdu FISU World University Games 2023 to perform more complex motions on stage such as greetings while standing on two wheels scooters; and (ii) we have participated in the 2023 World Robot Conference in Beijing to build connections with and demonstrated the functionalities of our latest smart service robotic products and services to potential customers in the PRC, such as the capability to autonomously translate verbal instructions into instructions for robots to perform individual executable tasks (e.g. object detection and recognition, obstacle avoidance, positioning, etc.) which is facilitated by big data modelling (大數據模型) and multimodal interaction (多模態交互) technologies and applied to our Walker-X.

We expect to continue to incur substantial selling and marketing expenses, general and administrative expenses and R&D expenses, and record net loss in 2023. We also expect to continue to record net losses in the near future. However, we intend to adopt certain measures to maintain sustainability and continue to grow our business to achieve profitability. See "Business — Business Sustainability and Measures to Achieve Profitability" for details.

Save as disclosed above, our Directors confirmed that, up to the date of this document, there had been no material adverse change in the operational performance, financial or trading positions or prospects of our Group since June 30, 2023 (being the date of which our Group's latest audited financial statements were made up as set out in the Accountant's Report in Appendix I) and there had been no event since June 30, 2023 which would materially affect the information shown in "Financial Information" and the Accountant's Report in Appendix I to this document.

APPLICATION FOR [REDACTED] ON THE STOCK EXCHANGE

We have applied to the Stock Exchange for the granting of the [**REDACTED**] of, and permission to [**REDACTED**] in, our H Shares to be issued pursuant to the [**REDACTED**] (including any additional H Shares which may be issued pursuant to the exercise of the [**REDACTED**] and the H Shares to be converted from Domestic Shares), on the basis that, among other things, we satisfy the [**REDACTED**] test under Rule 8.05(3) of the Listing Rules with reference to (i) our revenue of RMB1,008.3 million generated in FY2022, and (ii) our expected market capitalization at the time of [**REDACTED**], which, based on the low end of the [**REDACTED**], exceeding HK$4 billion. [**REDACTED**] in the H Shares on the Stock Exchange are expected to commence on [**REDACTED**].

In this document, unless the context otherwise requires, the following words and expressions shall have the meanings set out adjacent to them.

"2019 Guidance Letter"	HKEx-GL101-19 Guidance on Sanctions Risks issued by the Hong Kong Stock Exchange in March 2019
"6M2022"	the six months ended June 30, 2022
"6M2023"	the six months ended June 30, 2023
"Accountant's Report"	the accountant's report on our Group for the Track Record Period is set out in Appendix I to this document
"AFRC"	Accounting and Financial Reporting Council of Hong Kong
"AGV(s)"	automated guided vehicle(s)
"AMR(s)"	autonomous mobile robot(s)
"Articles" or "Articles of Association"	the articles of association of our Company adopted on December 27, 2022 which will take effect from the [**REDACTED**], as amended, supplemented or otherwise modified from time to time, a summary of which is contained in Appendix VI to this document
"artificial general intelligence"	AI technologies that provide machines the ability to think, comprehend, learn, and apply their intelligence to solve complex problems in a human-like manner according to Frost & Sullivan
"artificial narrow intelligence" or "ANI"	AI technologies that are generally developed or used only for specific and narrow tasks and/or application scenarios and cannot fully perform intellectual capabilities of human-beings at their current stage according to Frost & Sullivan
"artificial super intelligence"	AI technologies that surpass human intelligence by manifesting cognitive skills and developing thinking skills of their own according to Frost & Sullivan
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Audit Committee"	the audit committee of our Board
"biped" or "bipedal"	two-legged, according to Frost & Sullivan
"BIS"	the U.S. Department of Commerce, Bureau of Industry and Security
"BIS List"	the Bureau of Industry and Security's Entity List, Denied Parties List, or the Unverified List maintained by the U.S. Department of Commerce

"Board of Directors" or "Board"	our board of Directors
"Board of Supervisors"	our board of Supervisors
"business day"	any day (other than a Saturday, Sunday or public holiday in Hong Kong) on which banks in Hong Kong are open generally for normal banking business to the public
"CAGR"	compound annual growth rate
"Capital Market Intermediaries" or "capital market intermediary(ies)" or "CMI(s)"	the capital market intermediaries participating in the [**REDACTED**] and has the meaning ascribed thereto under the Listing Rules

[**REDACTED**]

"CCL"	means the Commerce Control List within the EAR maintained by the BIS, which includes items (i.e., commodities, software, and technology) subject to the export licensing authority of BIS
"China" or "Mainland China" or "PRC"	the People's Republic of China, excluding for the purposes of this document only, Hong Kong, the Macau Special Administrative Region of the People's Republic of China and Taiwan
"close associate(s)"	has the meaning ascribed to it under the Listing Rules
"Companies Ordinance"	the Companies Ordinance of Hong Kong (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Companies (Winding Up and Miscellaneous Provisions) Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance of Hong Kong (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Company" or "our Company"	UBTECH ROBOTICS CORP LTD (深圳市優必選科技股份有限公司) (formerly known as Shenzhen UBTECH Technology Co., Ltd.* (深圳市優必選科技有限公司)), a limited liability company established under the laws of the PRC on March 31, 2012 and converted into a joint stock company with limited liability on March 29, 2019
"Comprehensively Sanctioned Countries"	means Cuba, Iran, North Korea, Syria, the Crimea Region of Ukraine, the self-proclaimed Luhansk People's Republic, the self-proclaimed Donetsk People's Republic, and Zaporizhzhia and Kherson territories of Ukraine occupied by Russia in respect of the Track Record Period
"computer vision"	computer vision technologies enable robots to identify and recognize face and objects they encounter, help pick out details in objects and help with navigation and avoidance, according to Frost & Sullivan
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"connected transaction(s)"	has the meaning ascribed to it under the Listing Rules
"Controlling Shareholders"	for the purpose of this document only, refers to Mr. Zhou Jian (周劍), Shenzhen Sanciyuan, Mr. Xia Zuoquan (夏佐全), Mr. Xia Yongjun (夏擁軍), Ms. Wang Lin (王琳), Shenzhen Evolution, Mr. Xiong Youjun (熊友軍), Shenzhen Zhineng Youxuan and Mr. Zhao Guoqun (趙國群)
"Conversion of Domestic Shares into H Shares"	the conversion of an aggregate of [**REDACTED**] Domestic Shares into H Shares on a one-for-one basis upon the completion of the [**REDACTED**]

"core connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Corporate Governance Code" or "CG Code"	the provisions set out under "Corporate Governance Code and Corporate Governance Report" in Appendix 14 to the Listing Rules
"COVID-19"	coronavirus disease 2019
"CSRC"	China Securities Regulatory Commission* (中國證券監督管理委員會)
"degrees-of-freedom"	degrees-of-freedom of a robot refer to the independent joint that can provide freedom of movement and can be used to define the motion capabilities of robots
"Director(s)"	director(s) of our Company
"Domestic Share(s)"	ordinary share(s) in the share capital of our Company, with a nominal value of RMB1.00 each, which are subscribed for and paid up in Renminbi and are unlisted Shares which are currently not [**REDACTED**] or traded on any stock exchange
"EAR"	the U.S. Export Administration Regulations, 15 C.F.R. Parts 730-774
"ECCN"	means the U.S. Export Control Classification Number, which is an alphanumeric code used in the CCL to describe items and indicate licensing requirements for U.S. export control purposes
"EIT Law"	Enterprise Income Tax Law of the PRC* (中華人民共和國企業所得稅法), as amended or supplemented from time to time
"ESG and Sustainability Committee"	the environmental, social, governance and sustainability committee of our Board
"EU"	the European Union
"Executive Director(s)"	executive director(s) of our Company
"Extreme Conditions"	extreme conditions caused by a super typhoon as announced by the government of Hong Kong

[**REDACTED**]

"full-stack technologies"	technologies which include computer vision, voice interaction, servo actuators, motion planning and control, and positioning navigation, according to Frost & Sullivan

"FY2020"	the financial year ended December 31, 2020
"FY2021"	the financial year ended December 31, 2021
"FY2022"	the financial year ended December 31, 2022
"GDP"	gross domestic product
"GFA"	gross floor area

[**REDACTED**]

"Group", "we", "our" or "us"	our Company and its subsidiaries (as defined under the Listing Rules) at the relevant time and, where the context requires, in respect of the period prior to our Company becoming the holding company of its present subsidiaries, such subsidiaries of our Company at the relevant time
"H Share(s)"	overseas [**REDACTED**] foreign share(s) in the share capital of our Company with a nominal value of RMB1.00 each, which are to be subscribed for and traded in Hong Kong dollars and are to be [**REDACTED**] on the Stock Exchange

[**REDACTED**]

"HK$" or "Hong Kong dollars"	Hong Kong dollars, the lawful currency of Hong Kong
"HKFRS"	Hong Kong Financial Reporting Standards
"HKICPA"	The Hong Kong Institute of Certified Public Accountants
"HKSCC"	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC

[**REDACTED**]

"Hong Kong Securities and Futures Ordinance" or "SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Hong Kong Stock Exchange" or "Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Hong Kong Takeovers Code" or "Takeovers Code"	The Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended, supplemented or otherwise modified from time to time

[**REDACTED**]

"Independent Non-executive Director(s)"	independent non-executive Director(s) of our Company
"Independent Third Party(ies)"	party(ies) which, as far as our Directors are aware after having made all reasonable enquiries, is not a connected person(s) (as defined in the Listing Rules) of the Company
"Industry Consultant" or "Frost & Sullivan"	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., an independent market research and consulting company
"Industry Report"	an independent market research report commissioned by our Company and prepared by our Industry Consultant for the purpose of this document

[**REDACTED**]

"International Sanctions"	all applicable laws and regulations related to economic sanctions, export controls, trade embargoes and wider prohibitions and restrictions on international trade and investment related activities, including those adopted, administered and enforced by the U.S. Government, the E.U. and its member states, the U.K., the U.N., the Government of Australia or any other governmental authority having jurisdiction over our business
"International Sanctions Legal Advisers"	Ashurst Hong Kong, our legal advisers as to International Sanctions laws in connection with the [**REDACTED**]

[**REDACTED**]

[**REDACTED**]

"Latest Practicable Date"	November 27, 2023, being the latest practicable date for the purpose of ascertaining certain information contained in this document prior to its publication

[**REDACTED**]

"Listing Committee"	the listing committee of the Stock Exchange

[**REDACTED**]

"Listing Rules"	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the Growth Enterprise Market of the Stock Exchange

[**REDACTED**]

"MOFCOM"	the Ministry of Commerce of the PRC (中華人民共和國商務部)
"NDRC"	the National Development and Reform Commission of the PRC* (中華人民共和國國家發展和改革委員會)

"Nm"	a newton-meter, which is the unit of torque, and one newton-meter is equal to the torque resulting from a force of one newton applied perpendicularly to the end of a moment arm that is one metre long
"Nomination Committee"	the nomination committee of our Board
"Non-executive Director(s)"	non-executive Director(s) of our Company
"NPC" or "National People's Congress"	the National People's Congress of the PRC
"ODM"	original design manufacturer, a company that designs and manufactures a product that will be rebranded by another company for sale
"OEM"	original equipment manufacturer, a company that produces equipment that may be remarketed by another manufacturer
"OFAC"	the U.S. Treasury Department's Office of Foreign Assets Control, the principal U.S. regulator implementing and enforcing U.S. International Sanctions programmes and policies

[**REDACTED**]

"PBOC"	the People's Bank of China
"positioning navigation"	positioning navigation is the robot's ability to establish its own position and navigation, within the frame of reference. The ability to navigate in its environment helps robots avoid dangerous situations, according to Frost & Sullivan
"PRC Company Law"	Company Law of the PRC* (中華人民共和國公司法), as amended and adopted by the Standing Committee of the Tenth National People's Congress on October 27, 2005 and effective on January 1, 2006, as amended or supplemented from time to time, which was latest amended on October 26, 2018
"PRC GAAP"	generally accepted accounting principles in the PRC
"PRC government" or "State"	the government of the PRC, including all governmental subdivisions (including provincial, municipal and other regional or local government entities)
"PRC Legal Adviser"	King & Wood Mallesons, the PRC Legal Adviser of our Company in connection with the [**REDACTED**]
"[**REDACTED**] *Investments"*	the [**REDACTED**] investments in our Group made by the [**REDACTED**] Investors as more particularly set out in "History, Development and Corporate Structure — [**REDACTED**] Investments"
"[**REDACTED**] *Investors"*	the [**REDACTED**] investors who have [**REDACTED**] for increased registered capital of our Company or acquired equity interest from some of our Shareholders to, among other things, enable us to raise funds for the development of our business as more particularly set out in "History, Development and Corporate Structure — [**REDACTED**] Investments"

[**REDACTED**]

"Primary Sanctioned Activity"	has the meaning ascribed to it under the 2019 Guidance Letter, means any activity in a Sanctioned Country or (i) with; or (ii) directly or indirectly benefiting, or involving the property or interests in property of, a Sanctioned Target by a [**REDACTED**] applicant incorporated or located in a Relevant Jurisdiction or which otherwise has a nexus with such jurisdiction with respect to the relevant activity, such that it is subject to the relevant sanctions law or regulation

"document"	this document being issued in connection with the [**REDACTED**]
"QIBs" or "Qualified Institutional Buyers"	qualified institutional buyers within the meaning of Rule [**REDACTED**]
"R&D"	research and development
"Regulation S"	Regulation S under the U.S. Securities Act
"Relevant Activities"	business dealings of our Group with certain customers in Belarus, Egypt, Hong Kong, Iraq, Russia, Serbia, Turkey and Ukraine (excluding Crimea, Luhansk, Donetsk, Zaporizhzhia and Kherson regions) and a service provider from Turkey
"Relevant Countries"	Belarus, Egypt, Hong Kong, Iraq, Russia, Serbia, Turkey and Ukraine (excluding Crimea, Luhansk, Donetsk, Zaporizhzhia and Kherson regions)
"Relevant Jurisdictions"	has the meaning ascribed to it under the 2019 Guidance Letter, means any jurisdiction that is relevant to the [**REDACTED**] applicant and has sanctions related law or regulation restricting, among other things, its nationals and/or entities which are incorporated or located in that jurisdiction from directly or indirectly making assets or services available to or otherwise [**REDACTED**] in assets of certain countries, governments, persons or entities targeted by such law or regulation. For the purposes of this document, Relevant Jurisdictions include the U.S., the E.U., the U.K., the U.N. and Australia
"Relevant Persons"	has the meaning ascribed to it under the 2019 Guidance Letter, means our Group, our investors and shareholders and persons who might, directly or indirectly, be involved in permitting the [**REDACTED**], trading, clearing and settlement of our shares, including the Sole Sponsor, the [**REDACTED**], the Hong Kong Stock Exchange, [**REDACTED**], [**REDACTED**] and the SFC
"Relevant Sanctions Authorities"	means the relevant governmental authorities in the Relevant Jurisdictions that administer their respective sanctions related law or regulation, such as the OFAC
"Remuneration and Appraisal Committee"	the remuneration and appraisal committee of our Board
"Reporting Accountant"	PricewaterhouseCoopers, the reporting accountant of our Company
"RMB"	Renminbi, the lawful currency of the PRC

"robot(s)" or "robotic product(s)"	means an actuated mechanism programmable in two or more axes with a degree of autonomy (i.e. the ability to perform intended tasks based on current state and sensing, without human intervention), moving within its environment, to perform intended tasks, according to Frost & Sullivan
"Robot-as-a-Service" or "RaaS"	an offering which involves robots as a subscription service with content creation capabilities through human-robot interactions
"robotic motion planning and control"	robotic motion planning and control refers to the process of breaking down a desired movement task into discrete motions that satisfy movement constraints and optimize some aspect of the movement, according to Frost & Sullivan
"robotic products and services"	means robotic hardware, other accessories, software and/or ancillary equipment and services which can be used in conjunction to achieve particular purpose(s) in use scenario(s) in a particular sector, according to Frost & Sullivan
"Rule 144A"	Rule 144A under the U.S. Securities Act
"SAFE"	State Administration of Foreign Exchange of the PRC* (中華人民共和國國家外匯管理局)
"Sanctioned Country"	has the meaning ascribed to it under the 2019 Guidance Letter, means any country or territory subject to a general and comprehensive export, import, financial or investment embargo under sanctions related law or regulation of the Relevant Jurisdiction, which means a Comprehensively Sanctioned Country for the purposes of this document
"Sanctioned Target"	has the meaning ascribed to it under the 2019 Guidance Letter, means any person or entity (i) designated on the SDN List or any list of targeted persons or entities issued under the sanctions-related law or regulation of a Relevant Jurisdiction; (ii) that is, or is owned or controlled by, a government of a Sanctioned Country; or (iii) that is the target of sanctions under the law or regulation of a Relevant Jurisdiction because of a relationship of ownership, control, or agency with a person or entity described in (i) or (ii)
"Sanctioned Trader"	has the meaning ascribed to it under the 2019 Guidance Letter, means any person or entity that does a material portion (10% or more) of its business with Sanctioned Targets and Sanctioned Country entities or persons
"SAT"	State Administration of Taxation of the PRC* (中華人民共和國國家稅務總局)

"SDN List"	the list of Specially Designated Nationals and Blocked Persons maintained by OFAC, which sets forth individuals and entities that are subject to its sanctions and restricted from dealing with U.S. persons
"SEC"	the U.S. Securities and Exchange Commission
"Secondary Sanctionable Activity"	has the meaning ascribed to it under the 2019 Guidance Letter, means certain activity by a [**REDACTED**] applicant that may result in the imposition of sanctions against the Relevant Persons by a Relevant Jurisdiction (including designation as a Sanctioned Target or the imposition of penalties), even though the Company is not incorporated or located in that Relevant Jurisdiction and does not otherwise have any nexus with that Relevant Jurisdiction
"servo actuators"	servo actuators are joints of robots that enable the performance of diverse, flexible and precise movements and perform safe, smooth, accurate and agile joint movements and carry out complex tasks. Servo actuators can support rotational movement to realize human-like movement and other application scenes, according to Frost & Sullivan
"SFC"	the Securities and Futures Commission of Hong Kong
"Share(s)"	ordinary share(s) in the share capital of our Company, with a nominal value of RMB1.00 each, including both the Domestic Share(s) and the H Share(s)
"Shareholder(s)"	holder(s) of our Share(s)
"Shenzhen Sanciyuan"	Shenzhen Sanciyuan Enterprise Management Consulting Limited Partnership* (深圳三次元企業管理諮詢合夥企業(有限合夥)), formerly known as Huzhou Sanciyuan Technology Limited Partnership* (湖州三次元科技合夥企業(有限合夥)), a limited partnership established under the laws of PRC on February 3, 2016, being one of our Controlling Shareholders
"Shenzhen Evolution"	Shenzhen Evolution Investment Limited Partnership* (深圳市進化論投資合夥企業(有限合夥)), formerly known as Shenzhen Evolution Investment General Partnership* (深圳市進化論投資合夥企業(普通合夥)), a limited partnership established under the laws of PRC on July 17, 2015, being one of our Controlling Shareholders
"Shenzhen Zhineng Youxuan"	Shenzhen Zhineng Youxuan Investment Limited Partner* (深圳市智能優選投資合夥企業(有限合夥)), a limited partnership established under the laws of PRC on March 15, 2016, being one of our Controlling Shareholders

"SLAM"	simultaneous localization and mapping, a technology that allows robots to build a map of an unknown environment and localize itself in that map at the same time
"smart service robot"	a smart service robot refers to a robotic system that is designed to perform various tasks and provide services to humans autonomously, excluding industrial automation applications. These robots are equipped with technologies such as computer vision, voice interaction and SLAM and automation, allowing them to perceive and interact with external environment
"smart service robotic services" or "smart robotic services"	services which integrates smart service robots with the necessary peripheral hardware and software products and services to perform intended tasks
"SOE"	state-owned enterprises* (國有資產企業), means enterprises which are wholly or partially owned by the PRC government

[**REDACTED**]

"Sole Sponsor"or "Guotai Junan Capital"	Guotai Junan Capital Limited, a licensed corporation registered under the SFO to carry on Type 6 (advising on corporate finance) regulated activities as defined in the SFO, being the Sole Sponsor to the [**REDACTED**]
"Special PRC Legal Adviser"	King & Wood Mallesons, the special legal advisers to our Company as to PRC data security and privacy protection matters
"Special U.S. Legal Advisers"	Ashurst Hong Kong, the special U.S. legal advisers of our Company with respect to U.S. regulatory and compliance matters in connection with the [**REDACTED**]

[**REDACTED**]

"State Council"	State Council of the PRC* (中華人民共和國國務院)
"Strategy Committee"	the strategy committee of our Board
"subsidiary(ies)"	has the meaning ascribed to it under the Listing Rules
"substantial shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"Supervisor(s)"	the supervisor(s) of our Company

"Track Record Period"	the period comprising FY2020, FY2021, FY2022 and 6M2023
"Undertaking of Indemnity"	the undertaking of indemnity dated November 23, 2023 entered into by Mr. Zhou Jian, Ms. Wang Lin and Mr. Xiong Youjun with the Company as referred to in "Appendix VII — Statutory and General Information — E. Other Information — 11. Tax and Other Indemnities"

[**REDACTED**]

"US$", "U.S. dollars" or "USD"	United States dollars, the lawful currency of the United States of America
"U.K."	the United Kingdom
"U.N."	the United Nations
"U.S." or "United States"	the United States of America, its territories and possessions, any state of the United States and the District of Columbia
"U.S. Persons"	means (i) any individual who is a U.S. citizen or legal permanent resident of the United States, including dual citizens, regardless of his or her current location in the world; (ii) any individual, regardless of his or her nationality, while physically located in the U.S.; (iii) any corporation, partnership, association, or other organization organized under the laws of the United States or of any state, territory, possession, or district of the United States; and (iv) the foreign branches of any U.S. corporation, partnership, association or other organization organized under the laws of the United States or of any state, territory, possession or district of the United States
"U.S. Securities Act"	the United States Securities Act of 1933, as amended, supplemented or otherwise modified from time to time
"VAT"	value-added tax
"voice interaction"	audio processing and natural language processing enable a robot to understand human language as they are speaking and enable robots to complete tasks that involve answering questions posed by humans, speech and text recognition, and determining sentiment, according to Frost & Sullivan
"Warranting Director"	Mr. Zhou Jian
"Warranting Shareholder"	Mr. Zhou Jian

"Warrantor(s)"	our Company, the Warranting Director and the Warranting Shareholder
"YoY"	year-on-year
"%"	per cent.

In this document:—

1. *Unless the context otherwise requires, the terms "associate", "close associate", "connected person", "connected transaction", "core connected persons" and "subsidiary" shall have the meanings given to such terms in the Listing Rules.*
2. *The English titles marked with "*" are unofficial English translations of the titles of natural persons, legal persons or entities, governmental authorities, institutions, laws, rules, regulations and other entities for which no official English translation exists. In the event of any inconsistency, the Chinese versions shall prevail. These English titles are for identification purpose only.*
3. *We use certain technical terms that are relevant to our business and the industry we operate in. These terms and their meanings set out above may not always correspond to standard industry meaning or usage of these terms.*
4. *Unless expressly stated or otherwise required by the context, all data are as of the Latest Practicable Date.*
5. *Unless otherwise specified, all references to any shareholdings in our Company assume no exercise of the* [**REDACTED**].
6. *Certain amounts and percentage figures included in this document have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.*

FORWARD-LOOKING STATEMENTS

FORWARD-LOOKING STATEMENTS CONTAINED IN THIS DOCUMENT ARE SUBJECT TO RISKS AND UNCERTAINTIES.

This document contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties. The forward-looking statements are contained principally in "Summary and Highlights", "Risk Factors", "Future Plans and Use of [**REDACTED**]", "Industry Overview", "Business" and "Financial Information". These statements relate to events that involve known and unknown risks, uncertainties and other factors, including those listed under "Risk Factors", which may cause our actual results, performance or achievements to be materially different from performance or achievements expressed or implied by the forward-looking statements. These forward-looking statements include, without limitation, statements relating to:

- our business prospects, strategies, plans, objectives and goals;
- the performance of global financial markets, including changes in our ability to access the capital markets and changes in the level of interest rates;
- the business opportunities that we may pursue;
- our dividend policy;
- the amount and nature of, and potential for, future development of our business; and
- certain statements in "Financial Information" with respect to trends in prices, volumes, operations, margins, overall market trends, risk management and exchange rates.

The words "anticipate", "believe", "could", "estimate", "expect", "intend", "may", "plan", "seek", "will", "would" and the negative of these terms and other similar expressions, as they relate to us, are intended to identify a number of these forward-looking statements. These forward-looking statements reflect our current views with respect to future events and are not a guarantee of future performance. Actual results may differ materially from information contained in the forward-looking statements as a result of a number of uncertainties and factors, including but not limited to:—

- our ability to achieve growth of existing businesses and expansion of operations through investments in assets;
- our ability to integrate acquired businesses and create synergies;
- changes in the governmental policies, laws or regulations of the relevant jurisdictions in which we or our customers operate in;
- our ability to attract and retain customers;
- our ability to attract and retain qualified employees and key personnel;
- our ability to protect our brand, trademarks or other intellectual property rights;
- successfully keeping up with technological improvements;
- global general economic, market and business conditions; and
- the other risk factors discussed in this document as well as other factors beyond our control.

Subject to the requirements of applicable laws, rules and regulations, we do not have any obligation to update or otherwise revise the forward-looking statements in this document, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this document might not occur in the way we expect, or at all. Accordingly, potential investors should not place undue reliance on any forward-looking information. All forward-looking statements contained in this document are qualified by reference to the cautionary statements set out in this section as well as the risks and uncertainties discussed in "Risk Factors".

PRINCIPAL RISKS FOR INVESTING IN THE [REDACTED]

The principal risk for a potential investment in the [**REDACTED**] *is that you may not be able to get back some or all of your original investments or you may not receive the returns you expected. This could happen for a number of reasons, for example if:—*

— the price at which you are able to sell your H Shares is less than the price you paid for them,
— you are unable to sell your H Shares at all, for instance because there are not enough buyers in the market,
— we do not pay dividends to the expected level, or at all, as our profits can be variable and this can adversely affect the amount of dividends paid,
— our operational and financial performance is worse than expected, or
— we become insolvent and are placed in receivership or liquidation.

The key risks specific to our business and other general market risks are set out below. These risks, were they to occur, could have a material adverse effect on our financial position or performance through reduced revenue, increased costs, reduced cash-flow, loss of customers, damage to reputation or a combination of these effects. Potential investors should consider such risk factors together with other information set out in this document.

RISKS RELATING TO OUR INDUSTRY

There are uncertainties in the future market demand of smart service robotic products and services and we cannot assure that we will continue to generate the same level of revenue and that our business will continue to grow.

According to Frost & Sullivan, the smart service robotic products and services industry in China and the rest of the world is characterized by evolving technologies, products and services and infrastructures, increasing competition, changing government regulations and industry standards, and changing market demands. Any changes of these factors may cause current or potential customers not to purchase our products or use our services. If the market for smart service robotic products and services does not develop as we expected or develops more slowly than we expected, our business, prospects, financial condition and operating results will be adversely affected.

Furthermore, it is part of our strategies to diversify and broaden our product and services offerings across different sectors and consumer-level use scenarios by utilizing our full-stack technologies. For instance, (i) in 2016, we launched our consumer-level robots and other hardware devices; (ii) in 2017, we launched our (a) education smart robotic products and services and (b) general service smart robotic products and services; and (iii) in late 2020, we launched our logistics smart robotic products and services. Demand for our products and services depends on the sector-specific market demand in industries where our products and services are sold and the general market demand for smart service robotic products and services. According to Frost & Sullivan, there is a positive attitude towards the use of education smart robotic products and services, and the national policy to promote robot education in primary and secondary schools, and thus the demand for programme writing education smart robotic products and services. Further, there is growth in demand for smart service robotic products and services in the manufacturing industry to increase efficiency and lower cost, and wellness and elderly care smart robotic products and services as a result of aging population in China and the rest of the world. However, there is no assurance that such positive attitudes will remain unchanged and the market demand will continue to grow or grow at the level as we expected, and our business and financial condition, results of operations and prospects would be materially and adversely affected as a result. For instance, with an aim to address the challenges faced by elderly care facilities, we began to launch our wellness and elderly care smart robotic products and services in small batches and began to sell in the second half of 2022. There is no assurance that we can replicate our success in other segments and achieve the same level of success as we intended. See "Business — Our Products and Services — Wellness and elderly care smart robotic products and services".

Developments in alternative technologies and products may adversely affect the demand for smart service robotic products and services.

Our smart service robotic products and services aim to assist humans in their daily life and work. Significant developments in alternative technologies and products which provides similar function may materially and adversely affect the growth and prospects of the smart service robotic products and services industry. For instance, according to Frost & Sullivan, the emergence of ChatGPT which is a large language model-based chat bot, may be a threat to our AI education software products as it provides an easy way for programmers to create code and fix flaws in their programs. Furthermore, Augmented Reality (AR), a technology that allows users to see digital information overlaid onto the real world, could potentially be used as an alternative to education smart robotic products and services as users can use AR to simulate virtual training environments without the need for physical robotic products. Given smart service robotic products are evolving rapidly and the path to strong smart service robotic products is still on the way and/or not certain, it is possible that new technologies and non-robotic products may emerge as customers' preferred alternative. Such new technologies and products may be more efficient, user-friendly and affordable than robotic products and may also render the use of robotic products obsolete and unnecessary in certain use scenarios. Moreover, it is difficult for the smart service robotic products and services to predict and actively prepare for the competition arising from the emergence of such new technologies and products because of their novel nature and the vast range of sectors which the smart service robotic products and services industry operates in. Any failure by the industry to develop new or enhanced technologies or processes to react to the such alternative products could result in the loss of competitiveness of the smart service robotic products and services industry, decrease in market expansion opportunities, decreased revenue, loss of talents, and a loss of market share to competitors. As a result, our business, prospects, financial condition and operating results will be adversely affected.

The growth of robotic and AI technologies commercialization or the usage of AI technologies in the smart service robotic products and services industry may not meet expectation, and our business, growth and prospects may be significantly affected as a result.

We segment our products and services by their targeted use scenarios of different sectors which include (i) Enterprise-level smart service robotic products and services which include (a) education smart robotic products and services; (b) logistics smart robotic products and services; and (c) other sector-tailored smart robotic products and services; and (ii) Consumer-level robots and other hardware devices. See "Business — Our Business Model" for details of our products and services offerings. As we aim to provide our smart service robotic products and services to more customers in different sectors and verticals, we may face challenges brought by the uncertain demand for the applications of robotic and AI technologies in the smart service robotic products and services industry. Whether potential customers accept our products and services depends, to a large extent, on their level of awareness of our products and services offerings and the widespread use of similar products and services. We cannot assure you that the trend of adopting and utilizing robotic and AI technologies by potential customers will continue in the future. In addition, with the continuous development of AI technology and commercialization of the relevant AI products and services, any potential future decrease in growth of the smart service robotic products and services industry in general or the price and profit margin of our smart service robotic products and services could result in material and adverse change to our business, growth and prospects.

Moreover, market expansion for AI products and services in China depends on a number of factors, including the growth in the application of AI in enterprise services and city management, the prevalence of smart IoT devices, as well as the performance and perceived value associated with such products and services. If AI products and services do not achieve widespread acceptance, or there is a reduction in demand for such products or services caused by weakening economic conditions, decreases in corporate spending, technical challenges, data security or privacy concerns, governmental regulation, competing technologies and products or services or otherwise, our business, growth prospects and results of operations will be materially and adversely affected.

The standards of and applications for robotic and AI technologies are constantly evolving. Any inappropriate use or flaws of such technologies, whether actual or perceived, intended or inadvertent, or committed by us or by other third parties, could have negative impact on our business and the public's acceptance of smart service robotic products or services.

Robotic and AI technologies are constantly evolving in terms of standards and applications. Similar to many disruptive innovations, robotic and AI technologies present risks and challenges that could affect user perception and public opinions, such as job loss threatened as a result of job automation, untrustworthy AI algorithm, unsafe robotic movements causing personal injury and property damage, misuse of deep learning by third parties for inappropriate purposes, bias applications or mass surveillance, and breach of AI-related ethical standards and data protection regulations. Any inappropriate, abusive or premature usage or undetected flaws or deficiencies of robotic and AI technologies, whether actual or perceived, whether intended or inadvertent, and whether by us or by third parties, may dissuade prospective customers from adopting our products and services and purchasing our products, may impair the general acceptance of smart service robotic products and services by the society, may attract negative publicity and may adversely impact our reputation. It may also violate applicable laws and regulations in China and other jurisdictions and subject us to legal or administrative proceedings, pressures from activists and/or other organizations and heightened scrutiny by the regulators. Each of the foregoing events may in turn materially and adversely affect our business, financial condition and results of operations.

Negative publicity involving the smart service robotic products and services industry, our Group, our products and services, our Directors, Supervisors and senior management, and our business partners in the future may materially and adversely harm our business and reputation. There may be negative media coverage about our Group, the smart service robotic products and services industry and robotic and AI technologies in general. Such negative publicity may aggravate the public's misunderstandings of our technologies, products and services. However, we cannot preclude media reports of similar nature or similar allegations from other parties from being made in the future, nor can we assure you that we will be able to defuse such negative publicity to the satisfaction of our investors, customers and business partners or prevent related misconception and other damages caused by such reports. We may have to incur significant expenses and divert our management's time and attention in order to remedy the effects of these negative reports or allegations, which may materially and adversely affect our results of operations.

The smart service robotic products and services industry is becoming increasingly competitive. If we fail to compete successfully, our business, financial condition and results of operations may be materially and adversely affected.

According to Frost & Sullivan, smart service robotic products and services industry is becoming increasingly competitive. We primarily compete with other companies that also develop, conceptualize and commercialize smart service robotic products and services. For the industry sectors in which we provide smart service robotic products and services to, including education, logistics, general service and wellness and elderly care, we also compete against existing market players which may not be robot-focused or AI-driven in such industries. New comers to and existing market participants in the smart service robotic products and services industry may increase the level of competition we face, and they may include established large-scale multinational conglomerates and technology companies with better finance resources, sophisticated technological R&D capabilities and broad sales channels to develop directly competitive products and services. We may also face potential competition from global technology companies which seek to enter the China market, whether independently or through the formation of strategic alliances with, or acquisition of smart robotic technology companies in China. Increased competition could result in lower sales, price reductions, reduced margins and loss of market share for us. In response to the market competition, we may increase our investments in R&D, and marketing and sales. However, there is no assurance that such investments will be effective. If we fail to compete successfully, or if competing successfully requires us to take costly actions, our business, financial condition and results of operations could be adversely affected.

The full potential of the humanoid robotic market is yet to be fully realized and its growth depends on the development of robotic and AI technologies across multiple disciplines. If technological developments in any of these disciplines fail to meet our expectation, our business, growth and prospect may be adversely affected.

The growth potential of the smart service robotic products and services industry depends on the ability of its products and services to meet the prevalent market demands and customer preferences. In particular, according to Frost & Sullivan, the full potential of the humanoid robotic market is yet to be realized and significant efforts are required before humanoid robots can achieve full human resemblance to satisfy the more complicated customer demands and expectations. This in turn requires the successful development and application of various robotic and AI technologies across multiple disciplines that could enable different products and services to provide the human-like functionalities and features demanded by customers. However, the level of technical hurdles may vary across disciplines. Moreover, unexpected technical issues may be identified as smart service robotic products and services become more and more popular. To address these technical challenges, we may need to dedicate additional resources to conduct further R&Ds which may lengthen our product development cycle and increase our operational expenses. As a result, our business and financial condition, results of operations and prospects would be materially and adversely affected.

Smart service robotic products and services are usually purchased on an order by order basis and we did not enter into any long term contract with our major customers. If we fail to attain new customers and/or retain existing customers, our business, financial conditions and results of operation may be materially and adversely affected.

Smart service robotic products and services, such as smart service robots and their related software, are often designed to be capable of addressing the needs of customers for more than one year. It is also the common practice among enterprise customers to procure smart service robotic products and services through tendering on a case-by-case or project-by-project basis. For instance, we source new businesses from certain direct sales customers such as government educational bureaus, mainly through tendering based on opportunities which we acquired through our marketing initiatives (such as industry exhibition participations) or publicly available information published by potential customers. We did not enter into any long term contract with our major customers. Given such market practice, there is no assurance that users will make reorders or repurchases and upgrade of our products within a short period of time, or at all. There is also no assurance that the industry will be able to continuously attract new customers to create revenue growth, as this depends on a number of factors including but not limited to the level of acceptance by customers, the rate of expansion of use scenarios, and the changing customer preferences and demands. Furthermore, the use and implementation of smart service robotic products and services do not usually require continuous post-sales service and operational support. In particular, they are often designed to be used by customers on their own instead of by the products or services suppliers. Although there are attempts within the industry to promote the '*Robot-as-a-service*' ('Raas') business model, the market understanding of such a model is still immature and it takes time to cultivate a recurrent spending pattern among customers. If the industry is unable to achieve growth due to the mentioned limitations, our business, prospects, financial condition and operating results will be adversely affected.

RISKS RELATING TO OUR BUSINESS

If we fail to continue to research and develop or effectively respond to the evolving technology and market dynamics of the smart service robotic products and services industry, our business and financial condition, results of operations and prospects would be materially and adversely affected.

The smart service robotic products and services industry is characterized by constant changes and developments, including rapid technological evolution, frequent introductions of new products and services, continual shifts in customer demands and constant emergence of new industry standards and practices. Therefore our success will depend, in part, on our ability to constantly anticipate the emergence of new technologies, standards and practices and assess their market acceptance and application, and respond to these changes and developments in a cost-effective and timely manner. Our R&D efforts is part of our long-term growth strategy and is key to our success. For FY2020, FY2021, FY2022 and 6M2023, we incurred R&D expenses of RMB428.8 million, RMB517.1 million, RMB428.3 million and RMB224.3 million, respectively, accounting for 57.9%, 63.3%, 42.5% and 85.9% of our total revenue during the respective years/period. We will need to continuously improve and commercialize new products and services and develop new robotic and AI technologies to address evolving customer needs and to compete against market participants effectively. If we fail to research and develop, our established position in the smart service robotic products and services industry could be damaged, which in turn would materially and adversely affect our business, financial condition, results of operations and prospects.

We continue to invest significant resources in, among other things, (i) identifying unmet or under-served customer needs, (ii) maintaining an established position in the smart service robotic products and services industry in the PRC, (iii) developing new robotic and AI technologies, and (iv) attracting talented employees. We have invested and intend to continue investing significant resources in technologies to bolster our products and services offerings with enhanced functionalities to be used in a wider range of use scenarios. However, we may not be able to leverage new technologies effectively or adapt our products and services to meet customers' needs or emerging industry standards, and the approach of our technological developments might not align with the market trends and demands. Our investments in R&D, which could be costly, may not generate the anticipated economic benefits in the near term, or at all, in which case our business, results of operations, financial condition and prospects may be materially and adversely affected. If we are unable to keep up with the technological developments or if new technologies render our technologies, products or services obsolete, customers may no longer be attracted to our products and services, which could cause material adverse impact on our business and financial performance.

The large-scale commercialization of smart service robotic products and services may fall short of our expectation, which may lead to unsatisfactory market development and affect our business operation.

We may face difficulties and obstacles in the process of exploring the large-scale commercialization of our products and services. The current use scenario of humanoid robots is still limited and the manufacturing costs remain high. During the Track Record Period, we sold (i) a life-sized humanoid robot Walker-2 for educational purposes in FY2021, (ii) (a) a Walker, a Walker-1, a Walker-2 and two units of Walker X for educational purposes, (b) a Walker-2 for general commercial purposes such as greeting and display and (c) two units of Walker X for general commercial purposes such as greeting and guiding in FY2022, and (iii) a Walker-2 for educational purposes in 6M2023 and have recognized revenue of RMB8.8 million, RMB48.7 million and RMB2.3 million in FY2021, FY2022 and 6M2023 from the Walker series, respectively. In addition, weak supply chains, insufficient batch production progress, inefficient and inadequate production equipment and quality controls, and other unexpected risks may occur during the large-scale commercialization of humanoid robots-related products and services. As such, the large-scale commercialization process of our humanoid robots-related as well as our other products and services may not be as smooth as we expected, which may lead to unfavorable market position and less competitiveness in the future and affect our business and results of operations.

We have incurred significant operating losses and net losses during the Track Record Period, and may not be able to achieve or subsequently maintain profitability in the future.

In FY2020, FY2021, FY2022 and 6M2023, we had operating losses of approximately RMB595.6 million, RMB882.5 million, RMB953.3 million and RMB542.2 million, respectively. We had net losses for the year/period of approximately RMB707.0 million, RMB917.5 million, RMB987.4 million and RMB547.9 million, respectively. The net losses were primarily due to the decreasing trend of our gross profit margin and the substantial expenditures in relation to (i) our R&D expenses incurred to enhance our core technologies and product and services offerings to maintain our established position in the smart service robotic products and services market; (ii) our selling and marketing expenses incurred to enhance our brand reputation and expand our customer and end-user base, and (iii) our general and administrative expenses. We may continue to incur net losses in the future, as we are in the stage of expanding our business and operations in the rapidly growing smart service robotic products and services market, and are continuously investing in research and development. We believe that our future revenue growth will depend on, among other factors, our ability to develop new technologies, enhance customer experience, establish effective commercialization strategies, compete effectively and successfully and develop new products and services. Accordingly, you should not rely on the revenues of any prior period as an indication of our future performance. We also expect our costs and expenses to increase in future periods as we continue to expand our business and operations, and invest in research and development. In addition, we expect to incur substantial costs and expenses as a result of being a [**REDACTED**] company. If we are unable to generate adequate revenues and manage our expenses, we may continue to incur significant losses in the future and may not be able to achieve or subsequently maintain profitability.

We had net cash outflows from operating activities during the Track Record Period. If we cannot improve our operating cash flows and if we fail to obtain sufficient capital on acceptable terms and on a continuous basis to fund our operations, our business, financial condition and prospects may be materially and adversely affected.

We experienced significant cash outflows from operating activities during the Track Record Period which amounted to RMB602.6 million, RMB680.7 million, RMB543.5 million and RMB526.5 million, respectively. Our net cash outflows are attributable to our R&D expenses, selling and marketing expenses, general and administrative expenses to develop and promote our new products and services. We plan to continue to invest heavily in our R&D efforts, as well as our sales and marketing efforts, and incur significant capital expenditures. However, it typically takes a long period of time to realize returns on such investments, if at all. As such, we expect to continue to have net cash outflow from operating activities in the near future.

Our negative operating cash flows could adversely affect our operations by reducing the amount of cash available to meet the cash needs for operating our businesses and fund our investments in our business innovation and expansion. If our future operating cash flows fails to improve to a level to sufficiently cover our overall cash needs, we will have to rely on external debt or equity financing, and we cannot assure you that we will be able to obtain external financing in amounts or on terms acceptable to us, if at all.

Our ability to obtain additional capital in the future, however, is subject to a number of uncertainties, including those relating to our future business development, financial condition and results of operations, general market conditions for financing activities by companies in our industry and macro-economic and other conditions in China and globally. If we cannot obtain sufficient capital to meet our capital needs, we may not be able to execute our growth strategies, and our business, financial condition and prospects may be materially and adversely affected.

Our financial performance and ownership interests of our Shareholders may be affected by share-based compensation and establishment of new share incentive plan

We and Mr. Zhou have established share incentive plans to grant restricted shares units ("**RSUs**") to our employees and other designated persons for the purpose of attracting and retaining suitable personnel to enhance the development of our Group. Certain RSUs granted to our Group's employees will only vest at the end of certain periods after a successful [**REDACTED**] of our Company's shares or on certain dates. 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. During the Track Record Period, our share-based compensation amounted to RMB64.5 million, RMB156.4 million, RMB204.3 million and RMB179.5 million.

Our financial performance and ownership interests of our Shareholders may be affected by the share-based compensation as the expenses associated with share-based compensation will decrease our net profit and the establishment of new share incentive plan may potentially dilute the ownership interests of our Shareholders. On the other hand, if we reduce the amount of RSUs or other share-based compensation awards, we may not be able to attract or retain key personnel by offering them incentives linked to the value of our Shares.

If we determine our intangible assets or goodwill to be impaired, it would adversely affect our business, financial performance and results of operations

During the Track Record Period, our intangible assets, which mainly consisted of goodwill and customer contracts and relationships acquired through acquisition of Shanghai UBJ and Jiangsu Tianhui in FY2022, purchased software and trademarks. As of December 31, 2020, 2021, 2022 and June 30, 2023, our intangible assets amounted to RMB6.2 million, RMB3.2 million, RMB86.7 million and RMB84.4 million, respectively. We had goodwill of RMB75.6 million as of December 31, 2022 and June 30, 2023, from the acquisition of Shanghai UBJ for its education smart robotic products and services business and Jiangsu Tianhui for us to further expand and strengthen the competitiveness of our logistics smart robotic products and services business. See "Financial Information — Description of Certain Items of Consolidated Statements of Financial Position — Intangible assets" for details.

Impairment review on the goodwill has been conducted by our management as at December 31, 2022 and June 30, 2023 according to HKAS 36 "Impairment of assets". We carried out impairment testing on goodwill by comparing the recoverable amounts of each cash generating unit ("**CGU**") to their carrying amounts. Our management leveraged their extensive experiences in the industries and prepared the forecast based on the past performance and their expectation of future business projection and market developments.

Our Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy. In determining whether goodwill is impaired, our Group estimates the recoverable amount of CGU to which goodwill has been allocated. The recoverable amount of a CGU is determined based on value in use ("**VIU**") calculations which require the use of assumptions, including growth rate, gross margin and pre-tax discount rate. Our estimates of the future cash flows from Shanghai UBJ and Jiangsu Tianhui may be susceptible to downward revision as a result of factors adversely affecting the global smart service robotic products and services industry generally, including general decreases in growth rates and margins, as well as factors specific to our business' growth rates, margins and operating expenses. If we record an impairment loss as a result of these or other factors, it could have an adverse effect on our financial position for the relevant period and our business prospects.

Impairment losses of prepayments, deposits and other receivables would adversely affect our business, financial performance and results of operations

Our prepayments mainly include prepayments for inventories and operating expenses whereas our deposits mainly include deposits paid for guarantees of product quality and right-of-use assets. As of December 31, 2020, 2021, 2022 and June 30, 2023, our prepayment, deposits and other receivables amounted to RMB282.9 million, RMB379.1 million, RMB229.1 million and RMB376.1 million, respectively.

We measure impairment of other receivables as either 12-month expected credit loss or lifetime expected credit loss, 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 expected credit losses. The assessment of impairment losses involves a significant degree of management judgments as well as estimates in determining the key assumptions. Such management's estimates and the related assumptions have been made in accordance with information available to us, such estimates or assumptions are subject to further adjustment if new information becomes known. Therefore, there is uncertainty on the prediction of the movement of impairment of prepayments, deposits and other receivables. Significant impairment losses on prepayments, deposits and other receivables may have a material adverse effect on our financial condition and results of operations.

We may not be able to sustain our historical growth rates, and our historical growth may not be indicative of our future growth or financial results.

For FY2020, FY2021 and FY2022, we experienced an overall increase in revenue. Our revenue increased by 10.4% from RMB740.2 million in FY2020 to RMB817.2 million in FY2021. Our revenue increased by 23.4% from RMB817.2 million in FY2021 to RMB1,008.3 million in FY2022. Our revenue then decreased by 7.9% from RMB283.5 million in 6M2022 to RMB261.1 million in 6M2023. However, historical growth may not be indicative and there is no assurance that we will be able to maintain our growth rates in future periods. Our growth rates depend on, among other things, the overall economic growth in China and globally, technology development of the smart service robotic products and services industry, awareness of enterprises to deploy smart service robotic products and services and AI-driven applications, our investment in technology development, our ability to retain and attract new customers and end-users of our products and services, and our ability to manage costs and enhance operational efficiency. There is no assurance that we will be able to effectively implement our business strategies and maintain our business growth. Furthermore, we have not always achieved the growth rate in line with the different sectors of the smart service robotic products and services industry which we had business operations in during the Track Record Period. If the market does not develop as we expect or if we fail to address the dynamic market needs, our results of operations and financial performance would be materially and adversely impacted.

We have been and intend to continue investing heavily on our R&D and such investments may not generate the results we expect to achieve.

Our technological R&D capabilities and core robotic and AI technologies that are consumer grade and mass market level are critical to our success. We have been investing substantially on our R&D efforts. For FY2020, FY2021, FY2022 and 6M2023, our R&D expenses amounted to RMB428.8 million, RMB517.1 million, RMB428.3 million and RMB224.3 million, respectively. Such R&D cost represented approximately 57.9%, 63.3%, 42.5% and 85.9% of our total revenue in the same years/period, respectively, and are expected to increase further in the future. The smart service robotic products and services industry we operate in is subject to rapid technological changes and are evolving quickly in terms of technological development. We need to invest significant resources, including financial resources, in R&D to make technological advances in order to make our products and services competitive in the market. As a result, our R&D capabilities will remain important to our business operations. However, R&D activities are inherently uncertain, and we might encounter practical difficulties in developing, conceptualizing and commercializing our R&D results. Our significant expenditures on R&D may not generate corresponding benefits. Given the fast pace of which the technologies of smart service robotic products and services industry have been and will continue to be developed, we may not be able to develop or upgrade our technologies in a timely and cost-effective manner, or at all. New technologies in the smart service robotic products and services industry could render our existing or future technologies, R&D capabilities, core robotic and AI technologies, products or services obsolete or unattractive, thereby limiting our ability to recover related R&D costs, which could result in a decline in our revenues, profitability and market share.

If our expansion into new verticals or attempt to develop new products and services is unsuccessful, our business, prospects and growth momentum may be materially and adversely affected.

We cannot assure you that we will be able to successfully expand in the future. We began to launch our wellness and elderly care smart robotic products and services in small batches and began to sell in the second half of 2022. Expanding offering categories into areas such as wellness and elderly care involves new risks and challenges. Our lack of familiarity with new verticals may make it more difficult for us to keep pace with the evolving customer demands and preferences. In addition, there may be one or more existing market leaders in any vertical that we decide to expand into against whom we may have difficulty in competing. We may be required to develop new supply-chain relationships and capabilities. We will need to comply with new laws and regulations applicable to these businesses. Expansion into any new vertical and development of new products and services may place significant strain on our management and resources and incur substantial R&D and other costs and expenses before generating any revenues, and failure to expand successfully could have a material adverse effect on our business and prospects.

Our business depends substantially on the continuing efforts of our management team, as well as a competent pool of talents that supports our existing operations and future growth. If we are unable to retain, attract, recruit and train such personnel, our business may be materially and adversely affected.

The success of our business depends on the continued service and efforts of our directors and senior management including our founder, Mr. Zhou Jian. If any of our Directors or senior management becomes unable or unwilling to continue to contribute their services to us, there can be no assurance that we would be able to find suitable replacements in a timely manner or at all. The loss of services of such Directors or senior management or the inability to identify, hire, train and retain other qualified and managerial personnel to replace them in the future may materially and adversely affect our business, financial condition, results of operations and prospects.

Additionally, our future success also depends on our ability to attract, recruit and train qualified employees and retain existing key personnel. In particular, we rely on our top in-house R&D team to develop our core technologies, products and services, and our experienced sales and marketing personnel to maintain relationships with our customers and end-users of our products and services. In order to compete for talents, we may need to offer higher compensation, better trainings and more attractive career opportunities, employees share incentives schemes and other benefits to our employees, which may be costly and time-consuming. We cannot assure you that we will be able to attract or retain a qualified workforce necessary to support our future growth. Furthermore, any disputes between us and our employees or any labor-related regulatory or legal proceedings may divert management and financial resources, negatively impact staff morale, reduce our productivity, or harm our reputation and future recruiting efforts. In addition, our ability to train and integrate new employees into our operations may not meet the demands of our growing business. Any of the foregoing issues related to our workforce may materially and adversely affect our operations and future growth.

Our largest group of customers are our customers in the education sector who purchase our education smart robotic products and services, and the failure to attract more customers and expand to other industry sectors could materially and adversely affect our business.

During the Track Record Period, our largest revenue source comes from sales of our education smart robotic products and services which accounted for approximately 82.7%, 56.5%, 51.2% and 29.0% of our revenue, respectively. Accordingly, our revenue could be materially and adversely impacted by the changing demand, purchasing decisions and buying habits of these customers and the end-users of our products and services or any other potential customers and end-users in the education sector. In particular, educational institutions may not repurchase our products and services in a short timeframe as our smart service robotic products and services do not usually need to be replaced frequently. If any of our significant customers decide to purchase less products and/or services than they have in the past, or not to purchase products and/or services from us at all, or may decide not to renew existing contracts at all, our revenue may decline and our financial condition and results of operations may be adversely affected. Further, we need to go through a bidding process in order to secure contracts from public schools or educational authorities in China. The number of projects available for bidding may reduce and we may not succeed in bidding for new projects.

We are also subject to various factors which are beyond our control and could impede our ability to maintain or increase our revenue from sales of education smart robotic products and services to enterprise-level customers, including but not limited to decrease in government funding to schools, changes in fiscal or contracting policies of schools and other educational institutions, change in acceptance of our products and services by educational authorities and schools, and new laws, regulations and policies introduced to the education sector in China which are unfavorable to the application of education smart robotic products and services. Any occurrence of the foregoing could have a material adverse effect on our business and financial performance.

A substantial portion of our revenue from our logistics smart robotic products and services were derived through one of our top five customers during the Track Record Period.

During the Track Record Period, a substantial portion of our revenue from our logistics smart robotic products and services were derived through MAE Group, which was one of our top five customers in FY2021 and FY2022. Revenue contributed by MAE Group in respect of our logistics smart robotic products and services amounted to RMB12.7 million, RMB175.0 million, RMB251.2 million and RMB71.4 million in FY2020, FY2021, FY2022 and 6M2023, respectively, which accounted for 97.6%, 91.7%, 95.4% and 93.0% of the revenue from our logistics smart robotic products and services. For details of the MAE Arrangements, please refer to "Business — Overlapping of Customers and Suppliers — Overlapping relationship with MAE Group". If we fail to obtain new contracts from MAE Group or maintain our business relationship with them, our business operations (logistics smart robotic products and services) and financial results will be materially adversely affected. In addition to growing and maintaining our business with MAE Group, the success of our logistics smart robotic products and services segment also depends on our ability to acquire new customers. We cannot assure you that we will be able to attract new customers for our logistics smart robotic products and services segment in the future.

Our sales are affected by seasonal fluctuations.

Our products are sold on an order-by-order basis and our sales are affected by seasonal fluctuations. Typically, since the financial year of most of our enterprise-level customers (which amounted to over 85% of our revenue for FY2020, FY2021 and FY2022) ends on December 31 of the calendar year, our sales peak in the fourth quarter and most of our revenue are generated in this period. For example, our revenue from our logistics smart robotic products and services are generally higher in the fourth quarter every year because our customers generally complete the inspection and recognition of progress of projects by the fourth quarter (i.e. their respective year-end), according to Frost & Sullivan. On the other hand, our revenue is generally lower in the first quarter due to fewer working days in the first quarter as a result of the longer statutory holidays for the Spring Festival. There is no assurance that our customers' purchase orders and delivery will be consistent with our expectations over each season. Accordingly, our results of operations may vary from period to period. If we cannot effectively plan our production and delivery schedules and secure purchase orders from our customers during non-peak seasons, our business, financial condition and results of operations may be adversely affected.

We had a concentration of top five customers during the Track Record Period.

The sales to our top five customers in each year/period during the Track Record Period amounted to RMB492.6 million, RMB426.7 million, RMB720.9 million and RMB116.3 million, respectively, representing 66.5%, 52.2%, 71.5% and 44.5% of our total revenue for the respective years/period. See "Business — Our customers — Customers" for further details. We cannot assure you that there will not be any dispute between our major customers and us, or that we will be able to continue to generate substantial amount of revenues from them in each financial year, which may adversely affect our business and profitability. In addition, if any of such customers default or delay on their payment or settlement of our trade and other receivables, our liquidity, financial condition and results of operations may be adversely affected.

Our investments or acquisitions may have a material adverse effect on our business, reputation, financial condition and results of operations.

We have invested in certain businesses in recent years including the acquisition of additional 47.8% equity interest of Shanghai UBJ at an aggregate consideration of RMB209.76 million in July 2022 and the acquisition of 100% equity interest of Jiangsu Tianhui at an aggregate consideration of RMB69.92 million in December 2022. We expect to continue to evaluate and consider a wide array of investments and acquisitions that we believe can extend and solidify our established position as part of our overall business strategy. We may be engaged in discussions or negotiations with respect to one or more of these types of transactions. These transactions involve significant challenges and risks, including:

- difficulties integrating into our operations the personnel, operations, products and services;
- robustness of technology, internal controls and financial reporting of companies we acquire;
- disrupting our ongoing business, distracting our management and employees and increasing our expenses;
- for investments over which we do not obtain management and operational control, we may lack influence over the controlling partner or shareholder, which may prevent us from achieving our strategic goals in such investment;
- new regulatory requirements and compliance risks that we become subject to as a result of acquisitions in new industries or otherwise;
- actual or alleged misconduct or non-compliance by any company we acquire or invest in (or by its affiliates) that occurred prior to our acquisition or investment, which may lead to negative publicity, government inquiry or investigations against such company or against us;
- unforeseen or hidden liabilities or costs that may adversely affect us following our acquisition of such targets;
- the risk that any of our pending or other future proposed acquisitions does not close;
- the costs of identifying and consummating investments and acquisitions;
- the use of substantial amounts of cash and potentially dilutive issuances of equity securities;
- significant reduction of the value of our investments at fair value through profit or loss; and
- challenges in achieving the expected benefits of synergies and growth opportunities in connection with these acquisitions and investments.

Any such developments described above could disrupt our existing business and have a material adverse effect on our business, reputation, financial condition and results of operations.

We failed or are expected to fail to fulfill certain conditions under the cooperation agreements we entered into with certain local governments and management committees and we may be required to return the subsidies received and compensate any losses that may incur.

During the Track Record Period, we were a party to a series of government cooperation projects and entered into agreements with various local governments and management committees. In particular, we have entered into a number of such projects with local governments and/or management committees, pursuant to which, for certain government cooperation projects, they agreed to provide us with subsidies in the form of rental, site maintenance and repair, marketing, tax and project support to support our various technology infrastructure development projects, provided that we fulfill a number of conditions including but not limited to achieving certain investment scale, production output, tax payments and project completion targets.

As of the Latest Practicable Date, we failed or are expected to fail to fulfill the conditions under the agreements in relation to 15 government cooperation projects. For details, please refer to the section headed "Business — Government Cooperation Projects" in this document.

As of the Latest Practicable Date, in relation to those agreements which have not been terminated, the relevant local governments and management committees have not demanded us to return the subsidies we received, but we cannot assure that they would not enforce the respective agreements in the future and require us to return the subsidies and compensate any losses that they may incur. Under such circumstances, there is a risk that (i) we may be required to return the total government grants and leasing concessions received pursuant to the respective agreements in relation to such government cooperation projects, which amounted to RMB118.5 million and RMB7.3 million as of the Latest Practicable Date, respectively and/or (ii) the relevant local governments and management committees may commence legal proceedings against us for breach of contract. No provisions were made in relation to the government grants received for which our Group has failed to or is expected to fail to fulfil the conditions since they have been accounted for as other payables and accruals. See "Appendix I — Accountant's Report — II. Notes to the Historical Financial Information — 33. Other payables and accruals" for details. No provisions were made in relation to the leasing concessions as either the risk of our Group being held liable for such repayment of leasing concessions is very low or the monetary amount of such repayment is not material.

If the relevant local governments or management committees demand for the return of any subsidies we received pursuant to the above-mentioned government cooperation projects, there may be a negative impact on our cash flow and could adversely affect our business, financial condition, results of operations and prospects. If the relevant local governments and management committees commence legal proceedings against us for breach of contract, defending against such legal proceedings is costly and time consuming and may divert management's time and other resources from our business and operations, and the outcome of such claims and proceedings cannot be predicted. If a judgment, a fine or a settlement involving a payment of a material sum of money were to occur, or injunctive relief were issued against us, it may result in significant monetary liabilities and may materially disrupt our business and operations, and our business, financial position and results of operations could be materially and adversely affected.

The discontinuation of any of the government subsidies currently available to us could adversely affect our business, financial condition, results of operations and prospects.

In FY2020, FY2021, FY2022 and 6M2023, we recognized government grants of RMB66.2 million, RMB59.5 million, RMB26.6 million and RMB11.2 million, respectively. However, the timing, amount and conditions of government subsidies are within the sole discretion of the governmental authorities. In addition, there can be no assurance that we could fully satisfy these conditions, and it is possible that such governmental authorities may stop providing subsidies to us, or require us to repay part or all of the government subsidies we previously received. Any reduction, elimination, repayment or other negative trend in government subsidies resulting from our failure to meet such conditions could adversely affect our business, financial condition, results of operations and prospects.

We may be unable to prevent or detect bribery or corruption or other misconducts by our employees, customers, suppliers or other third parties, which may materially and adversely affect our business, prospects, reputation, and growth potential.

We may not be able to detect bribery, corruption or other misconducts by our employees, customers, suppliers or other third parties. These activities may lead to exposure to prosecution, fines, other penalties or liabilities as imposed by the relevant government authorities. While we have adopted internal control policies with a view to prohibiting any form of bribery and corruption, provided anti-bribery and corruption training to our employees, incorporated anti-bribery and corruption policies into employment contracts, and established reporting channel for employees and external third parties to report acts of bribery and/or corruption and encourage anonymous whistleblowing, we cannot guarantee that these measures will effectively prevent and detect bribery, corruption or other misconducts. As such, failure to detect and prevent bribery and corruption of our employees or other third parties may materially and adversely affect our business, prospects, reputation, and growth potential.

We cannot guarantee that our new business initiatives and [REDACTED] plan will be successfully implemented or generate revenue and profit as we expected.

As an established provider of smart service robotic products and services in China, we continue to execute a number of growth initiatives and strategies plans to diversify our business. For examples, we launched *ADIBOT* in 2021 in response to the market demand for Ultraviolet-C ("**UV-C**") disinfection devices amid the COVID-19 pandemic. We further launched the anti-pandemic models of Cruzr, ATRIS and AIMBOT with additional functionalities including body-temperature measurement and mask detection. In view of the increasing aging population in China, we launched our wellness and elderly care smart robotic products and services in the second half of 2022. We also plan to use our [**REDACTED**] from the [**REDACTED**] to enhance our core technologies, upgrade our R&D laboratories, expand our sales channels and purchase various systems to improve our operational efficiency. See "Business — Our Business Strategies" and "Future Plans and Use of [**REDACTED**]" for further details. However, expanding into new businesses involves risks and challenges. These business initiatives are new and evolving, some of which may prove unsuccessful. It may also take a longer time than expected for us to develop the technologies and build market acceptance of our products and services, and we may not have sufficient experience in executing these new business initiatives effectively. Further, we will incur substantial costs on R&D, sales and marketing, personnel and compliance for developing, conceptualizing and commercializing our new products and services. We cannot assure you that any of these new business initiatives will achieve our expected market acceptance and generate revenue or profit. If our efforts fail to enhance our monetization abilities, we may not be able to maintain or increase our revenues or recover any associated costs, and our business and results of operations may be materially and adversely impacted.

Our business is dependent on the strengths and market acceptance of our brand. If we fail to maintain, promote and enhance our brand, our business prospect may be adversely affected.

We believe our brand UBTECH is an integral part of and critical to our success. Maintaining and enhancing our brand name will largely depend on our ability to continue to provide competitive, quality, well-designed, useful and reliable products and services to meet market demands. However, we cannot assure you that we will be able to maintain and enhance our brand name.

We believe the importance of recognition of our brand will increase when competition increases. However, we cannot assure you that our marketing activities such as participating industry conferences and industry exhibitions will be successful or that we will be able to achieve the promotional effect we expect or at all. If we are unable to maintain our reputation, enhance our brand recognition or promote our products and services, or if we incur excessive expenses in this effort, our business and growth prospects may be materially and adversely affected.

Confidentiality agreements and non-compete covenants with our employees and other third parties may not adequately prevent disclosure of trade secrets and other proprietary information.

We have devoted substantial resources to the development of our technology and know-how. There is no assurance that these agreements will not be breached, that we will have adequate remedies for any breach in time or at all, or that our self-developed technology, know-how or other intellectual property will not otherwise become known to third parties. In addition, others may independently discover trade secrets and proprietary information, limiting our ability to assert any proprietary rights against such parties. Costly and time consuming litigation could be necessary to enforce and determine the scope of our trade secrets and proprietary rights, and failure to obtain or maintain trade secret and proprietary information protection could adversely affect our competitive position.

We may not be able to prevent unauthorized use of our intellectual properties, which could harm our brand and reputation.

As of June 30, 2023, our Group held more than 1,800 registered robotic and AI-related patents, of which more than 380 are overseas patents. We consider our patents, copyrights, trademarks, trade secrets and other intellectual properties to be critical to our success. We rely on a combination of copyright, trademark, patent and other intellectual property laws, trade secret protection and confidentiality, and other agreements with our employees and third parties and other measures to protect our intellectual property rights. Please see "Business — Risk Management and Internal Control — Compliance and intellectual property rights risk management" for details. However, we cannot assure you that they will always comply with these terms. Relevant agreements may not effectively prevent disclosure of our intellectual properties and confidential information and may not provide an adequate remedy in the event of unauthorized disclosure of our intellectual properties and confidential information.

Despite our efforts to protect our intellectual property rights, unauthorized parties may attempt to copy or otherwise obtain and use our intellectual properties. Monitoring for infringement or other unauthorized use of our intellectual property rights may be difficult and expensive, and such monitoring may not be effective, and litigation may be necessary to enforce our intellectual property rights. Relevant litigation in the future can result in substantial cost and diversion of resources, and could disrupt our business and materially and adversely affect our financial condition and results of operations.

We may be subject to intellectual property infringement claims or other allegations, which could expose us to substantial liability for intellectual property infringement and other losses.

We cannot be certain that our operations or any aspects of our business do not or will not infringe upon or otherwise violate patents, trademarks, copyrights or other intellectual property rights held by third parties. We may from time to time be subject to proceedings and claims relating to intellectual property rights in the future. We cannot assure you that holders of patents and other intellectual properties purportedly relating to some aspect of our technology infrastructure or business, if any such holders exist, would not seek to enforce such patents and other intellectual properties against us in China or any other jurisdictions. If we are found to have violated the intellectual property rights of others, we may be subject to liability for our infringement activities or may be prohibited from using such intellectual property, and we may incur licensing fees or be forced to develop alternatives of our own. Defending against such infringement or licensing allegations and claims is relatively costly and time consuming and may divert management's time and other resources from our business and operations. If a judgment, a fine or a settlement involving a payment of a material sum of money were to occur, or injunctive relief were issued against us, it may result in significant monetary liabilities and may materially disrupt our business and operations by restricting or prohibiting our use of the intellectual property in question, and our business, financial position and results of operations could be materially and adversely affected.

Trademarks registered, internet search engine keywords purchased and domain names registered by third parties that are similar to our trademarks, brands or websites could cause confusion to our existing and potential customers and divert them away from our products and services.

Competitors and other third parties may register trademarks or purchase internet search engine keywords or domain names that are similar to ours, in order to divert our existing and potential customers and end-users from our products and services to theirs. It is difficult to prevent such unfair competition activities, and if we fail to do so, competitors and other third parties may drive existing and potential customers and end-users away from our products and services, which could harm our business and materially and adversely affect our results of operations.

We may be subject to complex and evolving laws and regulations regarding data security and privacy protection, which could subject us to significant legal, financial and operational consequences if we fail to comply with these laws.

Most of our business operations are based in China and over 92.2%, 92.2%, 87.0% and 73.3% of our revenue was generated in the PRC market in FY2020, FY2021, FY2022 and 6M2023, respectively. The PRC government has enacted a series of laws and regulations on the protection of personally identifiable data in the past few years. We may be subject to laws and regulations regarding privacy and data protection in China.

On November 14, 2021, the Cyberspace Administration of China (the "CAC") publicly solicited opinions on the Draft Data Security Regulations. According to the Draft Data Security Regulations, data processors shall, in accordance with the relevant state provisions, apply for cybersecurity review when carrying out the following activities: (i) the merger, reorganization or separation of Internet platform operators that have acquired a large number of data resources related to national security, economic development or public interests, which affects or may affect national security; (ii) data processors that handle the personal information of more than one million people seeking a foreign listing (國外上市); (iii) data processors seeking a listing in Hong Kong, which affects or may affect national security; and (iv) other data processing activities that affect or may affect national security. However, the Draft Data Security Regulations provide no further explanation or interpretation as to what "affects or may affect national security". As advised by our Special PRC Legal Adviser, (i) the Draft Data Security Regulations have not been formally adopted and are subject to change and further guidance; and (ii) the relevant PRC government authorities may have considerable discretion in the interpretation as to what "affects or may affect national security".

On December 28, 2021, the CAC promulgated the Cybersecurity Review Measures, which became effective on February 15, 2022 and stipulates that Critical Information Infrastructure Operators purchasing network products and services that affect or may affect national security, or Network Platform Operators holding over one million users' personal information when seeking a foreign listing (國外上市), must apply with the Cybersecurity Review Office of the CAC for a cybersecurity review.

Given that the PRC laws and regulations in relation to cybersecurity and data and personal information protection are still evolving, it is uncertain whether the Draft Data Security Regulations will become effective in its current form, and whether any new legislation, regulations or interpretations concerning cybersecurity and data and personal information protection may be promulgated or adopted in the future. As a result, we cannot rule out the possibility that additional compliance requirements may be imposed on us as a result of the above.

In particular, the Draft Data Security Regulations had not become effective as of the Latest Practicable Date and their operative provisions and the anticipated adoption or effective date may be subject to substantial uncertainty. Therefore, it is difficult for us to predict the actual impact of these regulations, if any, and we will closely monitor and assess any development in the rule-making process and take corresponding measures to ensure compliance. If our activities are deemed as "affect or may affect national security," under such regulations when they are fully implemented, we may be subject to a cybersecurity review and failure to conduct such review could result in warnings and fines; and if we fail to curtail or have caused severe consequences such as endangering data security, we may be further subject to suspension of our non-compliant operations, revocation of relevant approvals or business licenses or other sanctions, which could materially and adversely affect our business and results of operations.

Additionally, these and other similar legal and regulatory developments in the PRC could affect our business operation. We may also incur relatively high costs to comply with such laws and regulations and to establish and maintain relevant internal compliance policies and infrastructures.

As we and our business partners expand businesses overseas, our products and services will serve more customers in countries outside of China. Accordingly, we may be required by business partners to upgrade our products and services to help them comply with laws and regulations regarding data security and privacy protection in multiple jurisdictions. Such laws and regulations may vary significantly from jurisdiction to jurisdiction and are generally complex and constantly evolving, with uncertainty as to their interpretation and application. We may incur increasing costs or may be required to change our business practices in compliance with data security and privacy protection laws and regulations from time to time, and any non-compliance may subject us to significant penalties.

Due to the complexity and evolving nature of the relevant laws and regulations, we cannot assure you that our privacy and data protection measures are, and will be, sufficient under applicable laws and regulations. Please see "Business — Risk Management and Internal Control — Data Privacy and Security Risk Management" for details. The integrity of our data security and privacy protection measures is also subject to system failure, interruption, inadequacy, security breaches or cyber-attacks. Non-compliance could result in proceedings against us by governmental and regulatory entities, customers, end-users, data subjects or others. Such actual or alleged failure could damage our reputation, deter current and potential customers and end-users from using our products and services and could subject us to significant legal, financial and operational consequences. Meanwhile, legal and regulatory developments could also lead to legal and economic uncertainties, affect how we design our IT systems, how we operate our business, how we and our business partners process data, which could negatively impact demand for our products and services.

Our business operations could be harmed by real or perceived material defects or errors in our products or services.

The technology underlying our smart service robotic products and services is inherently complex and may contain material defects or errors, particularly when new services or products are first introduced, when new features or functionalities are released. There can be no assurance that our existing smart service robotic products and services will not contain defects or errors. Any real or perceived errors, failures, vulnerabilities, or bugs in our services or products could result in negative publicity or lead to performance issues, all of which could harm our business. It may be costly and time consuming in correcting such defects or errors. Moreover, the harm to our reputation and legal liability related to such real or perceived defects or errors may be substantial and would harm our business.

We may face risks associated with our reliance on certain artificial intelligence and machine learning models.

In order to increase the ability of our smart service robotic products to interact with humans and achieve a higher level of human resemblance, we utilize artificial intelligence machine learning ("AI/ML") in our core technologies such as our voice interaction, computer vision, and robotic motion planning and control technologies. The AI/ML models that we use are trained using various data sets and are obtained through self-collection, open-source channels, or purchased from third parties. If the AI/ML models are incorrectly designed, the data we use to train them is incomplete, inadequate, or biased in some way, or if we do not have sufficient rights to use the data on which our AI/ML models rely, the performance of our products, services, and business, as well as our reputation, could suffer or we could incur liability through the violation of laws, third-party privacy, or other rights, or contracts to which we are a party.

If we are not successful in maintaining and expanding the compatibility of our products and services with third-party products and services, our business, financial condition, and results of operations could be adversely impacted.

The competitive position of our products and services depends in part on their ability to operate with products and services of third parties. We intend to facilitate the compatibility of our products and services with various third-party hardware, software, and infrastructure by maintaining and expanding our business and technical relationships. Our ROSA, our developed robotics application framework, can access mainstream IoT platforms to realize the interconnection between robots and IoT devices. As we make our products and services available across a variety of IT systems and devices, we depend on the compatibility of our products and services with mainstream devices and IT systems that we do not control. For example, if a third-party were to develop software or services that compete with ours, that provider may choose not to support one or more of our products and services. In addition, in the future, one or more technology companies may choose not to support the operation of their hardware, software, or infrastructure that our products and services are compatible with, or our products and services may not support the capabilities needed to operate with such hardware, software, or infrastructure. Any changes to technologies used in our products and services to existing features that we rely on, or to IT systems which make it difficult for our customers or end users to access our products or services, may make it more difficult for us to maintain or increase our revenues. As a result, our business, financial condition, and results of operations could be adversely impacted.

We rely on third party business partners in our business operations and we may experience difficulties or suffer delay under such arrangements, and as a result out operations may be materially and adversely affected.

We engage third party suppliers for certain materials and components, and outsource parts of our production process and logistics to relevant service providers. Stable supply of such materials, components and services, quality production, and smooth cooperation with such business partners are crucial to our business operations. We may experience operational difficulties with our suppliers, and business partners including but not limited to reduction in availability of production capacity, failure to comply with our product specifications and services standards, insufficient quality control and failure to meet the production schedules of our customers. Our suppliers may also experience disruption in their operations due to various reasons such as breakdown of machinery, shortage of materials, increase in operational costs, environmental non-compliance issues or other similar problems. Further, we may not be able to renew contract arrangements with our suppliers and may fail to find alternative suppliers in a timely manner. Any such failures or delays in performance by our suppliers could materially and adversely affect our business and financial results.

We entered into partnerships with certain business partners for joint research and development projects and other initiatives. The termination of any collaboration with our business partners may adversely affect our operations, revenue and profitability.

We entered into partnerships with certain business partners for joint research and development projects and other initiatives. There can be no assurance that our business partners will continue to collaborate with us on commercially reasonable terms or at all. We also cannot assure you that we will be able to establish new business partner relationships, or extend existing relationships with our business partners when our agreements with them expire. Furthermore, certain of our agreements with our business partners may be terminated at will prior to their specified termination dates, our business partners may alter the contract terms previously agreed between us, and our business partners are under no obligation to continue our collaboration. If we are unable to maintain our relationships with our key business partners, or any of our collaboration with our key business partners are terminated, our operations, revenue and profitability could be materially and adversely affected.

Our distributors may have unsatisfactory performance which is beyond our control and their improper conduct or any changes in their business relationships with us may adversely affect our business, financial conditions and results of operations.

For FY2020, FY2021, FY2022 and 6M2023, approximately 11.9%, 12.9%, 6.2% and 14.4% of our revenue were generated from our distributors, respectively. As of December 31, 2020, 2021, 2022, and June 30, 2023, we had 177, 163, 171 and 134 distributors (including both traditional distributors and online/offline hybrid distributors), respectively. See "Business — Sales — Our sales network — Distributors" for further details. We cannot assure you that our distributors will be successful in marketing, selling and supporting our products and services. We cannot assure you that there will be an appropriate inventory level of our products maintained by our distributors. Under-stocking can lead to missed sales opportunities, while over-stocking could result in inventory depreciation, decreased shelf space for stocks that are in higher demands, and return of unsold products to us from certain of our traditional distributors and online/offline hybrid distributors (mainly including e-commerce platforms, overseas distributors and overseas retailers which allow their customers to purchase our products) pursuant to the relevant distributorship agreements. Furthermore, we cannot assure you that our distributors will always be compliant with relevant laws, regulations or our distributorship agreements. If our distributors improperly use our brands, products or intellectual property rights, it could damage our reputation and brand image, undermine customers' confidence in us and reduce their long-term demands for our products. Our distributors may also subject us to lawsuits, potential liability and reputational harm if they misrepresent the functionality of our products and services to customers or violate laws or our corporate policies. In addition, it cannot be certain that we will retain our existing distributors or that we will be able to secure additional or substitutes for them. Our distributors may also devote more resources to the marketing, sales and support of competitive products and services. All these could adversely affect our business, financial conditions and results of operations.

The development of online sales and distribution network and marketing activities may not meet expectations, or we may fail to manage the coordination of our offline and online sales channels, which may adversely affect our operation results.

Our revenue generated by online sales channels had been growing during the Track Record Period due to the increasing sales online. For FY2020, FY2021, FY2022 and 6M2023, revenue generated from our online/offline hybrid distributors amounted to approximately RMB0.7 million, RMB7.0 million, RMB6.7 million and RMB11.7 million, respectively. However, as online and social media platforms continue to grow in popularity, any significant growth in our sales through online sales channels in the future may give rise to competition between offline and online sale channels. If we fail to balance the marketing efforts or optimize product mix and pricing strategies among our online and offline sales channels, or otherwise fail to effectively manage the integration of these channels, the competition among these channels may adversely affect our business, financial condition and results of operations.

We expect to further enhance our online strategies and increase sales from our online channels. However, we may not be able to maintain a high growth rate of our online sales, and if we fail to manage the continuous development of our online sales, our business, financial condition and results of operations may be adversely affected.

Failure to manage our distributorship sales channel may give rise to potential cannibalization in the future and adversely affect our business. For FY2020, FY2021, FY2022 and 6M2023, our sales to traditional distributors constituted 11.8%, 12.0%, 5.5% and 9.9% of our revenue, respectively, while sales through our online/offline hybrid distributors accounted 0.1%, 0.9%, 0.7% and 4.5% of our revenue, respectively. Our online/offline hybrid distributors complement each other to enables us to broaden our distribution network. See "Business — Sales — Our sales networks". However, any significant growth in our sales to certain distributors in the future, or changes to our distribution network, may give rise to competition among our distributors and increase the risk of cannibalization. If we fail to effectively manage our distribution network, the competition among the distributors may adversely affect our business, financial condition and results of operations.

Our online sales depend on the proper operation of third-party online platforms and any serious interruptions of these platforms could adversely affect our operations.

The development of sales through third-party online platforms is part of our business strategy. We have launched profile pages and a sales channel on our third-party online platforms. However, we do not have control over the operation of third-party online platforms and such platform may be vulnerable to damage or interruptions such as power failure, computer viruses, acts of hacking, vandalism and similar events. Any serious interruption or damage to the online platforms may have an adverse effect on our business, financial condition and results of operations. There is no assurance that our online sales strategy will be implemented in accordance with our plan or at all.

Any failure to offer high-quality maintenance and support services for our customers or end users may harm our relationships with them and, consequently, our business.

As we continue to grow our operations and support our customer base, we need to be able to continue to provide efficient support and effective maintenance that meets our customers' needs at scale. We may not be able to recruit or retain sufficient qualified support personnel with experiences in supporting customers and end users of our products and services. As a result, we may be unable to respond quickly enough to accommodate short-term increases in customer and end user demand for technical support or maintenance assistance. We also may be unable to modify the future scope and delivery of our maintenance services and technical support to compete with changes in the technical services provided by our competitors.

If we experience increased customer and end user demand for support and maintenance, we may face increased costs that may harm our results of operations. In particular, we may expand to countries and regions where the costs of providing maintenance and support services are higher as a result of more stringent consumer protection regulations and market practices. If we are unable to provide efficient customer and end user maintenance and support, our business may be harmed. Our ability to attract new customers is highly dependent on our business reputation and on positive recommendations from our existing customers and end users. Any failure to maintain high-quality maintenance and support services or a market perception that we do not maintain high-quality maintenance and support services for our customers and end users, would harm our business.

Our exchange, return and warranty policies may adversely affect our results of operations.

For FY2020, FY2021, FY2022 and 6M2023, the total value of our product return amounted to RMB26.4 million, RMB9.9 million, RMB4.4 million and RMB2.4 million, respectively, whereas our warranty expenses amounted to approximately RMB7.3 million, RMB6.3 million, RMB6.7 million and RMB6.0 million in the corresponding years/period, respectively, of which the total value of our product return due to (i) overstock of distributors amounted to RMB16.3 million, RMB8.1 million, RMB3.0 million and RMB1.2 million, (ii) termination of distributorship agreement amounted to RMB5.3 million, nil, nil and nil, (iii) return within a certain period of time stipulated in our agreements amounted to RMB3.8 million, RMB1.1 million, RMB1.3 million and RMB1.1 million, (iv) agreed amendments with customers in relation to purchase amount or specification of products amounted to RMB0.9 million, RMB0.6 million, RMB28,000 and RMB27,000 and (v) product quality amounted to RMB0.1 million, RMB0.1 million, RMB50,000 and RMB28,000, respectively. We recorded product return of RMB26.4 million in FY2020 mainly because of (i) certain traditional distributors and online/offline hybrid distributors (mainly including e-commerce platforms, an overseas household supplies and hardware distributor and established overseas retailers which operate multiple chain stores in the United States) were unable to sell the products, mainly consumer-level robots and other hardware devices such as Jimu series (non-education) robots and accessories and movie licensed robots, due to lowered market demand during the COVID-19 outbreak, and they returned overstocked products to us; and (ii) product return from a traditional distributor from overseas upon the termination of our exclusive distributorship agreement in 2018 due to its failure in achieving the minimum purchase amount pursuant to the aforementioned agreement. Our policy generally allows products with defects to be returned and exchanged by our customers, and we typically offer a limited warranty for our products and services. We also allow return and exchange of products sold to distributors that (i) are defective, (ii) do not conform to agreed specifications or to samples and (iii) are subject to the termination of cooperation with distributors. For certain traditional distributors and online/offline hybrid distributors (mainly including e-commerce platforms, overseas distributors and overseas retailers), we also allow the return and exchange of products that are (i) overstocked; and/or (ii) returned by retail customers to our distributors (mainly including e-commerce platforms, overseas distributors and overseas retailers) in accordance with the unconditional right to return within a certain period of time granted by our distributors. We may be required by law to adopt new or amend existing return, exchange and warranty policies from time to time. While these policies improve user experience of our products and services and help to acquire and retain customers and end-users, we will incur higher costs associated with return, exchange and warranties if we experience any deterioration in the quality of our products and services, and we may be subject to additional costs and expenses which we may not recoup. We cannot assure you that our return, exchange and warranty policies will not be misused by our customers and end-users, which may significantly increase our costs and may adversely impact our business and results of operations. If we revise these policies to reduce our costs and expenses, our customers and end-users may be dissatisfied, which may result in loss of existing customers and end-users or failure to acquire new customers and end-users at a desirable pace, which may materially and adversely affect our results of operations.

We may be subject to product liability claims if people or properties are harmed by the products and services we sell.

We cannot assure you that our quality control measures will be as effective as we expect. We may face the risk of significant monetary exposure to claims if we fail to implement and maintain our quality control steps and our products and services do not perform as expected or contain design and/or manufacturing defects or malfunctions.

If our smart service robotic products and services are defective, the sale of such products and services could expose us to product liability claims relating to personal injury or property damage and may require product and services recalls or other actions. Third parties who are subject to such injury or damage may bring claims or legal proceedings against us as the seller of the products and services. Certain product liability claims may be the result of defects from components and parts purchased from our suppliers. Attempting to enforce our rights against such suppliers and manufacturers may be expensive, time-consuming and ultimately futile. Such suppliers and manufacturers may not be able to indemnify us for the losses resulting from such defects and product liability claims in full or at all. Further, our insurance coverage might be insufficient to fully cover all damages sought and the claiming process might be prolonged. As a result, any material product liability claim or litigation could result in the expenditure of funds and managerial efforts in defending them and could have a negative impact on our reputation. Further, a product liability claim could generate substantial negative publicity about our products, services and brand, which would have a material adverse effect on our business prospects and financial condition.

If we fail to obtain or maintain the requisite licenses, permits, certificates and approvals required under the regulatory environment applicable to our business in any jurisdiction where we operate, or if it is time-consuming or costly to obtain or maintain such licenses, permits, certificates and approvals, our business, financial condition and results of operations may be materially and adversely affected.

The smart service robotic products and services industry and the industry sectors in which we provide our products and services, including education, logistics, general service and wellness and elderly care, are subject to the regulatory oversight of a number of governmental authorities, including but not limited to the Ministry of Industry and Information Technology of China.

There is no assurance that we can successfully update or renew the licenses, permits, certificates and approvals required for our business in a timely manner or at all, or that these licenses, permits, certificates and approvals are sufficient to conduct all of our present or future business. There are uncertainties regarding the interpretation and implementation of existing and future laws and regulations governing our business activities. If we fail to complete, obtain or maintain any of the required licenses, permits, certificates and approvals or make the necessary filings, we may be subject to various penalties, such as imposition of fines and the discontinuation or restriction of our operations. Any such penalties may disrupt our business operations and materially and adversely affect our business, financial condition and results of operations.

Our leased property interests in the PRC may be Title defective.

As of the Latest Practicable Date, the lessors of four of our lease properties in the PRC cannot provide us with the valid immovable property ownership certificates (不動產權證書). In relation to the Title Defects, as advised by our PRC Legal Adviser, as a result of the Title Defects, (i) it is the relevant lessors' responsibility to comply with the relevant requirements and to obtain the relevant ownership certificates; (ii) in case the relevant lessors do not own the leased properties, do not have the consent from the owner of the leased properties, or unable to prove that the construction of the leased properties has been approved by the relevant competent authorities, the relevant lease agreements may be deemed invalid and we may be required to vacate from such leased properties; and (iii) there is a risk that the usage of three of the leased properties may be inconsistent with the permitted usage, for which we may be subject to fines, and unable to continue using the leased properties if the lessors are ordered to return the properties by the relevant competent authorities.

We may experience disruptions and delays in local and global supply chain and logistics, which could have material and adverse impact on our business operation.

We conduct self-production processes for some of our smart service robots and core components of our products that involve manufacturing technology, mainly including servo actuators, Jimu series, uKit, humanoid Yanshee, Cruzr, AIMBOT, ADIBOT, AMRs and ATRIS. As of the Latest Practicable Date, we had eight production facilities in total, seven of which were in operation. We also leverage contract manufacturers to produce certain smart service robots and other hardware devices to enterprise-level customers and individual consumers, mainly including humanoid Alpha Mini and smart robotic appliances, to maximize the utilization of our resources. Further, we operate our warehouses for storing semi-finished and finished products and certain components and raw materials, and we engage third-party logistics service providers for the delivery of our products and services.

We rely on the timely supply of our raw materials in order to carry out our production plans as scheduled. Any delays or disruptions in raw material supplies from our suppliers, may have a material and adverse impact on our ability to meet the market demands and our marketing and sale of our products and services. In addition, any natural or man-made disasters or other unanticipated catastrophic events, including adverse weather, fires, technical or mechanical difficulties, storms, explosions, earthquakes, strikes, acts of terrorism, wars and outbreaks of pandemics could disrupt our transportation channels and impair the operations of our suppliers, and impede our ability to manufacture and deliver our products to customers in a timely manner. The delivery of (i) certain components to us and (ii) our products and services to certain customers have experienced delays of more than one month. The additional fees in relation to logistics services incurred as a result of the COVID-19 outbreak in FY2021 and FY2022 amounted to approximately RMB5.0 million. Any disruption or delay in our production and product and services delivery in the future could have an adverse impact on our ability to produce sufficient quantities of products and our ability to meet the needs of our customers. In such cases, our business, financial condition, results of operations and prospects could be materially and adversely affected.

Any unexpected disruption at our production facilities could materially and adversely affect our business, financial condition and results of operations.

Our ability to meet the demand of our customers and grow our business relies on the efficient, proper and uninterrupted operation of our production plan and a constant and sufficient supply of utilities. In the event of earthquake, fire, drought, flood or other natural disaster, political instability, riot or civil unrest, extended outage of critical utilities or transportation systems, terrorist attack or other events that limit or disrupt our ability to operate our production facilities, we may experience substantial losses, including loss of revenue from disrupted production. We may also need to incur substantial additional expenses, exceeding our insurance coverage to repair or replace any damaged equipment or facility. In addition, our ability to manufacture and supply products and our ability to meet our delivery obligations to our customers would be significantly disrupted and our relationships with our customers could be damaged, which could have a material and adverse effect on our business, financial condition and results of operations.

Our technology infrastructure may experience unexpected system failure, interruption, inadequacy, security breaches or cyber-attacks. Our reputation, business and results of operations may be harmed by service disruptions or by our failure to timely and effectively scale and adapt our existing technology infrastructure.

Our technology infrastructure may encounter disruptions or other outages caused by problems or defects in our own technologies and systems, such as malfunctions in software or network overload. Our technology infrastructure may be vulnerable to damage or interruption caused by telecommunication failures, power loss, human error, cyber attacks or other accidents. Despite any precautionary measures we may take, the occurrence of unanticipated problems that affect our technology infrastructure could result in interruptions in the availability of our products and services. There is no assurance that we can respond to such interruptions in a timely manner, or at all. Such interruptions may affect the ability of customers to use cloud-based features of our products and services, which would damage our reputation, reduce our future revenues, harm our future profits, subject us to regulatory scrutiny and lead our customers and end-users to seek alternative products and services.

Furthermore, our technology infrastructure is also vulnerable to damages from fires, floods, earthquakes and other natural disasters, power loss and telecommunication failures. Any network interruption or inadequacy that causes interruptions to our operations, or failure to maintain the network and server or solve such problems in a timely manner, could reduce our customer and user satisfaction, which in turn could adversely affect our reputation, business and financial condition.

Our production process relies on components and raw materials that may be subject to price fluctuations or shortages.

We develop, assemble and produce a substantial amount of smart service robotic products and certain components at our in-house facilities, and we purchase certain materials and components for our smart service robotic products. The key components for our smart service robotic products, among others, include processors, sensors, chips, batteries and cameras, which may be subject to price fluctuations or shortages. For example, chips are critical component of our production as it determines the efficiency of the device. Semi-conductors are also crucial elements in the production of many of our smart service robotic products. Any chips or semi-conductors shortage in the entire robotics industry and other sectors may lead to an increase in purchase price of chips and disruption in the supply of such key components for our production process.

Further, any export restrictions imposed by the U.S. government in relation to chips or semi-conductors may create further tension in chips supply in the robotics industry and other sectors in the PRC. We may not be able to obtain adequate replacement parts for our existing production process or to obtain additional chips on a timely basis, or at all, or we may only be able to purchase chips at premium prices. Such events could have a material adverse effect on our ability to pursue our strategy, which could have a material adverse effect on our business and the value of our securities.

Our operations may be subject to transfer pricing adjustments by competent authorities.

Our operations may be subject to transfer pricing adjustments by competent authorities. We have certain intra-group transactions among our subsidiaries in the PRC, United States, and Hong Kong that may be subject to audit or challenge by the relevant tax authorities. Such intra-group transactions can be categorized into: (i) intercompany buy-sell transactions: our cross-border intercompany buy-sell transactions include (a) U&ME Innovation Technology Company Limited purchased certain products from our domestic related parties and onwards sold to 3rd party distributors and customers, (b) UBTech Robotics Limited ("**UBTECH-HK**") purchased products from the our domestic related parties, (c) UBTech Robotics Corp purchased certain products from UBTECH-HK and our domestic related parties for the US local market distribution, and (iv) UBTECH-HK sold the remaining products to the 3rd party distributors and customers in the rest of the world. In FY2020, FY2021, FY2022 and 6M2023, the cross-border intercompany buy-sell transaction amounts amounted to RMB33.7 million, RMB66.2 million, RMB81.1 million and RMB70.9 million, respectively; and (ii) R&D collaboration: such transactions consist of contract R&D services rendered by UBTECH North America Research and Development Center Corp ("**UBTECH-R&D**") and Futronics (NA) Corporation ("**FUTRON-R&D**") to UBTech Robotics Corp Ltd. Functioned as our IP economic owner, UBTECH-SZ leads our R&D by setting overall R&D policy and protocols, conducting significant R&D activities by its in-house team of employees, and subcontracting part of the work to UBTECH-R&D and FUTRON-R&D. Both entities have been providing contract R&D services to UBTECH-SZ, with the focused areas on wellness and elderly care smart robotic products and services. As per the relevant intercompany agreements, upon the confirmation by UBTECH-SZ on the delivery of UBTECH-R&D and FUTRON-R&D, the intercompany R&D services fees would be arranged, to compensate all the relevant costs incurred by UBTECH-R&D and FUTRON-R&D with an additional 10% mark-up. In FY2020, FY2021, FY2022 and 6M2023, the intercompany R&D services transaction amounts amounted to RMB64.8 million, RMB68.0 million, RMB52.2 million and RMB17.6 million, respectively. See "Business — Transfer Pricing Arrangements" for details.

As such, we could face adverse tax consequences if the relevant tax authorities determine that some of our intra-group transactions do not represent arm's-length negotiations and consequently adjust any of those entities' income in the form of a transfer pricing adjustment. A transfer pricing adjustment could, among other things, increase our tax liabilities. If we fail to rectify such incident within the limited timeframe required by the relevant tax authorities, the relevant tax authorities may impose late payment interest or surcharge and other penalties on us for any unpaid taxes. In addition, a transfer pricing arrangement may give rise to tax recoverable in certain jurisdictions as a result of tax adjustments. There is no assurance that we could successfully recover the tax recoverable from the relevant tax authorities. Our business, financial condition and results of operation may therefore be materially and adversely affected.

Further, we expect that the transfer pricing arrangements will continue in the foreseeable future and we will determine transfer pricing arrangements that we believe to be the same as that transacted with unrelated third parties on an arms' length basis. However, there is no assurance that tax authorities would share the same view, or such laws and regulations will not be modified. In the event that an authority of any relevant jurisdiction determines that such intra-group transactions were not on an arm's length basis that affect taxable income, such authority could require our relevant subsidiaries to re-determine the transfer prices and thereby adjust revenue, deduct costs and expenses or adjust taxable income of the relevant subsidiary in order to accurately reflect the taxable income. Any such adjustment could result in higher overall tax liability for us, which may adversely affect our business, financial condition and results of operations.

We are exposed to risks associated with conducting business internationally and will continue to be subject to such risks when we expand our business overseas.

During the Track Record Period, we sold our products and services to overseas countries including but not limited to the U.S., Japan, Belgium and Thailand. During the Track Record Period, our overseas sales accounted for amounted to approximately RMB57.4 million, RMB63.4 million, RMB131.0 million and RMB69.8 million, representing approximately 7.8%, 7.8%, 13.0% and 26.7% of our total revenue. We may be subject to the following risks:

- challenges in providing products, services and support, in recruiting personnel in international markets, and in managing sales channels and distribution networks effectively;
- revenue fluctuation from period to period in the future due to unfavorable market conditions, intensified competition, unattractive products and services, downward pressure on our selling price and any other inherent risks associated with our international business operations;
- challenges in commercializing our products in new markets where we have limited experience with the local market dynamics and no existing or developed sales, distribution and marketing infrastructure;
- difficulties in dealing with regulatory regimes, regulatory bodies and government policies with which we may be unfamiliar, in order to obtain permits, licenses and approvals necessary to manufacture or import, market and sell products in or to various jurisdictions;
- potentially reduced protection for our intellectual property rights and potential breach of third-party intellectual rights;
- differences in accounting treatment in different jurisdictions, potential adverse tax implications and foreign exchange losses;
- inability to effectively enforce contractual or legal rights; and
- changes in laws, regulations and policies as well as political, economic and market instability or civil unrest in the relevant jurisdictions.

If we are unable to effectively avoid or mitigate these risks, our ability to expand in international markets will be impaired, or our international business may not be able to achieve or sustain profitability, which could have a material and adverse effect on our business, financial condition, results of operations and prospects.

Further, we expect that the transfer pricing arrangements will continue in the foreseeable future and we will determine transfer pricing arrangement that we believe to be the same as that transacted with unrelated third parties on an arms' length basis. However, there is no assurance that tax authorities would share the same view, or such laws and regulations will not be modified. In the event that an authority of any relevant jurisdiction determines that such intra-group transactions were not on an arm's length basis that affect taxable income, such authority could require our relevant subsidiaries to re-determine the transfer prices and thereby adjust revenue, deduct costs and expenses or adjust taxable income of the relevant subsidiary in order to accurately reflect the taxable income. Any such adjustment could result in higher overall tax liability for us, which may adversely affect our business, financial condition and results of operations.

We face risks associated with our investments, including exposure to fair value changes of financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income and valuation uncertainty due to the use of unobservable inputs that require judgment and assumptions which are inherently uncertain.

We currently invest a portion of our capital in investments. During the Track Record Period, we had invested in wealth management products and unlisted equity measured at fair value through profit or loss and at fair value through other comprehensive income. The fair value estimates of financial assets at fair value through profit or loss (wealth management products) are included in level 2, where the fair values have been determined based on observable inputs other than quoted prices. The fair value estimations of financial assets at fair value through other comprehensive income (unlisted entities) are included in level 3, where the fair values have been determined based on unobservable inputs. We classified our wealth management products and unlisted equity as financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income of which no quoted prices in an active market exist. As of June 30, 2023, our (i) financial assets at fair value through profit or loss and (ii) financial assets at fair value through other comprehensive income amounted to nil and RMB5.4 million, respectively. The fair values of the financial assets at fair value through other comprehensive income within level 3 of fair value measurement is established by using different valuation techniques which include some inputs. For the loan and interest receivable, our management used discounted cash flow as the valuation technique and the significant unobservable input was discount rate. The fair value change of financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income may significantly affect our financial position and results of operations. Accordingly, such determination requires us to make significant estimates, which may be subject to material changes, and therefore inherently involves a certain degree of uncertainty. Factors beyond our control can significantly influence and cause adverse changes to the estimates we use and thereby affect the fair value of such financial assets. These factors include, but are not limited to, general economic condition, changes in market interest rates and the stability of capital markets. Any of these factors, as well as others, could cause our estimates to vary from actual results, which could materially and adversely affect our results of operation and financial condition. In addition, the process for determining whether an impairment of financial asset is other-than-temporary usually requires complex and subjective judgments, which could subsequently prove to have been wrong.

Furthermore, our investments may earn yields substantially lower than anticipated, and the fair values of our investments may fluctuate significantly, which contribute to the uncertainties in valuation. Any failure to realize the benefits we expected from these investments may materially and adversely affect our business and financial results. During the Track Record Period, we had investment holding in one company as of December 31, 2020 and two companies as of December 31, 2021 and 2022 and as of June 30, 2023 and, respectively, in order to open up new markets for our business. During FY2021, there was a decrease in fair value of RMB7.0 million resulting from decrease in business enterprise value of such investments and the disposal of the investment in a company with a cost of RMB4.0 million, whereas there was an increase in fair value of RMB1.6 million from the increase in business enterprise value of such investments during FY2022. Our financial assets at fair value through other comprehensive income then remained relatively stable at RMB5.4 million as of June 30, 2023. Any change in securities prices and market conditions could lead to volatility in the fair values of our financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income, which could further impact our financial condition and results of operations and may also impact our ability to dispose of these financial instruments at favorable prices.

If we are unable to manage our inventory risks efficiently or the proportions and amount of our provision for inventories further increase, our financial and results of operations may be adversely affected.

We had inventories of RMB412.8 million, RMB426.1 million, RMB332.7 million, and RMB416.5 million as of December 31, 2020, 2021, 2022, and June 30, 2023, respectively. Our Group had net write-down of inventories recorded in profit and loss account of RMB12.6 million, RMB1.2 million, RMB70.6 million, and RMB2.0 million in FY2020, FY2021, FY2022 and 6M2023, respectively. According to Frost & Sullivan, the smart service robotic products and services industry in China and the rest of the world is characterized by evolving technologies, products and services and infrastructures, increasing competition, changing government regulations and industry standards, and changing market demands. As such, our smart service robotic products and services may have a short product life cycle and are subject to fast-changing product trends and constantly evolving technologies.

We cannot assure you that our inventories will not be damaged or impaired, as our storage may encounter unforeseeable events. As such, failure to manage our inventories effectively may adversely affect our financial condition and results of operations. In addition, our inventories are subject to impairment if their net realizable value falls before we sell them. With the development of the smart service robotic products and services industry and according to our business scale expansion, aging of inventory balance, adjustment of subsidy policy and upgrading and iteration of our products, the amount and proportion of our provision of the inventories may further increase, which may have an adverse impact on our financial and results of operations.

If we are unable to perform our contracts, our results of operations and financial condition may be adversely affected.

Contract liabilities represented receipt in advance for our products. Our contract liabilities amounted to RMB91.1 million, RMB144.2 million, RMB84.5 million and RMB127.1 million as of December 31, 2020, 2021, 2022, and June 30, 2023, respectively. If we fail to honor our obligations under our contracts with our customers, we may not be able to convert such contract liabilities into revenue, and our customers may also require us to refund the receipt in advance for our products that they have made, which may in turn adversely affect our liquidity position and financial condition. In addition, if we fail to honor our obligations under our contracts with our customers, it may also adversely affect our relationship with such customers, which may in turn affect our results of operations in the future.

We have incurred net current liabilities in the past, which we may experience in the future.

We have incurred net current liabilities in the past. We had net current liabilities of RMB83.3 million as of December 31, 2021. Our Group's net current assets decreased from RMB281.9 million as of December 31, 2020 to net current liabilities of RMB83.3 million as of December 31, 2021. The decrease was primarily due to (i) decrease in cash and cash equivalents of RMB348.7 million mainly to support daily operation and purchase of property, plant and equipment; (ii) increase in trade payables of RMB170.1 million due to increase in procurement of sub-contracting services; (iii) increase in other payables and accruals of RMB97.8 million; and (iv) increase in current portion of borrowings of RMB75.7 million. The decrease was partially offset by the (i) increase in trade receivables of RMB231.5 million due to the increase in revenue from logistics and education smart robotic products and services in the fourth quarter of the year; and (ii) increase in prepayments, deposits and other receivables of RMB100.9 million.

Net current liabilities expose us to liquidity risk. Payment of trade and other payables, our capital expenditure plans and the repayment of our outstanding debt obligations as and when they become due will primarily depend on our ability to maintain adequate cash generated from operating activities and adequate external financing. In addition, if we encounter any liquidity issues in the future, we may curtail or defer our business expansion plans based on the availability of sufficient funds. If we have net current liabilities in the future, our working capital for operations or business expansion plans could be limited and our business, financial position and results of operations could be materially and adversely affected.

We may be exposed to higher accounts receivables risks and credit risks of our customers as we continue to expand our business.

Our sales to our customers are mainly made on credit with a general credit terms within 12 months. As of December 31, 2020, 2021, 2022, and June 30, 2023, we recorded gross trade receivables of RMB180.2 million, RMB418.7 million, RMB751.7 million, and RMB759.9 million, respectively, and such figures may further increase in the future, whilst we have allowance for impairment for trade receivables of RMB43.5 million, RMB50.5 million, RMB89.6 million and RMB97.6 million as of the same date, respectively. If our customers delay in or default on their payments, we may have to make additional provision for impairment, write off the relevant receivables and/or incur substantial legal costs to recover the outstanding balance, which may in turn materially and adversely affect our financial condition, results of operations and business prospects.

We are dependent on bank loans to our Group that involve a guarantee provided by one of our Controlling Shareholders.

During the Track Record Period, we relied on bank loans to our Group that involve a guarantee provided by one of our Controlling Shareholders to fund our business operations. As of December 31, 2020, 2021, 2022, and June 30, 2023, our Group's bank loans of nil, RMB306.9 million, RMB298.2 million and RMB601.9 million, respectively, were guaranteed by Mr. Zhou Jian. See note 41 of "Appendix I – Accountant's Report" and "Relationship with Our Controlling Shareholders – Independence from Our Controlling Shareholders – (iii) Financial independence" for details. There is no assurance that we will be able to satisfy all covenants under relevant bank loan agreements and/or obtain the financing on terms acceptable and/or on a timely basis in the future, or at all. Further, there is no assurance that we will have sufficient cash from other sources to fund our operations. If we are unable to obtain or refinance our debt, our business, prospects, cash flows, financial condition and results of operations could be adversely affected.

Our business strategies require a significant amount of capital. If we fail to obtain sufficient financing to support our business development, our business operation, financial condition, and prospects may be materially and adversely affected.

Our business and future strategy are capital intensive and require substantial investments in, among other things, R&D, increasing the production capability and products promotion and marketing. As we increase our production capacity and operations, we may also require significant capital to maintain our property, plant and equipment and such costs may be greater than anticipated. We expect that our level of capital expenditures will be significantly affected by user demand for our products. Our future capital requirements may be uncertain and actual capital requirements may be different from those we currently anticipate. We may seek equity or debt financing to finance a portion of our capital expenditures. If we fail to obtain sufficient capital in a timely manner or on acceptable terms, or at all, we may be required to significantly reduce our spending, delay or cancel our planned activities, or substantially change our corporate strategy, which may materially and adversely affect our business, financial condition, and prospects.

In addition, our future capital needs and other business reasons could require us to issue additional equity or debt securities or obtain a credit facility. The issuance of additional equity or equity-linked securities could dilute our shareholders and decrease the dividend per share. The incurrence of indebtedness would result in an increase in debt service obligations and could result in operating and financing covenants that would restrict our operations or our ability to pay dividends to our shareholders.

If we fail to comply with various environmental and fire safety related laws and regulations, we may be subject to fines and penalties.

We are subject to national and local environmental protection and fire safety related laws and regulations applicable to us in China including but not limited to the Administration Rules on Environmental Protection of Construction Projects (《建設項目環境保護管理條例》), the Environmental Impact Appraisal Law of PRC (《中華人民共和國環境影響評價法》), Pollutant Discharge Permit Administrative Regulations (《排污許可管理條例》) and Fire Prevention Law of the PRC (《中華人民共和國消防法》).

If we fail to comply with the relevant environmental and fire safety related laws and regulations, we may be liable for correction, fines or penalties or also be ordered to suspend or terminate the construction if such non-compliance causes material environment pollution or ecological damage. If any of such penalties are imposed on us, our operations could be materially and adversely affected and we will incur significant costs which will negatively impact our financial performance. We cannot assure you that we will be able to obtain all the regulatory approvals for our production lines and factories construction projects in a timely manner, or at all. Delays or failures in obtaining all the requisite regulatory approvals of such facilities may affect our abilities to develop, manufacture and commercialize our products as we plan.

Our risk management and internal control systems may not be adequate or effective.

We seek to improve and update our risk management and internal control systems on a regular basis. Please see "Business — Risk Management and Internal Control" for details. However, there is no assurance that they will be effective in safeguarding our risk management and internal control functions and fulfilling their purposes by ensuring, among other things, accurate reporting of our financial results and the prevention of fraud. Since our risk management and internal control systems depend on effective implementation by our employees, and even though we provide relevant internal trainings in this regard, we cannot assure you that our employees are sufficiently or fully trained to implement these systems, or that their implementation will be free from error or mistakes. If we fail to timely update, implement, and modify, or fail to deploy sufficient human resources to maintain our risk management policies and internal control procedures, our business, financial condition, results of operations and prospects could be materially and adversely affected.

Further, there can be no assurance that our employees will not engage in misconducts or omissions that could materially and adversely affect our business, financial condition and results of operations. In addition, although we maintain strict standards in choosing our business partners, there is no assurance that our business partners will not engage in misconducts or omissions. Any misconduct by our business partners may affect our operations and reputation, which may in turn affect our business, results of operations and financial condition.

We may be involved in legal proceedings and commercial disputes, which could materially affect on our business, financial condition and results of operations.

We may be subject to claims and various legal and administrative proceedings from time to time, and new claims may arise in the future. In addition, agreements entered into by us sometimes include indemnification provisions which may subject us to costs and damages in the event of a claim against an indemnified third party.

Regardless of the merit of particular claims, legal and administrative proceedings, such as litigations, injunctions and governmental investigations, may be expensive, time-consuming or disruptive to our operations and distracting to management. In recognition of these considerations, we may enter into new or further licensing agreements or other arrangements to settle litigation and resolve such disputes. No assurance can be given that such agreements can be obtained on acceptable terms or that litigation will not occur. These agreements may also significantly increase our operating expenses.

New legal or administrative proceedings and claims may arise in the future. If one or more legal or administrative matters are resolved against us or an indemnified third party for amounts in excess of our management's expectations or certain injunctions are granted to prevent us from using certain technologies in our products and services, our business and financial conditions could be materially and adversely affected. Further, such an outcome could result in significant compensatory or punitive monetary damages, disgorgement of revenue or profits, remedial corporate measures, injunctive relief or specific performance against us that could materially and adversely affect our financial condition and operating results.

In particular, during the Track Record Period, our Group has entered into contracts with certain customers whereby we are required to deliver our products and services to their own customers who are the end-users. Regarding such arrangements, we could not guarantee that the end-users are fully aware of and have properly authorized our customers to enter into such arrangements with our Group. In particular, disputes and litigations may arise in relation to the enforceability and performance of the relevant contracts which may result in disruptions, suspensions or termination of the contractual relationships and expose our Group to civil liabilities such as compensation and penalties. In addition, we may also incur significant legal costs in handling such disputes and litigations.As such, the occurrence of such disputes and litigations could adversely affect our business, results of operations and financial condition.

The PRC Labor Contract Law, any labor shortages, increased labor cost or other factors affecting our labor force may adversely affect our business, profitability and reputation.

Pursuant to the PRC Labor Contract Law (中華人民共和國勞動合同法), or the Labor Contract Law, which took effect in January 2008 and was revised in December 2012, and its implementation rules which took effect in September 2008, employers are subject to strict requirements in terms of signing labor contracts, minimum wages, paying remuneration, determining the term of employees' probation and unilaterally terminating labor contracts. Compliance with the Labor Contract Law and its implementation rules may increase our operating expenses, in particular our personnel expenses. In the event that we decide to dismiss some of our employees or otherwise change our employment or labor practices, the PRC Labor Contract Law and its implementation rules may also limit our ability to effect those changes in a cost-effective manner, which could adversely affect our business and results of operations.

As the interpretation and implementation of labor-related laws and regulations are still evolving, we cannot assure you that our employment practice policy and insurance policy will at all times be deemed to be in full compliance with labor-related laws and regulations in China, which may subject us to labor disputes, fines or government investigations. If we are deemed to have violated relevant labor-related laws and regulations, we could be required to provide additional compensation to our employees and our business, financial condition and results of operations could be materially and adversely affected.

Besides, China's economy has experienced increases in labor costs in recent years. As China's economy continues to grow, the average wages in China are also expected to grow. We expect that our staff costs, including wages and employee benefits, will continue to increase. Unless we are able to pass on the increased staff costs to our customers by raising the price of our products and services, our profit margin may shrink and our results of operations may be materially and adversely affected.

Our leased property interests in the PRC are subject to Usage Defects and we may face penalties from the relevant competent authorities.

During the Track Record Period, six of our leased properties were subject to inconsistency with the permitted usage (the "**Usage Defects**").

As advised by our PRC Legal Adviser, in accordance the PRC laws and regulations, the Usage Defects may affect the validity or enforceability of the relevant lease agreements, and we may be subject to administrative penalties by the relevant competent authorities, including fines and being required to vacate the leased properties. Even though (i) we no longer leased the Chongqing Leased Property and Guizhou Leased Property, and (ii) Kunming Leased Property is now used as office (including research and development) premise which is consistent with the permitted usage, considering the rectifications of the relevant Usage Defects were carried out within the two-year period prior to the Latest Practicable Date, we are still subject to the risk of administrative penalties in respect of such historical defects. Under the PRC laws and regulations, the aggregate maximum fine which our Group may be subject to in respect of all the above mentioned Usage Defects is approximately RMB7.0 million. See "Business — Non-compliance matters — 1. Inconsistency with permitted usage of certain leased properties" for details. We cannot assure you that we would not be subject to any penalties and/or requests for the non-compliances in the future, any of which may incur additional expenses and adversely affect our business and financial condition.

We may be subject to fines or penalties as a result of our failure to commence constructions in respect to our owned properties in the PRC.

During the Track Record Period and up to the Latest Practicable Date, in respect of four of our owned properties in the PRC, we had failed to commence constructions on such owned properties before the date prescribed under the relevant land use right grant contracts. As advised by our PRC Legal Adviser, we may be subject to (i) warning and fines in respect of three of the owned properties located in Kunming, Shenzhen and Hangzhou respectively ("**Kunming Owned Property 1**", "**Shenzhen Owned Property**", and "**Hangzhou Owned Property**") as we have commenced constructions within one year after the prescribed dates; and (ii) warning, land idle fee of up to RMB6.1 million and fines in respect of one of the owned properties (the "**Kunming Owned Property 2**") as we have commenced constructions more than two years after the prescribed date. See "Business — Non-compliance matters — 2. Delays in commencement of constructions on certain owned properties" for further details.

Furthermore, pursuant to the abovementioned owned properties, we have entered into land grant contracts (國有土地使用權出讓合同) with the government authorities, if we fail to develop a property project according to the terms of the land grant contract (國有土地使用權出讓合同), including those relating to the time for commencement and completion of the property development, government authorities may issue a warning, have a claim of liquidated damages from us, impose a penalty and/or order us to forfeit the land.

We cannot assure you that we will be able to fully comply with the obligations under applicable PRC laws and regulations in the future including delays in the commencement of construction or that our developments will not be subject to idle land penalties or taken back by the PRC Government as a result of such delays. The imposition of land penalties could have a material and adverse effect on our business, results of operations and financial condition. If any of our land is reclaimed by the PRC Government, we would also lose our prior investments in the development, including land premiums paid and costs incurred prior to the reclamation in connection with the land.

We may be subject to fines and penalties as a result of our non-compliance with certain PRC laws and regulations regarding the social insurance and housing provident fund during the Track Record Period.

Pursuant to the relevant PRC laws and regulations, employers in the PRC are required to make social insurance and housing provident fund contributions for their employees, and entities failing to make such contributions may be ordered to settle the outstanding contributions within a prescribed time limit and subject to late payments or fines. During the Track Record Period, we have not fully made social insurance and housing provident fund contribution for our PRC employees as required under the relevant PRC laws and regulations. During the Track Record Period and up to the Latest Practicable Date, we had not received any orders or demands from the relevant government authorities requesting us to pay the shortfall in social insurance or housing provident fund contributions or any penalties and there had been no complaints from our Group's employees regarding the non-compliance of social insurance and housing provident fund contributions. We estimate that in the event that we are ordered to make up for our outstanding contributions during the Track Record Period, the maximum late payment fee would be approximately RMB9.9 million. We have made full provisions for the outstanding contributions in our consolidated financial statements in the amount of RMB3.0 million, RMB3.9 million, RMB4.1 million and RMB0.8 million for FY2020, FY2021, FY2022 and 6M2023, respectively. See "Business — Non-compliance matters — 3. Failure to make full contributions to social insurance and housing provident funds and the use of third parties to pay the contributions" for further details.

According to the relevant social insurance laws and regulations of the PRC, we may be required by the relevant government authority to make up the outstanding social insurance contribution with an additional late payment fee at a daily rate of 0.05% of the outstanding contribution from the due date within a given period, and if we fail to do so, we may be subject to a fine ranging from one to three times of the total amount of the outstanding contribution. According to the relevant housing provident funds laws and regulations of the PRC, we may be ordered by the relevant government authority to make up the outstanding contributions within the prescribed time limit, and failing which we may be subject to a fine from RMB10,000 to RMB50,000.

Furthermore, we have engaged certain third party agencies to make social insurance and housing provident funds contributions on behalf of us during the Track Record Period, which amounted to RMB1.4 million, RMB1.8 million, RMB1.6 million and RMB0.9 million in FY2020, FY2021, FY2022 and 6M2023, respectively, representing approximately 1.83%, 1.67%, 1.44% and 1.73% of our total social insurance and housing provident funds contributions during the corresponding years/period. As of Latest Practicable Date, the number of employees for which we engaged third-party agencies for paying social insurance or housing provident funds was 89, representing 5.03% of the total number of our employees as of June 30, 2023. We estimate that in the event that we are ordered to make up for the social insurance and housing provident funds contributions made by third party agencies on behalf of us during the Track Record Period, the maximum late payment fee would be approximately RMB2.2 million. See "Business – Non-compliance matters – 3. Failure to make full contributions to social insurance and housing provident funds and the use of third parties to pay the contributions" for further details.

The relevant competent government authorities may determine that our use of such agency arrangements does not satisfy the requirements under the relevant PRC laws and regulations, and thus we may be subject to additional contributions, late payment fees and/or penalties imposed by the relevant PRC authorities for failing to discharge our obligations in relation to payment of social insurance and housing provident funds as an employer or be ordered to rectify.

There is no assurance that we will not be subject to late payments, fines or penalties imposed by the relevant PRC government authorities as a result of such non-compliance incidents, requested by the relevant PRC government authorities to pay the unpaid social insurance payments or housing provident fund contributions, or any order to rectify such non-compliance incidents. There is also no assurance that there will be no employee complaint against us in relation to our failure to make full social insurance and housing provident fund contributions. In addition, we may incur additional costs to comply with such laws and regulations by the relevant PRC government authorities. Any such development may harm our corporate image and may have an adverse effect on our financial condition and results of operations.

Failure to renew our current leases at reasonable terms or to relocate to desirable alternatives for our facilities could materially and adversely affect our business and results of operations.

We may not be able to successfully extend or renew our leases upon expiration of the current term on commercially reasonable terms, or at all, and may therefore be forced to relocate our affected operations. This could disrupt our operations and result in significant relocation expenses, which could adversely affect our business, financial condition and results of operations. In addition, we compete with other businesses for premises at certain locations or of desirable sizes. As a result, even though we could extend or renew our leases, rental payments may significantly increase as a result of the high demand for the leased properties. In addition, we may not be able to locate desirable alternative sites for our facilities as our business continues to grow, and failure in relocating our affected operations could adversely affect our business and operations.

Our limited insurance coverage could expose us to significant costs and business disruption.

Any uninsured occurrence of business disruption, litigation or natural disaster, or significant damages to our uninsured equipment or facilities could have a material adverse effect on our results of operations. Our current insurance coverage may not be sufficient to prevent us from any loss and there is no certainty that we will be able to successfully claim our losses under our current insurance policy on a timely basis, or at all. It may also be difficult for us to find insurance coverage for some of our business activities such as credit insurance for our overseas business operations. If we incur any loss that is not covered by our insurance policies, or the compensated amount is significantly less than our actual loss, our business, financial condition and results of operations could be materially and adversely affected. If such risks materialize, we may also suffer substantial losses.

We face risks related to natural disasters, health epidemics and other outbreaks of contagious diseases.

Our business could be adversely affected by natural disasters or outbreaks of epidemics. These natural disasters, outbreaks of contagious diseases and other adverse public health developments in mainland China or any other market in which we do business could severely disrupt our business operations by damaging our technology infrastructure or information technology system or impacting the productivity of our workforce, which may adversely affect our financial condition and results of operations.

RISKS RELATING TO CONDUCTING BUSINESS IN THE PRC

In the event of a global economic slowdown which includes the PRC, the demand for our products and services may be reduced and this may have a material adverse effect on our business, financial condition, results of operations and prospects.

We conduct our business and generate substantially all of our revenue in the PRC. As a result, economic developments in the PRC have a significant effect on our business, financial condition and results of operations, as well as our prospects. The global economy may continue to deteriorate in the future and continue to have an adverse impact on the PRC's economy. Any significant slowdown in the PRC's economy could have a material adverse effect on our business and operations. In particular:

- during a period of economic slowdown, there is a greater likelihood that more of our customers or contractual parties could become delinquent in respect of their obligations to us;
- we may not be able to raise additional capital on favorable terms, or at all; or
- trade and capital flows may further contract as a result of protectionist measures introduced in certain markets, which could cause a further slowdown in economies and materially and adversely affect our business and prospects.

In addition, factors such as consumer, corporate and government spending, business investment, volatility of the capital markets and inflation all affect the business and economic environment, the growth of the PRC's smart service robotic products and services industry and ultimately, the profitability of our business. Our labor and other costs may also increase due to pressure from inflation.

If our preferential tax and other treatments become unavailable or if the calculation of our tax liability is successfully challenged by the PRC tax authorities, we may be required to pay tax, interest and penalties in excess of our tax provisions, and our results of operations could be materially and adversely affected.

Our Company and our subsidiary Shanghai UBJ had applied to the relevant tax bureau and were granted the qualification as "High and New Technology Enterprise" ("HNTE") in June 2015 and November 2021 respectively, and our Company has renewed the qualification as HNTE in October 2018 and December 2021. As a result, our Company and our subsidiary Shanghai UBJ are subject to a preferential CIT rate of 15% for the Track Record Period. A subsidiary of our Company, UBTECH Software Technology (Shenzhen) Co., Ltd. ("UBTECH Software"), had applied to the relevant tax bureau and were granted the qualification as "National Key Software Enterprise" in March 2019. As a result, UBTECH Software was subject to a two years exemption and three years half exemption of CIT from the year ended December 31, 2018. Furthermore, UBTECH Software had also applied to the relevant tax bureau and were granted the qualification as HNTE in December 2020. As such, during the Track Record Period, UBTECH Software was subject to a preferential CIT rate of 12.5% until January 1, 2023, whereas UBTECH Software was subject to a preferential CIT rate of 15% for the remainder of the Track Record Period. Our other major subsidiaries were subject to CIT at a rate of 25%, which is the normal CIT rate in the PRC.

If our preferential tax treatments become unavailable or if the calculation of our tax liability is successfully challenged by the PRC tax authorities, the discontinuation of any of the various types of preferential tax treatment we enjoy could materially and adversely affect our results of operations. Please see "Financial Information — Description of Selected Items in Consolidated Income Statements — Income tax expense" for further details.

The PRC government policy on foreign investment in the PRC may adversely affect our business and results of operations.

The investment activities of foreign investors in the PRC are subject to certain regulations regarding the industry participated and imposed of additional verification procedures by certain authorities. The Special Management Measures (Negative List) for the Access of Foreign Investment (Edition 2021) (外商投資准入特別管理措施(負面清單)(2021年版), (the "**Negative List**") issued by the NDRC and MOFCOM, which set out in a unified manner the restrictive measures for the access of foreign investments such as the requirements for equity and senior management, and the industries that are prohibited for foreign investment. The Negative List covers 12 industries, and any field not covered by the Negative List shall be administered under the principle of equal treatment to domestic and foreign investment. As of the Latest Practicable Date, our Group's main business in China does not fall within the Negative List. However, certain industries are specifically prohibited for foreign investment, which may restrict us from entering into these industries afterwards. Also, as the Negative List could be updated in the future, there can be no assurance that the PRC government will not change its policies in a manner that would render part of our business in China falling within the Negative List. If we cannot obtain approval from relevant approval authorities to engage in a business in China which becomes prohibited or restricted for foreign investors, we may be forced to sell or restructure our business which has become restricted or prohibited for foreign investment. If we are forced to adjust our corporate structure or business line as a result of changes in government policy on foreign investment, our business, financial condition and results of operations may be adversely affected.

Our operations are subject to and may be affected by changes in PRC tax laws and regulations.

We are subject to periodic examinations on fulfillment of our tax obligation under the PRC tax laws and regulations by PRC tax authorities. We cannot assure you that we will continue to comply with relevant future examinations by PRC tax laws and regulations in the future. If we fail to comply with relevant tax laws and regulations in the future, we may be subject to investigations by the PRC tax authorities in respect of the non-compliance, which may result in fines, other penalties or action that could adversely affect our business, financial condition and results of operations, as well as our reputation. Furthermore, the PRC government from time to time adjusts or changes its tax laws and regulations. For example, under the Individual Income Tax Law of the People's Republic of China (the "**IIT Law**") (《中華人民共和國個人所得稅法》), which was amended on June 30, 2011 and came into effect on September 1, 2011, foreign nationals who have domiciles in the PRC, or have no domicile in China but have resided in the PRC for one year or more, would be subject to PRC individual income tax at progressive rates on their income gained within or outside the PRC. The Standing Committee of NPC has approved the amendment of the IIT Law, which became effective on January 1, 2019. Under the amended IIT law, foreign nationals who have no domicile in China but have resided in the PRC for a total of 183 days or more in a tax year would be subject to PRC individual income tax on their income gained within or outside the PRC. We cannot guarantee further adjustments or changes to PRC tax laws and regulations, would also have any effect on our business, financial condition and results of operations.

Holders of our H Shares may be subject to PRC income tax obligations.

Following the practice of all major economies, China also has tax treaties or similar arrangements with jurisdictions around the world. Pursuant to the Enterprise Income Tax Law and its implementing rules, the 10% withholding tax in China generally applies to dividends paid to investors of enterprises resident outside China, which have no establishment or business place in China, or have establishment or place of business but the relevant income has no actual connection with the establishment or place of business. Unless otherwise provided in agreements or similar arrangements, any gains realized from the transfer of shares by these investors, if deemed to be originated from China, are subject to a Chinese income tax rate of 10% (or lower). According to the Individual Income Tax Law and its implementation rules, dividends originated from China paid to foreign individual investors who are not Chinese residents are generally subject to Chinese withholding tax at a rate of 20% and any proceeds incurred from share transfers by such shareholders are generally subject to 20% Chinese income tax, unless there exists any relief under applicable tax agreements and PRC law. Although our business operations are in China, it is unclear whether dividends paid by us on H shares or gains realized from the transfer of H shares will be considered as income originated from China and will be subject to Chinese income tax. If PRC income tax is imposed on gains realized on the transfer of our H Shares or dividends paid to our non-resident investors, the value of your investment in our Shares may be adversely affected. In addition, our Shareholders may not be eligible for the benefits of tax agreements or arrangements in their jurisdictions of residence if they have tax agreements or arrangements with the PRC.

RISKS RELATING TO INTERNATIONAL SANCTIONS

We could be adversely affected as a result of any transactions we have with persons in countries that are, or become subject to, sanctions administered by the Relevant Sanctions Authorities and other relevant authorities.

The United States and other jurisdictions or organisations, including the E.U., the U.K., the U.N. and Australia, have, through executive orders, passing of legislation or other governmental means, implemented measures that impose economic sanctions against certain countries or against targeted industry sectors, groups of companies or persons, and/or organisations within such countries.

During the Track Record Period, we sold consumer-level robots and other hardware devices to customers located in Belarus, Egypt, Hong Kong, Iraq, Russia, Serbia, Turkey and Ukraine (excluding Crimea, Luhansk, Donetsk, Zaporizhzhia and Kherson regions) and purchased certain promotional service from a service provider in Turkey. All of these countries are subject to certain forms of International Sanctions programmes administered by the Relevant Sanctions Authorities. In particular, as advised by our International Sanctions Legal Advisers, Russia has been subject to sweeping sanctions by the Western countries since its military aggressions in Ukraine in February 2022.

To the best knowledge of our Directors, for FY2020, FY2021, FY2022 and 6M2023, our revenue derived from the sales to the Relevant Countries amounted to approximately RMB2.99 million, RMB5.13 million, RMB13.20 million and RMB3.00 million, respectively, representing approximately 0.40%, 0.63%, 1.31% and 1.15% of our total revenue for the same years/period, respectively. Our sales to Russia are mostly AiRROBO vacuum cleaner and accessories, and Jimu series (non-education) used in family education, STEAM training and competition settings. Our revenue generated from the sales to customers located in Russia amounted to RMB0.81 million, RMB1.88 million, RMB3.06 million and RMB2.42 million, representing approximately 0.11%, 0.23%, 0.30% and 0.93% of our total revenue for FY2020, FY2021, FY2022 and 6M2023, respectively. In addition, we paid a very small amount of fee (i.e., approximately RMB20,000) for certain promotional services rendered to us by a Turkey service provider in 2021, representing no more than 0.01% of the selling and marketing expenses of the Group in 2021. Other than such fee paid in 2021, there was no other transaction with this Turkey service provider during the Track Record Period, and we have ceased business dealings with this service provider since the end of 2021. Please see "Business — Business Activities in Respect of Countries with International Sanctions Exposure" for further details.

Sanctions laws and regulations are constantly evolving, and new persons and entities are regularly added to the list of Sanctioned Targets. Further, new requirements or restrictions could increase the scrutiny on our business or result in one or more of our business activities being deemed subject to sanctions restrictions. If we fail to keep abreast of the latest developments in International Sanctions, we would not be able to minimize sanctions risk exposures. If any of our future activities with certain jurisdictions are determined by the Relevant Sanctions Authorities or other relevant authorities administering sanctions measures in any other jurisdictions to constitute a violation of the sanctions imposed by these authorities or provides a basis for a sanctions designation of us, our business and reputation could be adversely affected. Also, any association with customers, suppliers and service providers in countries subject to any form of sanctions programmes could subject us to actual or perceived reputational harm. Any such reputational harm could result in the loss of investors, customers, suppliers or service providers, which could in turn harm our business, financial condition or prospects.

Export control or trade restrictions that were imposed on a number of entities may affect our business, financial conditions and results of operations.

In recent years, the U.S. government imposed targeted export control and trade restrictions on the PRC and a number of Chinese companies and institutions, including by adding them onto the BIS Lists which limit their access to certain U.S.-origin goods, software and technologies, as well as items that contain a significant portion of or are a direct product of certain U.S.-origin goods, software and technologies. Any future changes of regulations and policies regarding export controls could have an unpredictable impact on our business operations.

We generally procure the goods, parts and components used in our manufacturing from domestic suppliers located in China. Although these purchases include certain U.S.-origin goods, parts and components, the value of such U.S.-origin content does not exceed 10% of the value of each product. In addition, as part of our export control compliance measures, we require the domestic suppliers to certify their compliance with U.S. export control regulations with respect to the U.S.-origin goods, parts or components supplied to us. Furthermore, during the Track Record Period, we did not import products, parts and components directly from the U.S. and E.U. into the PRC. Also, we did not sell our products to Chinese companies while they are on the BIS Lists during the Track Record Period.

However, U.S. export controls and trade laws, policies and regulations are complex and subject to frequent changes, which could have an impact on our business operations. In addition, the interpretation and enforcement of the relevant regulations involve substantial uncertainties, which may be driven by geo-political, geo-economic and/or other factors that are not within our control or that might be heightened by international and national security concerns. Any potential restrictions, associated inquiries or investigations, or other government actions may be difficult or costly to comply with and may, among other things, delay or impede the development of our technology, products and services, and hinder the stability of our supply chain. These changes could also result in negative publicity, require significant time and attention of the management and may subject us to fines, penalties or orders. If any of these occur, we may be required to cease or modify our existing business practices. Any of these events may have a material and adverse effect on our business, financial conditions and results of operations.

RISKS RELATING TO THE [REDACTED] AND OUR SHARES

Any possible conversion of our Domestic Shares into [REDACTED] in the future could increase the supply of our [REDACTED] in the market and negatively impact the market price of our [REDACTED].

Subject to the approval of the CSRC, all of our Domestic Shares may be converted into [**REDACTED**] in the future, and such converted Shares may be [**REDACTED**] or traded on an overseas stock exchange, provided that prior to the conversion and trading of such converted Shares any requisite internal approval by our Shareholders and approval from relevant PRC regulatory authorities shall have been obtained. However, the PRC Company Law provides that in relation to the [**REDACTED**] of a company, the shares of that company which are issued prior to the [**REDACTED**] shall not be transferred within one year from the date of the [**REDACTED**]. Therefore, upon obtaining the requisite approval, our Domestic Shares may be traded, after the conversion, in the form of H Shares on the Stock Exchange after one year of the [**REDACTED**], which could further increase the supply of our H Shares in the market and may negatively impact the market price of our H Shares.

There has been no prior public market for our [REDACTED], and an active trading market for our H Shares may not develop.

Prior to the [**REDACTED**], there was no public market for our [**REDACTED**]. The [**REDACTED**] for our [**REDACTED**] will be the result of negotiations between us and the [**REDACTED**] (for themselves and on behalf of the [**REDACTED**]), and may differ significantly from the market price of the H Shares following the [**REDACTED**]. We have applied to the Stock Exchange for the granting of the [**REDACTED**] of, and permission to deal in, our [**REDACTED**] to be issued pursuant to the [**REDACTED**] (including any additional H Shares which may be issued pursuant to the exercise of the [**REDACTED**] and the H Shares to be converted from Domestic Shares). However, we cannot assure you that a public market for our H Shares with adequate liquidity will develop and be sustained following the completion of [**REDACTED**], or that the market price of our [**REDACTED**] will not decline following the [**REDACTED**]. If an active public market for our [**REDACTED**] does not develop following the completion of the [**REDACTED**], the market price and liquidity of our [**REDACTED**] could be materially and adversely affected.

The price and trading volume of our [REDACTED] may be volatile and investors may suffer substantial losses.

The market price, liquidity and trading volume of our [**REDACTED**] may be volatile subject to various factors beyond our control, including but not limited to political uncertainties in Hong Kong, the general market conditions of the securities in Hong Kong and elsewhere in the world. Business and performance and the market price of the shares of other companies engaging in similar business as we do may affect the price and trading volume of our [**REDACTED**]. There can be no assurance that these developments will not occur in the future. In addition to market and industry factors, the price and trading volume of our [**REDACTED**] may be highly volatile for specific business reasons, such as fluctuations in our revenue, earnings, cash flows, new investments, expenditures, regulatory developments, relationships with our suppliers and customers, movements or activities of key personnel, or actions taken by our competitors. Moreover, shares of other companies [**REDACTED**] on the Stock Exchange with significant operations and assets in China have experienced price volatility in the past, and it is possible that our [**REDACTED**] may be subject to changes in price not directly related to our performance but related to the overall political and economic conditions in Hong Kong, the PRC or elsewhere in the world.

Future sales or perceived sales of substantial amounts of our [REDACTED] in the public market could have a material adverse effect on the market price of our [REDACTED] and our ability to raise additional capital in the future.

The market price of our [**REDACTED**] could decline as a result of future sales of a substantial number of our H Shares or other securities relating to our [**REDACTED**] in the public market, or the issuance of new H Shares or other securities relating to our [**REDACTED**], or the perception that such sales or issuances may occur. Future sales, or perceived sales, of substantial amounts of our [**REDACTED**], including any future [**REDACTED**], could materially and adversely affect our ability to raise capital and on terms favorable to us. In addition, our Shareholders may experience dilution in their holdings if we issue more securities in the future.

Any possible conversion of our Domestic Shares into [REDACTED] in the future could increase the supply of our [REDACTED] in the market and negatively impact the market price of our [REDACTED].

Subject to the approval by the CSRC, any of our Domestic Shares may be converted into [**REDACTED**], and such converted Shares may be [**REDACTED**] or traded on an overseas stock exchange. Any [**REDACTED**] or trading of the converted Shares on an overseas stock exchange shall also comply with the regulatory procedures, rules and requirements of such stock exchange. No class shareholder voting is required for the [**REDACTED**] and trading of the converted Shares on an overseas stock exchange. However, the PRC Company Law provides that in relation to the [**REDACTED**] of a company, the shares of that company which are issued prior to the [**REDACTED**] shall not be transferred within one year from the date of the [**REDACTED**]. Therefore, upon obtaining the requisite approval, shares currently held on our Domestic Share register may be traded, after the conversion, in the form of [**REDACTED**] on the Stock Exchange after one year of the [**REDACTED**], which could further increase the supply of our [**REDACTED**] in the market and could negatively impact the market price of our [**REDACTED**].

The market price of our Shares when trading commences could be lower than the [REDACTED] as a result of, among other things, adverse market conditions or other adverse developments that could occur between the [REDACTED] and the [REDACTED].

The [**REDACTED**] of our H Shares is expected to be determined by [12:00] p.m. on the [**REDACTED**]. However, our H Shares will not commence trading on the Stock Exchange until they are delivered on the [**REDACTED**], which is expected to be several business days after the [**REDACTED**]. As a result, investors may not be able to sell or otherwise deal in the [**REDACTED**] during that period before they commence trading on the Stock Exchange. Accordingly, holders of our H Shares are subject to the risk that the price of our H Shares when trading begins could be lower than the [**REDACTED**] as a result of adverse market conditions or other adverse developments that may occur between the [**REDACTED**] and the [**REDACTED**].

You will experience immediate dilution if the [REDACTED] of the [REDACTED] is higher than the net tangible asset value per [REDACTED], and may experience further dilution if we issue additional Shares in the future.

The [**REDACTED**] of our H Shares is higher than the net tangible asset value per Share immediately prior to the [**REDACTED**]. As a result, purchasers of our [**REDACTED**] in the [**REDACTED**] will experience immediate dilution. Purchasers of our [**REDACTED**] may experience further dilution if the [**REDACTED**] exercise the [**REDACTED**]. There can be no assurance that if we were to immediately liquidate after the [**REDACTED**], any assets will be distributed to Shareholders, and investors would receive less than the amount they paid for our [**REDACTED**]. In addition, to expand our business, we may consider [**REDACTED**] and issuing additional Shares in the future. Purchasers of the [**REDACTED**] may experience dilution in the net tangible asset value per Share of their Shares if we issue additional Shares in the future at a price which is lower than the net tangible asset value per Share at that time.

Further, we may be allowed to convert certain of our Domestic Shares into [**REDACTED**] after the [**REDACTED**] if we are qualified pursuant to the relevant CSRC requirements. Such conversion will increase the number of H Shares and your shareholding under the class of holders of our H Shares will be diluted.

The filing or regulatory review of the [REDACTED] by the CSRC or other PRC government authorities may be required under PRC laws.

On February 17, 2023, the CSRC promulgated the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) (the "Overseas Listing Trial Measures") and relevant supporting guidelines, which came into effect on March 31, 2023. The Overseas Listing Trial Measures will comprehensively improve and reform the existing regulatory regime for overseas [**REDACTED**] and [**REDACTED**] of PRC domestic companies' securities and will regulate both direct and indirect overseas [**REDACTED**] and [**REDACTED**] of PRC domestic companies' securities. Any domestic company that is deemed to conduct overseas [**REDACTED**] and [**REDACTED**] activities shall file with the CSRC in accordance with the Overseas Listing Trial Measures.

As advised by our PRC Legal Adviser, the [**REDACTED**] will be considered a direct overseas [**REDACTED**] and [**REDACTED**] activity by a PRC domestic company under the Overseas Listing Trial Measures. Pursuant to the Overseas Listing Trial Measures, where an issuer submits an application for Listing to competent overseas regulators, such issuer must file with the CSRC within three business days after such application is submitted.

Accordingly, our PRC Legal Adviser are of the view that according to the Notice on Arrangements for Filing Administration of Overseas Securities Offering and Listing by Domestic Companies (《關於境內企業境外發行上市備案管理安排的通知》) issued by the CSRC on February 17, 2023, we, as a domestic company that have filed valid applications for [**REDACTED**] but failed to obtain approval from SFC or HKEX at the date of the implementation of the Overseas Listing Trial Measures shall be allowed to set a reasonable time for submitting the filing applications and shall complete the filing with CSRC prior to the [**REDACTED**]. As the Overseas Listing Trial Measures are new, there remain substantial uncertainties as to their interpretation and implementation. We cannot assure you that we could meet such requirements or complete such filing in accordance with the Overseas Listing Trial Measures in a timely manner. Any failure may restrict our ability to complete the [**REDACTED**] or any future equity capital raising activities, which would have a material adverse effect on our business and financial position.

Our Controlling Shareholders have substantial influence over our Company and their interests may not be aligned with the interests of other Shareholders.

Immediately upon the completion of the [**REDACTED**], our Controlling Shareholders will continue to have significant influence over our business and affairs, including decisions of mergers and acquisition, disposition of assets, issuance of additional Shares or other equity securities, timing and amount of dividend payments, and our management. There may be a conflict between the Controlling Shareholders' interests and your interests. In addition, without the approval of the Controlling Shareholders, we could be prevented from entering into transactions that could be beneficial to us. This concentration of ownership may also discourage, delay or prevent a change in control of our Company, which could deprive our Shareholders of an opportunity to receive a premium for the Shares as part of a sale of our Company and may significantly reduce the price of our H Shares.

Our historical dividends may not be indicative of our future dividend policy.

There can be no assurance that future dividends will be declared or paid. The declaration, payment and amount of any future dividends are subject to the discretion of our Directors, after taking into account various factors including but not limited to our results of operations, cash flows and financial condition, operating and capital expenditure requirements, market conditions, our strategic plans and prospects for business development, regulatory restrictions on the payment of dividends and other factors as our Board may deem relevant, and subject to the approval at Shareholders' meeting. Please see "Financial Information — Dividend Policy" for further details.

Certain facts and statistics in this document are derived from various government and third-party sources and may not be reliable.

Certain facts, forecasts and other statistics in this document relating to China and global economy and the smart service robotic products and services industry in China and overseas markets are derived from various sources including official government publications, industry associations or the Industry Report, which we believe are reliable. The information derived from official government sources has not been independently verified by us, the Sole Sponsor, the [**REDACTED**], any of our and their respective directors, officers, representatives, employees or advisers, or any other persons or parties involved in the [**REDACTED**], and no representation is given as to its completeness, accuracy or fairness. Accordingly, the information from official government sources contained herein may not be accurate and should not be unduly relied upon.

You should read the entire document carefully and should not rely on any information contained in press articles or other media regarding us, our H Shares or the [REDACTED].

Prior or subsequent to the publication of this document, there may have been or be press and media coverage regarding us and the [**REDACTED**]. We have not authorized the disclosure of any such information in the press or media. Financial information, financial projections, valuation and other information about us contained in such unauthorized press or media coverage may not truly reflect what is disclosed in the document or the actual circumstances. We do not accept any responsibility for such unauthorized press or media coverage, or for the accuracy or completeness of any such information. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information. To the extent any such information appearing in the press and media is inconsistent with, or conflict with, the information contained in this document, we disclaim responsibility for them. Accordingly, prospective investors are cautioned to make their decisions on the basis of the information contained in this document only and should not rely on any other information.

RESPONSIBILITY STATEMENTS

[**REDACTED**]

RESPONSIBILITY STATEMENTS

[**REDACTED**]

[REDACTED]

[REDACTED]

[REDACTED]

[**REDACTED**]

[REDACTED]

In preparation for the [**REDACTED**], we have sought the following waivers from strict compliance with the relevant provisions of the Listing Rules:

MANAGEMENT PRESENCE IN HONG KONG

Rule 8.12 of the Listing Rules provides that a new applicant for [**REDACTED**] on the Stock Exchange must have a sufficient management presence in Hong Kong and, under normal circumstances, at least two of the new applicant's executive directors must be ordinarily resident in Hong Kong. Rule 19A.15 of the Listing Rules further provides that the requirement in Rule 8.12 may be waived by having regard to, among other considerations, the applicant's arrangements for maintaining regular communication with the Hong Kong Stock Exchange.

Our Company's business operations are mostly located in the PRC. Our Company's Executive Directors are based in the PRC as our Board believes it would be more effective and efficient for its Executive Directors to be based in a location where our Company's operations are located. Therefore, no Executive Directors will, in the foreseeable future, be ordinarily resident in Hong Kong. Accordingly, pursuant to Rule 19A.15 of the Listing Rules, our Company has applied to the Stock Exchange for, and the Stock Exchange [has granted] our Company, a waiver from strict compliance with the requirements under Rule 8.12 and Rule 19A.15 of the Listing Rules, provided that our Company implements the following arrangements in line with the conditions set out in Guidance Letter HKEX-GL9-09:

(i) both of our Company's authorized representatives, Ms. Wang Lin, an Executive Director of our Company and Ms. Ng Wai Kam ("**Ms. Ng**"), one of our joint company secretaries, will act as our Company's principal channel of communication with the Stock Exchange. Accordingly, the authorized representatives of our Company will be able to meet with the relevant members of the Stock Exchange on reasonable notice and will be readily contactable by telephone, facsimile and email;

(ii) each of the authorized representatives of our Company has means to contact all Directors (including our Independent Non-executive Directors) promptly at all times as and when the Stock Exchange wishes to contact our Directors on any matters;

(iii) each Director has provided his/her mobile phone number, office phone number, e-mail address and fax numbers to the authorized representatives of our Company and the Stock Exchange, and in the event that any Director expects to travel or otherwise be out of the office, he will provide the phone number of the place of his/her accommodation to the authorized representatives;

(iv) each of the Directors who is not ordinarily residing in Hong Kong possesses or is able to apply for valid travel documents to visit Hong Kong and can meet with the relevant members of the Stock Exchange within a reasonable period of time;

(v) our Company has, in compliance with Rule 3A.19 of the Listing Rules, appointed Guotai Junan Capital Limited as our compliance adviser (the "**Compliance Adviser**"), who will also act as an additional channel of communication with the Stock Exchange for the period commencing from the [**REDACTED**] to the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of its financial results for the first full financial year commencing after the [**REDACTED**]. Pursuant to Rule 3A.23 of the Listing Rules, we shall ensure that the Compliance Adviser will have access at all times to our authorized representatives, our Directors and other officers. We shall also ensure that such persons will promptly provide such information and assistance as the Compliance Adviser may need or may reasonably request in connection with the performance of the Compliance Adviser's duties as set forth in Chapter 3A of the Listing Rules. We shall ensure that there are adequate and efficient means of communication among our Company, our authorized representatives, our Directors, and other officers and the Compliance Adviser, and will keep the Compliance Adviser fully informed of all communications and dealings between us and the Stock Exchange; and

(vi) we will also retain legal advisers to advise on on-going compliance requirements as well as other issues arising under the Listing Rules and other applicable laws and regulations of Hong Kong after the [**REDACTED**].

JOINT COMPANY SECRETARIES

Pursuant to Rules 3.28 and 8.17 of the Listing Rules, our Company must appoint a company secretary who possesses the necessary academic or professional qualifications or relevant experience is, in the opinion of the Stock Exchange, capable of discharging the functions of the company secretary. Note 1 to Rule 3.28 of the Listing Rules provides that the Stock Exchange considers the following academic or professional qualifications to be acceptable:

(a) a member of The Hong Kong Chartered Governance Institute;

(b) a solicitor or a barrister as defined in the Legal Practitioners Ordinance (Chapter 159 of the Laws of Hong Kong); and

(c) a certified public accountant as defined in the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong).

Note 2 to Rule 3.28 of the Listing Rules further sets out the factors that the Stock Exchange will consider in assessing an individual's "relevant experience":

(a) length of employment with the issuer and other issuers and the roles he/she played;

(b) familiarity with the Listing Rules and other relevant laws and regulations including the SFO, the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Takeovers Code;

(c) relevant training taken and/or to be taken in addition to the minimum requirement under Rule 3.29 of the Listing Rules; and

(d) professional qualifications in other jurisdictions.

Our Company considers that while it is important for the company secretary to be familiar with the relevant securities regulation in Hong Kong, he/she also needs to have experience relevant to our Company's operations, nexus to the Board and close working relationship with the management of our Company in order to perform the function of a company secretary and to take the necessary actions in the most effective and efficient manner, given that the principal business activities of our Company are primarily outside Hong Kong. It is for the benefit of our Company to appoint a person who has been a member of the senior management for a period of time and is familiar with our Company's business and affairs as company secretary.

We have appointed Mr. Zhang Ju ("**Mr. Zhang**") as one of our joint company secretaries. He has been the secretary to our Board and chief financial officer since December 2017, and has a thorough understanding of the operation of our Board and our Company. However, given Mr. Zhang does not possess a qualification stipulated in Rule 3.28 of the Listing Rules, he is not able to solely fulfill the requirements as a company secretary of a listed issuer stipulated under Rules 3.28 and 8.17 of the Listing Rules. In order to provide support to Mr. Zhang, we have appointed Ms. Ng, a Chartered Secretary, a Chartered Governance Professional, an associate of The Hong Kong Chartered Governance Institute (HKCGI) and an associate of The Chartered Governance Institute (CGI), who meets the requirements under Rules 3.28 and 8.17 of the Listing Rules, as a joint company secretary to provide assistance to Mr. Zhang, for a three-year period from the [**REDACTED**] so as to enable him to acquire the relevant experience (as required under Rule 3.28(2) of the Listing Rules) to duly discharge his duties.

We have therefore applied to the Stock Exchange for, and the Stock Exchange [has granted] us, a waiver from strict compliance with the requirements under Rules 3.28 and 8.17 of the Listing Rules on the conditions that: (i) Ms. Ng is appointed as a joint company secretary to assist Mr. Zhang in discharging his functions as a company secretary and in gaining the relevant qualifications or experience as required under Rule 3.28 of the Listing Rules; the waiver will be revoked immediately if Ms. Ng, during the three-year waiver period, ceases to provide assistance to Mr. Zhang as the joint company secretary; and (ii) the waiver can be revoked if there are material breaches of the Listing Rules by the Company. We expect that Mr. Zhang will acquire the qualifications or relevant experience required under Rule 3.28 of the Listing Rules prior to the end of the three-year period after the [**REDACTED**]. We will liaise with the Stock Exchange before the end of the three-year period to enable it to assess whether Mr. Zhang, having had the benefit of Ms. Ng's assistance for three years and has acquired relevant experience within the meaning of Rule 3.28 of the Listing Rules so that a further waiver will not be necessary.

See "Directors, Supervisors and Senior Management" of this document for further information regarding the qualifications and experience of Mr. Zhang and Ms. Ng.

CONNECTED TRANSACTIONS

Pursuant to Chapter 14A of the Listing Rules, a new applicant must, after [**REDACTED**], comply with the announcement, circular and shareholders' approval requirements (as applicable) for continuing connected transactions entered into by the new applicant or its subsidiaries.

Our Company has conducted, and is expected to continue after the [**REDACTED**], certain connected transactions with Miracle Automation Engineering Co., Ltd.* (天奇自動化工程股份有限公司) ("**MAE**"), which will constitute continuing connected transactions of our Company under the Listing Rules upon [**REDACTED**].

Accordingly, pursuant to Rule 14A.105 of the Listing Rules, we have applied to the Stock Exchange for, and the Stock Exchange [has granted] us, a waiver from strict compliance with certain requirements under Chapter 14A of the Listing Rules. See "Connected Transactions."

DIRECTORS

Name	Address	Nationality
Executive Directors		
Mr. Zhou Jian (周劍)	Room 304, No. 4, Lane 485 Wanping South Road Xuhui District Shanghai PRC	Chinese
Mr. Xiong Youjun (熊友軍)	36 Haide 3rd Road Nanshan District Shenzhen PRC	Chinese
Ms. Wang Lin (王琳)	2D, Building 1, Holiday Bay Huating 6 Chaozhou West Street, Shahe Nanshan District Shenzhen PRC	Chinese
Mr. Liu Ming (劉明)	Room D902, Cuibai Garden Vanke Four Seasons Flower City Bantian Longgang District Shenzhen PRC	Chinese
Non-executive Directors		
Mr. Xia Zuoquan (夏佐全)	T6-25A One Shenzhen Bay Nanshan District Shenzhen PRC	Chinese
Mr. Zhou Zhifeng (周志峰)	Room 901, Unit 2 Building 6, No.76 Yard South Second Road, Baiziwan Chaoyang District Beijing PRC	Chinese
Mr. Chen Qiang (陳強)	Room 201, Unit 1 Building 10 Evergrande Jiangwan Longting Xunyang District Jiujiang City PRC	Chinese

Name	Address	Nationality
Independent Non-executive Directors		
Mr. Zhao Jie (趙杰)	Room 203 10-2 Campus Street Nangang District Harbin PRC	Chinese
Mr. Xiong Chuxiong (熊楚熊)	201, Building 8 Shenzhen University Waterfront District Nanshan District Shenzhen PRC	Chinese
Mr. Poon Fuk Chuen (潘福全)	House 7 Napa Avenue Royal Palms Phase A Yuen Long New Territories Hong Kong	Chinese
Mr. Leung Wai Man, Roger (梁偉民)	Flat E, 16/F, Block 4 Laguna City Lam Tin Kowloon Hong Kong	Chinese
SUPERVISORS		
Mr. Deng Feng (鄧峰)	4D, Building B Jinmao Lido, 12 Lanhai Road Futian District Shenzhen PRC	Chinese
Mr. Ben Cangsang (賁滄桑)	Room 106, No. 1 Lane 536, Jiangning Road Jing'an District Shanghai PRC	Chinese
Ms. Wang Xingru (王興茹)	Unit 702, Building 5A Yudejiayuan 2248 Houhai Avenue Nanshan District Shenzhen PRC	Chinese

For further information regarding our Directors and Supervisors, see "Directors, Supervisors and Senior Management" in this document.

PARTIES INVOLVED IN THE [REDACTED]

Sole Sponsor	**Guotai Junan Capital Limited** 26/F–28/F, Low Block Grand Millennium Plaza 181 Queen's Road Central Hong Kong *A licenced corporation to carry on type 6 (advising on corporate finance) regulated activity under the SFO*

[REDACTED]

[**REDACTED**]

Legal advisers to our Company

As to Hong Kong law:
Bird & Bird
6/F, The Annex
Central Plaza, 18 Harbour Road
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As to U.S. law:
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Hong Kong

As to International Sanctions law:
Ashurst Hong Kong
11/F, Jardine House
1 Connaught Place
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As special counsel with respect to U.S. regulatory and compliance matters:
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Hong Kong

As to PRC law:
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As to PRC Data Security and Privacy Protection Matters:
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Xuhui District, Shanghai
PRC

As to PRC litigation matters:
Guangdong Sun Law Firm
6/F, 7/F and 16/F
SBG Building
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Futian District, Shenzhen
PRC

Legal advisers to the Sole Sponsor and the [REDACTED]	*As to Hong Kong law:* **Deacons** 5/F, Alexandra House 18 Chater Road Hong Kong
	As to U.S. law: **Dorsey & Whitney LLP** Room 2802, 28/F Alexandra House 18 Chater Road Hong Kong
	As to PRC law: **Zhong Lun Law Firm** 22-31/F, South Tower CP Center 20 Jin He East Avenue Chaoyang District, Beijing PRC
Industry Consultant	**Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.** Suite 2504 Wheelock Square 1717 Nanjing West Road Shanghai PRC
Auditor and Reporting Accountant	**PricewaterhouseCoopers** *Certified Public Accountants* *Registered Public Interest Entity Auditor* 22/F, Prince's Building Central Hong Kong

[**REDACTED**]

Compliance Adviser	**Guotai Junan Capital Limited** 26/F-28/F Low Block Grand Millennium Plaza 181 Queen's Road Central Hong Kong

Independent Property Valuer	**International Valuation Limited** Unit 907, 9/F, Wing On Plaza 62 Mody Road Tsim Sha Tsui East Kowloon Hong Kong
Transfer Pricing Consultant	**Shenzhen Qianhai PricewaterhouseCoopers Business Consulting Services Co. Limited** Room 13, 3/F, Block A Qianhai Shenzhen-Hong Kong Innovation Center 4008 Menghai Boulevard Qianhai Shenzhen-Hong Kong Cooperation Zone Nanshan District, Shenzhen PRC

CORPORATE INFORMATION

Registered Office and Headquarters in the PRC	Room 2201, Building C1 Nanshan Smart Park No. 1001 Xueyuan Avenue Changyuan Community Taoyuan Street Nanshan District Shenzhen PRC
Principal Place of Business in Hong Kong	5/F, Manulife Place 348 Kwun Tong Road Kowloon Hong Kong
Company's Website	**https://www.ubtrobot.com/** *(information on this website does not form part of this document)*
Joint Company Secretaries	Mr. Zhang Ju 801 Building 1 Yinglun Mingyuan Phase 1 Shahexi Road Shenzhen PRC Ms. Ng Wai Kam *a Chartered Secretary* *a Chartered Governance Professional* *an associate of The Hong Kong Chartered Governance Institute (HKCGI)* *an associate of The Chartered Governance Institute (CGI)* 5/F, Manulife Place 348 Kwun Tong Road Kowloon Hong Kong
Authorized Representatives	Ms. Wang Lin 2D Building 1, Holiday Bay Huating 6 Chaozhou West Street, Shahe Nanshan District Shenzhen PRC Ms. Ng Wai Kam 5/F, Manulife Place 348 Kwun Tong Road Kowloon Hong Kong
Audit Committee	Mr. Xiong Chuxiong *(Chairman)* Mr. Leung Wai Man, Roger Mr. Poon Fuk Chuen

CORPORATE INFORMATION

ESG and Sustainability Committee	Mr. Liu Ming (*Chairman*) Ms. Wang Lin Mr. Xiong Chuxiong
Remuneration and Appraisal Committee	Mr. Poon Fuk Chuen *(Chairman)* Mr. Zhou Jian Mr. Xiong Chuxiong
Nomination Committee	Mr. Zhao Jie *(Chairman)* Mr. Zhou Jian Mr. Leung Wai Man, Roger
Strategy Committee	Mr. Zhou Jian *(Chairman)* Mr. Zhao Jie Mr. Xiong Youjun

[**REDACTED**]

Principal Bankers	**China CITIC Bank Corporation Limited** **Shenzhen Branch** 1/F and 5-10/F Excellence Times Square Phase II No. 8 Zhong Xin San Road Futian District Shenzhen **Shanghai Pudong Development Bank Co., Limited** **Shenzhen Branch** No. 333 Li Yuan Road Sungang Street Luohu District Shenzhen **Industrial and Commercial Bank of China Limited** **Shenzhen Hailrun Sub-branch** 202, 203, 205, 206, 207, 208, 209 and 301B Building A, Hailrun Complex No. 6021 Shennan Avenue Tianan Community Shatou Street Futian District Shenzhen **Industrial Bank Co., Limited.** **Shenzhen Branch** Industrial Bank Building No.4013 Shennan Avenue Futian District Shenzhen

The information presented in this section, unless otherwise indicated, is derived from various government publications and other publications, and from the Frost & Sullivan Report prepared by Frost & Sullivan commissioned by us. The information derived from official government sources has not been independently verified by us, the Sole Sponsor, the [**REDACTED**], [**REDACTED**], [**REDACTED**], *any of the* [**REDACTED**], *any of our and their respective directors, supervisors, officers, representatives, employees or advisers, or any other persons or parties involved in the* [**REDACTED**], *and no representation is given as to its accuracy.*

SOURCES OF INFORMATION

In connection with the [**REDACTED**], we have engaged Frost & Sullivan, an independent market research consulting firm, to conduct a detailed analysis and prepare an industry report on the markets in which we operate. Frost & Sullivan is an independent global consulting firm founded in the United States in 1961. It is principally engaged in the provision of market research consultancy services, conducting industry research, and providing market and enterprise strategies and consultancy services across various industries. We incurred a total of RMB1.16 million in fees and expenses in connection with the preparation and use of the Frost & Sullivan Report. The payment of this amount is not contingent on the success of the [**REDACTED**] or on the conclusions of the Frost & Sullivan Report. Except for the Frost & Sullivan Report, we did not commission any other industry report in connection with the [**REDACTED**].

In connection with the preparation of the Frost & Sullivan Report, Frost & Sullivan performed both primary and secondary research, and obtained knowledge, statistics, information and industry insights on the industry trends of the target research markets. Primary research involved interviewing industry insiders such as leading market players, suppliers, customers, and recognized third-party industry associations. Secondary research involved reviewing company reports, independent research reports, and data based on Frost & Sullivan's own research database.

Our Directors confirm that, after taking reasonable care, there is no material adverse change in the overall market information since the date of the Frost & Sullivan Report that would materially qualify, contradict or have an adverse impact on such information.

OVERVIEW OF GLOBAL AND CHINA'S SMART SERVICE ROBOTIC PRODUCTS AND SERVICES INDUSTRY

As one of the most iconic tool(s) in the era of digital economy, robots are profoundly changing the way of production and human life. Various robots are contributing to human-machine interaction and collaboration, and bring the digital economy to a new level. Robots play an increasingly important role in expediting technology innovation, promoting industrial upgrading, forging national competitive edges, and help human beings live better. The development of robot industry has become an important metric to measure a country's abilities in technology innovation competitiveness.

Definition and Classification of Robot

A robot (and a robotic product) is an actuated mechanism programmable in two or more axes with a degree of autonomy, moving within its environment, to perform intended tasks. Autonomy in this context means the ability to perform intended tasks based on the information it has perceived without human intervention.

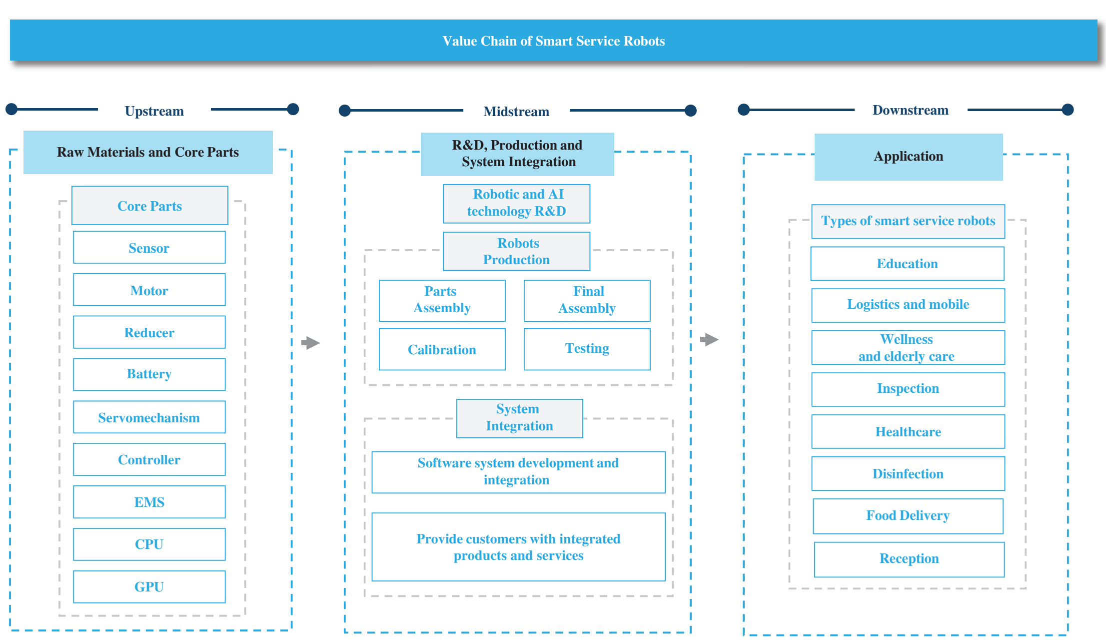
Robots can be classified by application and smart level. Under the application route, robot can be further classified into industrial robot and service robot. Service robot is a robot that performs useful tasks for humans or equipment excluding industrial robots. The highlight of service robots is their ability to have active interactions with people, which is a step up from the conventional passive interactions people have with machines. Industrial robot refers to an automatically controlled, reprogrammable multipurpose manipulator programmable in three or more axes, which can be either fixed in place or mobile for use in industrial use scenarios, such as articulated robot, cartesian robot and Selective Compliance Articulated Robot Arm ("SCARA") robot. By smart level, robot can be classified into smart robot and non-smart robot. Smart robot is a robot with high-level autonomy that is empowered by a series of AI technologies and advanced robotic technologies, such as computer vision, voice interaction, and motion control technology, to perform advanced tasks in complicated environments.

Definition of Smart Service Robot

Smart service robot refers to a service robot with intelligent abilities such as sensing, analyzing, and processing the information from external environment. Smart service robot can be classified into personal/domestic smart service robot and professional smart service robot. Personal/domestic smart service robot is a smart service robot used for non-commercial tasks, usually by lay persons, such as consumer-level education robot, entertainment smart robot, and personal mobility assist smart robot. Professional smart service robot is a smart service robot used for a commercial task, sometimes operated by a properly trained operator, such as enterprise-level education smart robot, logistics smart robot, food delivery smart robots, reception smart robots, inspection smart robots, and wellness and elderly care smart robot. The humanoid robots can be either professional smart service robots or personal/domestic smart service robots depending on the scenarios and objects they serve.

Value Chain of Smart Service Robots

The upstream of smart service robot value chain includes raw materials and core parts of the smart service robot. The midstream is the R&D, which mainly consists of robotic and AI technology R&D, robot production, and system integration. The downstream is the applications of smart service robots, such as education, logistics and mobile, wellness and elderly care and inspection, to different use scenarios, etc..



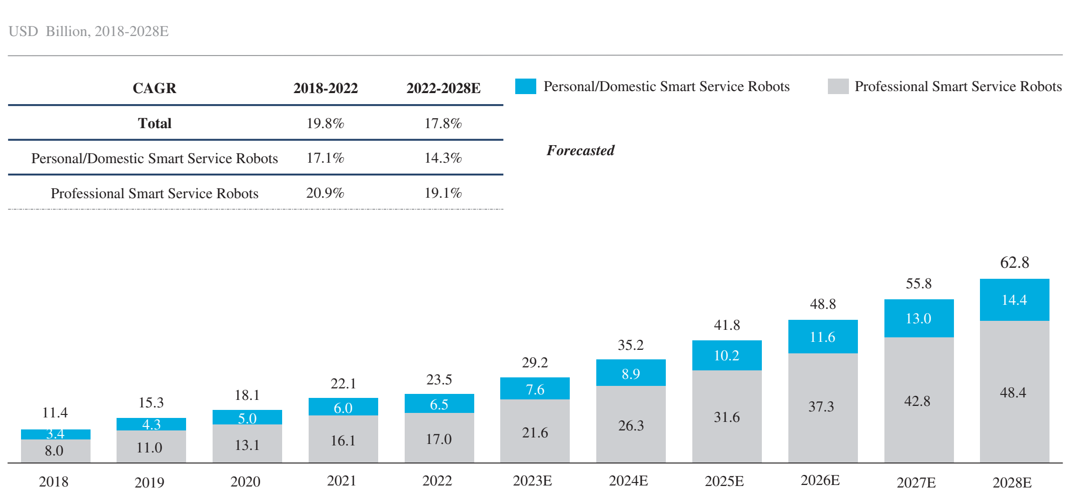
Core Technologies of Smart Service Robots

Computer vision and voice interaction enable smart service robots to realize interaction with surrounding environment, human, and other robots; movement planning and control, as well as positioning navigation enable smart service robots to move in a far more complex environment, and servo actuators further enhance the flexible and precise movements of smart service robots. Therefore, a robot company which owns full-stack core technologies have more opportunities in the future competition in the smart service robotic products and services industry.

Computer Vision	• Computer vision technologies enable smart service robot to identify and recognize faces, objects, and environments they encounter in a human-like vision, helping pick out details in objects for decision-making on its next actions, motion, or interaction with human.
Voice Interaction	• Voice interaction technology is a comprehensive technology that uses voice as the basic information carrier to enable smart service robot to interact with human in a human-like manner. It integrates technologies such as Automatic Speech Recognition (ASR), Natural Language Processing (NLP), and Text-to-speech (TTS).
Servo Actuators	• Servo actuators are joints of smart service robot that enable the performance of diverse, flexible and precise movements and perform safe, smooth, accurate and agile joint movements and carry out complex tasks, servo actuators can support rotational movement, to realize human-like movement and other application scenes.
Positioning Navigation	• Positioning Navigation technology is a complex system that integrates multiple technologies such as sensors, perception, planning, control, and decision-making, enabling smart service robot to move from point A to point B in unfamiliar or known environments. It comprises key technologies such as positioning, mapping, navigation and obstacle avoidance.
Motion Planning and Control	• Motion planning refers to the method of motion tasks, and control is the process of execution. Motion planning and control ensure smart service robot to accurately execute the given motion instructions, and realize functions such as operation, movement, and motion.

The Group's AI technologies can be classified as artificial narrow intelligence (ANI) as opposed to artificial general intelligence and artificial super intelligence, since they are generally developed or used only for specific and narrow tasks and/or application scenarios and cannot fully perform intellectual capabilities of human-beings at its current stage. Currently, ANI is the only form of AI used in smart service robotic products and services in the market because artificial general intelligence and artificial super intelligence are the future development form of AI and have not been fully commercialised in the market.

Market Size of Global Smart Service Robotic Products and Services Industry

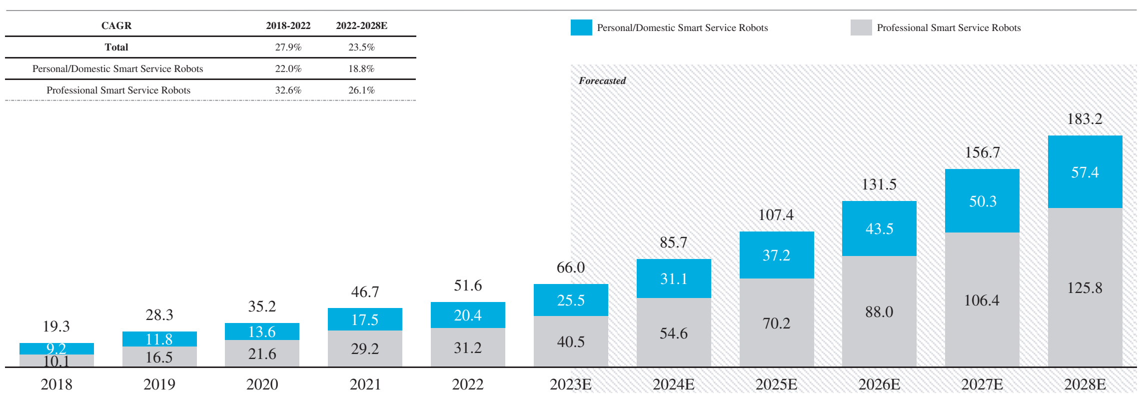


Source: International Federation of Robotics; Frost & Sullivan

To proactively develop the robot industry has become a national strategy for many advanced economies as well as emerging economies. In particular, the continuous upgrade of robotic technologies, decrease of smart service robot price, and the gradually increasing willingness of downstream customers to accept paying for smart service robotic products and services become more widely adopted in more use scenarios accelerate the fast growth of global smart service robotic products and services market. Moreover, labor shortage and increasing labor costs further accelerated the fast penetration of smart service robotic products and services. According to Frost & Sullivan, the global smart service robotic products and services market, measured by sales revenue, has increased from USD11.4 billion in 2018 to USD23.5 billion in 2022, representing a CAGR of 19.8% during this period.

Going forward, as the types and functionalities of smart service robotic products and services expand and become more mature and flexible, it is expected that the market size of global smart service robotic products and services market will reach USD62.8 billion with a CAGR of 17.8% from 2022 to 2028, according to Frost & Sullivan.

Market Size of China's Smart Service Robotic Products and Services Industry



Source: International Federation of Robotics; Frost & Sullivan

China's government has launched a series of favorable policies, such as Implementation Plan for "Robotics+" Application Action 《"機器人+"應用行動實施方案》 issued by the MIIT and various other PRC governmental departments in January, 2023, to promote the development of robot industry. As a consequence, the market players of China's smart service robotic products and services industry have experienced an aggregation and synergistic effect. Moreover, the strong market demand in China provides more opportunities and confidence for smart service robotic products and services companies to launch innovative products and services. According to Frost & Sullivan, China's smart service robotic products and services market, measured by sales revenue, has increased from RMB19.3 billion in 2018 to RMB51.6 billion in 2022, representing a CAGR of 27.9% during this period.

The penetration rate of smart service robotic products and services in the PRC is remained low in recent years. The low penetration rate of smart service robotic products and services industry can be attributed to several factors, including: (i) High cost: Smart service robotic products and services can be expensive to develop and deploy, making them unaffordable for many businesses and consumers; (ii) Limited functionality: Many smart service robotic products and services have limited functionality and are not yet capable of performing complex tasks that humans can do, making them less attractive to potential users; (iii) Lack of awareness: Many businesses and consumers are not aware of the potential benefits of using smart service robotic products and services, or they may not understand how to use them effectively; and (iv) Technical challenges: Developing and deploying smart service robotic products and services can be challenging, requiring specialized skills and expertise that are not widely available.

Going forward, it is expected that the cutting-edge AI technologies will shape the development of China's smart service robotic products and services market significantly in the next few years, and the use scenarios of smart service robotic products and services in China will be further explored. Moreover, the continuous upgrades of appearance and functionality of personal/domestic use smart service robotic products for non-commercial tasks as well as the compelling application at a competitive price will further stimulate the growth of personal/domestic smart service robotic products and services market. According to Frost & Sullivan, China's smart service robotic products and services market will reach RMB183.2 billion with a CAGR of 23.5% from 2022 to 2028.

Market Drivers of China's Smart Service Robotic Products and Services Industry

Favorable Policies to Propel the Development of China's Smart Service Robotic Products and Services Industry

The smart service robotic products and services industry is considered as an important industry by the Chinese government, and the Chinese government has promulgated a series of favorable policies to propel the development of the smart service robotic products and services industry. For example, in 2021, the "14th Five-Year Plan for Development of Chinese Robotics Industry" was promulgated to claim "breakthroughs will be made during the period in a number of core technologies and high-end products of robots". In the national plan "Made in China 2025", the robot industry was listed along with artificial intelligence and automation, as one of the priority sectors for high-level development that promote the transformation and upgrading of the manufacturing industry. In 2023, the MIIT and various other PRC governmental departments jointly issued Implementation Plan for "Robotics+" Application Action 《"機器人+"應用行動實施方案》, which proposes (i) the depth and breadth of application of service robots and special robots in various industries including, among others, manufacturing, agricultural, construction, energy and logistics; and (ii) the ability of robots to promote high-quality economic and social development would be significantly enhanced.

Increasing Demands Due to Labor Shortage and Increasing Labor Costs

From 2020 to 2030, China's working-age population is estimated to drop from 989 million to 963 million, and the labor participation rate is estimated to decline from 68.4% to 65.2%. Besides, the average labor costs in China have increased significantly. From 2018 to 2022, the average annual wage of urban employees increased from RMB82.4 thousand to RMB114.0 thousand, representing a CAGR of 8.5% during the same period. As a result, there are huge demands from many industries for utilizing smart service robotic products and services to address the challenges associated with labor shortage and increasing labor costs.

Advancement of Core Technologies in Smart Service Robotic Products and Services Industry

Previous robotic products and services, which have no or limited AI capabilities, or limited robot device technologies, such as joint movement, face significant challenges in production costs, as well as the efficiently and effectively of perceiving and analyzing the information from the real world, planning and making decision based on the results of its analysis, or interacting with people, then hinder the wide adoption of robotic products and services. Thanks to the advancements of AI technologies, these challenges are well addressed, and the application of stronger AI technologies propels the rapid growth of the smart service robotic products and services market. The opportunities for AI-empowered robots in the world and China are driven not only by the sheer size of the market, but also by the need to enhance and enrich our daily lives through robotic technology and innovations. For instance, the voice interaction and computer vision technologies enable reception robots to identify and recognize human and surrounding objects and have conversations with human; positioning navigation, motion planning and control enable food delivery robots and logistics robots to deliver food and goods to designated places autonomously in a complex environment; and servo actuators further enhance the flexible and precise movements of smart service robots. The advancement of AI technologies transformed robots from passive interaction to active interaction with human, addresses limitations of traditional robotic products and services.

Increasing Consumer Acceptance of Smart Service Robotic Products and Services

With the advancement of AI and robotic technologies, as well as the encouragement of digitalization across industries in China, more enterprises started to adopt smart service robotic products and services to increase work efficiency and safety. Hence, for the past several years, the smart service robotic products and services industry has gradually matured, costumers are willing to pay for it for the cost effectiveness and satisfied user experience.

Market Trends of China's Smart Service Robotic Products and Services Industry

Robots Will Become Smarter with the Further Advancement of AI Technologies

The further upgrades of AI technologies will propel the deeper applications of smart service robots across industries. The emerging technologies such as ChatGPT, have been rapidly extended to many applications including humanoid robot intuitive operation. Current robotics pipelines begin with an engineer or technical staff who needs to translate the tasks' requirements into code to implement applications. In contrast, when ChatGPT evolves to provide multi-modal AI capabilities (instead of conversation only), it will enable people to develop various robotic applications (such as making coffee, bringing a chair, fetching medicine) much more easily, without the need to learn complex programming skills or robotic AI algorithms. With the further development of GPT based multi-modal AI, (such as integration of computer vision, NLP, and motion control), robot empowered by multi-modal AI will be able to conduct complex tasks automatically, such as walking and grasping, using screwdriver, and assemble a chair, without complicated programming.

Smart Service Robotic Products and Services Will be Introduced Into More Industries and Use Scenarios

From providing indoor delivery to offering services in wellness and elderly care scenarios, smart service robots are making humans' lives easier and helping businesses across industries improve productivity and enhance the customer experience. Across industries, robotic and AI technologies have enabled innovative products and services to the challenges faced by businesses of all sizes. Companies are utilizing smart service robots to bring humans and technology closer together, solving problems, and transforming their business models to meet evolving demands.

Trend of Humanoid Robots

Humanoid robot is a major carrier of AI technologies and allows human to experience the advanced AI technologies more intuitively. Compared to other types of robot, humanoid robot is more ergonomic, and can adapt more quickly to human's living and working environments, and their human-like appearance can make them more approachable in daily life, and working environments.

Shifting of Business Models from Provision of "Products" to Provision of "Products + Services"

With the deeper understanding of industry pinpoint and the further development of robotic technologies, smart service robotic products and services companies nowadays are able to provide both smart service robotic products and services instead of just smart service robotic products. For instance, professional smart service robots can collect analytical data for decision making, and elderly care robots are able to achieve real-time connection between the elder people with hospitals to avoid emergency situations. For smart service robotic products and services companies, the proliferation of integrated products and services offerings which contains both products and services can maximize the instinct value of smart service robots, and also explore their business models.

Prevalence of Modular for R&D of Smart Service Robots

Modular technology can significantly increase the speed of developing new products and reduce manufacturing costs, which provide the overall system of smart service robots with versatility scalability, and configurability, as well as increase fault tolerance. The high efficiency, accuracy and cost advantages of modular technology design have been fully reflected in R&D and production of smart service robots.

Entry Barriers of China's Smart Service Robotic Products and Services Industry

Intensive and Continuous R&D Investment on Robotics Technologies

Through diversification and the establishment of robotic technologies, investments in new robotic technologies have increased significantly, meanwhile, the application spectrum of R&D on robotics has expanded. The continuous updates of technologies, such as artificial intelligence, Big Data and 5G will drive smart service robotic products and services companies to further invest in robotic technologies, in order to catch up the possibilities that could make smart service robots more intelligent.

Sufficient Industry Know-how

Industry leaders have accumulated enough industry know-how to develop their product line and market strategy. New entrants may lack this industry knowledge, which can result in a misunderstanding of customer preferences and make it difficult for them to invent competitive products that can gain market share in the long run.

Barriers for New Entrants to Establish Brand Recognition

The products and services of market pioneers have gained high brand recognition and wide customer recognition in the industry, placing them in a leading position for market expansion. It is difficult for new entrants to establish brand recognition, or establish a strong connection in the industry supply chain within a short period of time.

COMPETITIVE LANDSCAPE OF CHINA'S SMART SERVICE ROBOTIC PRODUCTS AND SERVICES INDUSTRY

Overview of Major Players

The competition of China's smart service robotic products and services industry is keen and fragmented since the industry is still at an early stage and there are only a few players in this industry who are able to provide full-stack core technologies, which include computer vision, voice interaction, servo actuators, motion planning and control, and positioning navigation, with many industry players seeking to enter into the market by developing the same or similar technologies. According to Frost & Sullivan, we ranked 3rd in China's smart service robotic products and services industry in terms of revenue in 2022 and we are one of the two companies among top five that have full-stack core technologies capabilities. The following table illustrates the information of top five players:

Ranking	Company	Overview	Registered Capital (RMB Million)	Listing Status	Geographical Coverage of Products	Type of smart service robot	Full-stack core technologies	Revenue of smart service robotic products and services in China 2022 (RMB, Billion)	Market share in 2022
1	CloudMinds	• Founded in 2015, headquartered in Shanghai, China. The company specialized in cloud-based robot and operation platform	• 1,366	• Not listed	• China	• Public smart service robot	✓	• 2.0	• 6.4%
2	HIKROBOT	• Founded in 2016, headquartered in Hangzhou, China. The company provides customers with machine vision products and mobile robots	• 720	• In Progress of Shenzhen Stock Exchange	• China and over 50 overseas countries and regions	• Logistics smart robot	/	• 1.5	• 4.6%
3	UBTECH	• Founded in 2012, headquartered in Shenzhen, China. The company is an established smart service robotic products and services provider in China	• 407	• [REDACTED]	• China and over 50 overseas countries and regions	• Education smart robot • Logistics smart robot • General service robot	✓	• 0.9	• 2.8%
4	SGAI	• Founded in 2000, headquartered in Jinan, China. The company is specialized in inspection robot in electronic industry	• 150	• Not listed	• China	• Inspection smart robot	/	• 0.9	• 2.7%
5	Geek+	• Founded in 2015, headquartered in Beijing, China. It is a products and services provider in the logistics and mobile smart robotic product and services industry	• 1,159	• Not listed	• China, and over 40 overseas countries and regions	• Logistics smart robot	/	• 0.7	• 2.2%

Source: Interviews with industry players; Frost & Sullivan

Price Range of Major Raw Materials for the Production of Smart Service Robots

- A smart service robot comprises of hundreds of raw materials whose attributes, functions, and prices significantly vary between each other. The major raw materials for the production of smart service robots are mainly include sensors, integrated circuits, soldering tin stick, capacitors, PCB boards, potentiometers, and compliers (composed of software and hardware), the cost of these raw materials accounts for approximately 45% of total raw materials of a smart service robot. Many raw materials, such as frame parts or cables, are common goods in smart devices market, and have sufficient supply and relatively limited price fluctuations. Therefore, there is no specific price trend for the raw materials used in the products of the Group. Given the variety of raw materials of a smart service robot, the correlation of smart service robotic products price and different raw materials is relatively low. The price changes of one or several raw materials may not have material impacts on the final price of a smart service robot.

Major raw materials	Price Range Per Unit from 2020 to 2022(RMB)			Key factors affecting the prices
Sensors	0.4 – 20,000			• Types of sensors and their functionalities; for example, the average price of some simple ambient light sensors is only around RMB0.4, while the price of high-end sensors with more advanced functionalities, such as six-axis force sensors, can exceed RMB15,000 • Production capacity of manufacturers
Integrated circuits (ICs)	0.1 - 100			• Types of ICs and their functionalities; for example, the average price of some power management IC such as LDO, DC-DC converters, or interface ICs, is usually less than RMB5, while the average price of some application processors, such as CPU, can exceed RMB50 • Production capacity of manufacturers
Soldering Tin Stick	150 - 300/kg (2020)	160 - 340/kg (2021)	170 - 380/kg (2022)	• Types of Soldering Tin Stick (with lead or lead-free) • Price changes of upstream raw materials
Capacitors	0.002 - 3			• Types of raw materials and specifications of capacitors
PCB boards	0.5 - 350			• Raw materials, size of board, number of layers, size of hole, minimum trace and space, thickness and aspect ratio, quantity of order, and custom specifications
Potentiometers	1.3 - 2.5			• Specifications of potentiometers
Compliers (composed of software and hardware)	1,100 – 1,700			• Quantity of order, custom specifications

Source: Frost & Sullivan

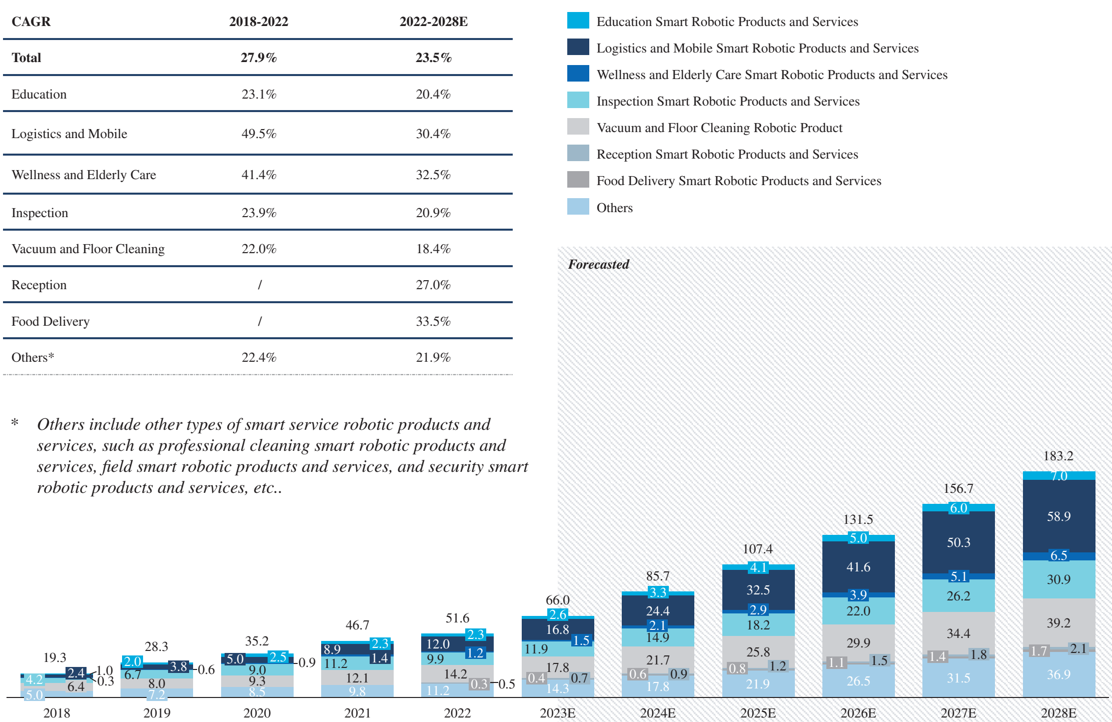
OVERVIEW OF KEY SEGMENTS OF SMART SERVICE ROBOTIC PRODUCTS AND SERVICES INDUSTRY IN CHINA BY USE SCENARIOS

The Breakdown of Market Revenue of Smart Service Robotic Products and Services in China by Key Segments

RMB Billion, 2018-2028E

CAGR	2018-2022	2022-2028E
Total	**27.9%**	**23.5%**
Education	23.1%	20.4%
Logistics and Mobile	49.5%	30.4%
Wellness and Elderly Care	41.4%	32.5%
Inspection	23.9%	20.9%
Vacuum and Floor Cleaning	22.0%	18.4%
Reception	/	27.0%
Food Delivery	/	33.5%
Others*	22.4%	21.9%

* *Others include other types of smart service robotic products and services, such as professional cleaning smart robotic products and services, field smart robotic products and services, and security smart robotic products and services, etc..*



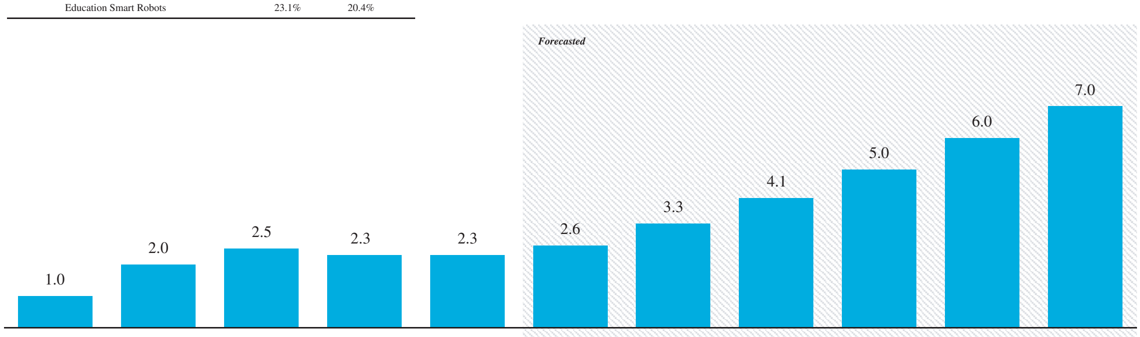
Source: International Federation of Robotics; Frost & Sullivan

Education Smart Robotic Products and Services Industry

Market Size of China's Education Smart Robotic Products and Services Industry

RMB Billion, 2018-2028E

CAGR	2018-2022	2022-2028E
Education Smart Robots	23.1%	20.4%



Source: Interviews with industry players; Frost & Sullivan

Education smart robotic products and services (i) mean education robotic products and services that utilize any AI technologies, rather than the common hardware including computers and projectors, used in the teaching process; (ii) consist of education smart robotic products and supplementary software and services (e.g. AI smart education platform and AI education curriculum); (iii) are used as teaching tools to assist students in STEAM curricula learning, such as AI and programming learning; and (iv) are aimed at enterprise-level customers, including schools and educational institutions, as their downstream customers, rather than individual consumers. The market size of China's education smart robotic products and services industry, measured by sales revenue, has reached RMB2.3 billion in 2022 from RMB1.0 billion in 2018, with a CAGR of 23.1% from 2018 to 2022. The market sentiment towards China's education smart robotic products and services industry was not good in 2021 and decreased as compared to the market size in 2020, according to Frost & Sullivan. Moreover, the PRC government issued the "Opinions on Further Reducing the Burden of Students' Homework and Off-campus Training in Compulsory Education" in mid-2021, but since the application of education smart robots are related to AI subjects instead of compulsory subjects and are not subject to relevant restrictive policies, the sales revenue has not been affected in 2022.

As the number of local governments which have announced favorable policies to promote AI-related courses remains relatively low, the penetration rate of the education smart robotic products and services industry in the PRC was approximately 8% in the years ended December 31, 2022. Such penetration rates remained low primarily because (i) while the State Council released the first AI education related policy, namely the New Generation of Artificial Intelligence Development Plan in 2017, local governments of provinces and cities such as Zhejiang Province and Shenzhen City only gradually announced its policies to promote or include AI education as a compulsory part of school curriculum in the recent two to three years, which resulted in low penetration rate of smart service robotic products and services in education smart robotic products and services industry in the PRC; and (ii) the adoption of education smart robotic products and services requires relatively high investment from local governments and schools which resulted in the overall slow application in educational scenario.

Looking forward, with the promotion of artificial intelligence education by the government and the expansion of the AI laboratories and programming laboratories in schools, the market base for education smart robotic products and services will continue to expand, and it is expected the market size will reach RMB7.0 billion by 2028, representing a CAGR of 20.4% from 2022 to 2028.

Market Drivers of China's Education Smart Robotic Products and Services Industry

Policy Support

Policy support is a major factor of the rapid development of China's education smart robotic products and services industry. For example, the 14th Five Year Plan for National Informatization proposed that in order to improve the level of the infrastructure of the campus, it is necessary to further implement the construction of digital campuses and accelerate the upgrade of digital and intelligent facilities for teaching, experiments, research, management and services at all kinds of schools.

The PRC government pays more attention to programming and robotics education in recent years. To promote development and application of education robots, a series of policies have been issued. In 2018, Educational Informatization 2.0 Action Plan emphasized the need to strengthen the research and application of intelligent teaching assistants and education smart robots. Moreover, the "double reduction" policy issued by the PRC government in mid 2021 has facilitated the development of enrichment learning. Opinions on Strengthening Scientific Education in Primary and Secondary Schools in the New Era issued in 2023 proposed to promote science education in primary and secondary schools based on practices, stimulate students' imagination, and cultivate students' interest in science. Therefore, it has led to the situation that the education smart robots were not only be applied in "out of school education" and training institutions, but also be brought into schools. Students will also have more time to develop their interest after school.

The prevalence of innovation in the teaching process

Compared to traditional teaching and learning scenarios, innovative teaching modes that incorporate various enrichment learning and teaching classes, including AI, have shattered the conventional restrictions. As a result, these models significantly cultivate the comprehensive literacy of Generation Z or post-00s individuals, and empower an interactive and technologically-driven teaching process. Therefore, the prevalence of such innovation in the teaching steps drives the growth of the education smart robotic products and services industry.

Market Trends of China's Education Smart Robotic Products and Services Industry

Product Innovation and Expansion of Supporting Services

Benefiting from the continuous development of machine learning, AI, and other technologies, the education smart robotic products and services industry will continue to innovate product forms and optimize product performance. For instance, there will be an increasing demand of humanoid robots to serve as educational tools for learning purpose. Furthermore, in order to enhance the learning and using experience supported by education smart robots, more and more market players will engage in providing related services, such as robot competitions, professional curriculum content, robot culture, science and technology activities, teacher training and so on.

Robotic education is increasingly being introduced into schools and educational institutions

At the present stage, programme writing education robot in primary and secondary education mainly appears in the form of robot competition and extracurricular robot training. Looking forward, with promotion of strengthening AI education in China and the support of the government's favorable policies, the number of programming laboratories will start to increase and AI subjects will prevail in many schools and educational institutions. Meanwhile, education smart robots will gradually be applied in an increasing number of schools and educational institutions to cultivate students' comprehensive ability in an all-round way and improve their competitiveness.

Competitive Landscape of China's Education Smart Robotic Products and Services Industry

According to Frost & Sullivan, the competitive landscape of China's education smart robotic products and services industry is fragmented with more than 50 market players and we ranked first and accounted for 22.5% market share of the industry in terms of revenue in 2022. The table set forth below illustrates the information of the top five market players in China's education smart robotic products and services industry:

Ranking	Company	Overview	Listing Status	Geographical Coverage of Products	Number of employees (As of Dec 31, 2022)	Introduction of education smart robotic products and services	Sales revenue of education smart robotic products and services in China in 2022 (RMB, million)	Market share in 2022
1	**UBTECH**	• Founded in 2012, headquartered in Shenzhen, China. The company is an established smart service robotic products and services provider in China.	• **[REDACTED]**	• China and over 50 overseas countries and regions	• 1,692	• It engages in provision of education smart robotic products and services in both enterprise-level and consumer-level.	• 517	• 22.5%
2	**Shengtong**	• A public company founded in 2000, listed on SZSE, and headquartered in Beijing, China. The company primarily engages in the printing and smart education industry.	• Listed on on the Shenzhen Stock Exchange	• China, Israel	• Around 3,300	• It provides a wide range of tech-enabled services and products associated with programme writing education, robotic education, and education smart robots.	• 92	• 4.0%
3	**WhalesBot**	• Founded in 2018, headquartered in Shanghai, China. The company is a robotics products and services provider for the youth education.	• Not listed	• China and over 26 countries and regions	• Around 100	• It provides education smart robots, programmable robotics kits, or other educational robotic services for schools and competitions.	• 52	• 2.2%
4	**DJI**	• Founded in 2006, headquartered in Shenzhen, China. It engages in designing and manufacturing action cameras, camera stabilizers, unmanned aerial vehicles (drones) for photography and videography.	• Not listed	• China, the United States, Germany, the Netherlands, Japan, South Korea	• Around 14,000	• It provides a wide range of education smart robotic products and services for learners.	• 50	• 2.2%
5	**Makeblock**	• Founded in 2013, headquartered in Shenzhen, China. It primarily provides schools with robotics hardware, software, and teaching content.	• Not listed	• China and over 140 countries and regions	• More than 500	• It provides educational smart robotic products and services, such as robotic kits and robotic teaching resources for schools.	• 45	• 2.0%

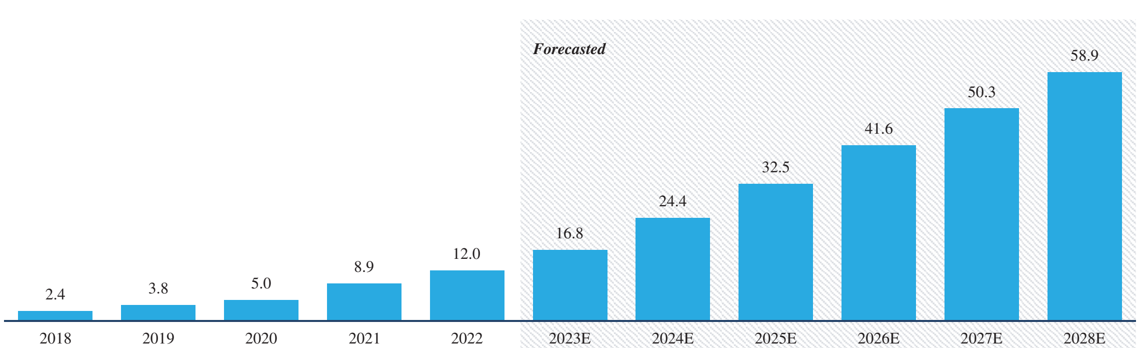
Source: Interviews with industry players; Frost & Sullivan

Logistics and Mobile Smart Robotic Products and Services Industry

Market Size of China's Logistics and Mobile Smart Robotic Products and Services Industry

RMB Billion, 2018-2028E

CAGR	2018-2022	2022-2028E
Logistics and Mobile Smart Robots	49.5%	30.4%



Source: Mobile Robot and AGV/AMR Industry Alliance; Frost & Sullivan

Driven by a rising application scenarios of logistics and mobile smart robots such as warehouse picking and distribution, according to Frost & Sullivan, the market size of China's logistics and mobile smart robotic products and services industry, which measured by sales revenue has increased from RMB2.4 billion in 2018 to RMB12.0 billion in 2022, with a CAGR of 49.5% during this period.

According to Frost & Sullivan, the penetration rate of logistics and mobile smart robotic products and services industry in the PRC is still relatively low, since: (1) it takes time for end customers with different business scales and the willingness to undergo digital transformation to adopt and pay for such products and services; (2) there is a high initial investment cost required for customers to transform traditional factories into smart factories. Moreover, as logistics and mobile smart robotic products and services can be widely used in different scenarios of various industry verticals, it is difficult to identify the number of customers in each different scenario. As a result, it is not feasible to calculate the penetration rate corresponding to the total demand for logistics and mobile smart robotic products and services.

Due to the need for manufacturers and logistics companies to automate their production and/or storage facilities to maximize their operational efficiency, as well as the shortage of manufacturing workers and the rising labor cost of China's manufacturing industry, the demand for logistics and mobile smart robotic products and services will continue to grow at a high speed in the future. It is expected that the market size will reach RMB58.9 billion by 2028, with a CAGR of 30.4% from 2022 to 2028, according to Frost & Sullivan.

Market Drivers of China's Logistics and Mobile Smart Robotic Products and Services Industry

The transformation of manufacturing industry in China

Thanks to the improvement of innovation capabilities, China's manufacturing industry is gradually shifting from low-end processing to high-end value-added products. At the same time, with the promotion of new technologies such as AI, China's manufacturing industry has begun to transform towards the orientation of intelligence, and thus driven the market demand for logistics and mobile smart robotic products and services.

Rise of new retail and e-commerce industry

In recent years, logistics and warehousing systems have been increasingly automated to improve efficiency and cost control. At the same time, the new retail and e-commerce industries, which are highly relying on logistics and warehousing systems, are experiencing a rapid expansion. As a result, logistics and mobile smart robots are considered a major automation investment for further optimization of logistics systems, driven by both market demand and product iterations.

Increasing Demands Due to The shortage of labor

China's labor force continues to decline in recent years due to decline in birth rate, which causes the rise of labor cost. The rising labor cost, coupled with the younger generation's unwillingness to engage in manual labor, has created a serious shortage of manufacturing workers. At the same time, with the maturity of production technology, the price of robots continues to decline, creating a strong demand for logistics and mobile smart robots to replace labor.

Market Trends of China's Logistics and Mobile Smart Robotic Products and Services Industry

Further Demand of Logistics and Mobile Smart Robotic Products and Services in Warehousing and Production Process

Market participants in manufacturing businesses which adopt logistics and mobile smart robotic products and services instead of relying on labor intensive model will benefit from most cost-efficient and effective manner due to lower production costs resulting from longer working hours and comparatively consistent quality standards in general. There is an increasing trend for automobile manufacturers to incorporate logistics and mobile smart robotic products and services into its warehousing and production processes, as traditional labor may not be able to provide consistent and safe handling of automobile components, semi-finished products and finished products due to their heavy and fragile nature.

Integration of Equipment and Management System

Technologies in warehousing and production line logistics such as AGVs, AMRs, can be applied to various usages such as handling, transportation, storage, and picking. It can greatly improve the efficiency of warehousing and logistics. Intelligent warehousing will be more closely integrated with the companies' technological process and become an integral part of production logistics and sales logistics.

The change from "shelves-to-person" to "case-to-person"

The design of logistics smart robotic products in China basically refers to the operation mode of Kiva robot. When picking a package, the Kiva robot moves the entire shelf where the package is in front of the warehouse staff, commonly known as "shelves-to-person". However, the transportation mode of carrying the whole shelf for a single package is not only a waste of resource, but also prone to safety accidents in the warehouse. With the gradual maturity of logistics and mobile smart robot technology, since the "case-to-person" mode can provide the exact goods demanded by orders in a more precise way, it will replace the "shelves-to-person" mode and gradually become the mainstream of picking technology in the logistics industry.

Market Opportunities of Logistics and Mobile Smart Robotic Products and Services in Outdoor Scenarios

With the growth in the number of outdoor scenarios such as smart industrial parks in China, and the expansion of the need to place certain production facilities and equipment outdoors due to efficiency and safety concerns in the production process there will be a huge market opportunity of logistics and mobile smart robotic products and services in outdoor scenarios with uneven terrain and exposure to extreme weather conditions to overcome the technical barriers associated with outdoor production and shipping processes.

Competitive Landscape of China's Logistics and Mobile Smart Robotic Products and Services Industry

According to Frost & Sullivan, China's logistics and mobile smart robotic products and services industry is fragmented with more than 50 market players and the top five market players accounted for 32.5% market share of the industry in terms of revenue in 2022. According to Frost & Sullivan, we ranked seventh and accounted for 2.2% market share of China's logistics and mobile smart robotic products and services industry in terms of revenue in 2022. The table set forth below illustrates the information of the top five market players in China's logistics and mobile smart robotic products and services industry:

Ranking	Company	Overview	Listing Status	Geographical Coverage of Products	Number of employees (As of Dec 31, 2022)	Introduction of logistics and mobile smart robotic products and services	Sales revenue of logistics and mobile smart robotic products and services in China in 2022 (RMB, million)	Market share in 2022
1	HIKROBOT	• Founded in 2016, headquartered in Hangzhou, China. The company provides customers with machine vision products and mobile robots.	• In Progress of Shenzhen Stock Exchange	• China and over 50 overseas countries and regions	• Around 3,410	• It provides customers with mobile smart robots and systems, and build smart internal logistics products and services in industrial factories.	• 1,515	• 12.6%
2	Geek+	• Founded in 2015, headquartered in Beijing, China. It is a products and services provider in the logistics and mobile smart robotic products and services industry.	• Not listed	• China, and over 40 overseas countries and regions	• More than 1,500	• It primarily provides autonomous mobile robotic (AMRs) products and services for smart warehouses or factories.	• 690	• 5.8%
3	OMH	• A public company founded in 1995, headquartered in Taiyuan, China. The company is a smart manufacturing service provider.	• Listed on the Shenzhen Stock Exchange	• China, Thailand, Malaysia, United States, Canada, and other countries	• Around 1,500	• It engages in empowering logistics smart and distribution products and services by AGVs including conveyors, tuggers, and fork lifts.	• 656	• 5.5%
4	Gen-song	• A public company founded in 2007, headquartered in Hefei, China. The company is a comprehensive products and services provider in the manufacturing smart and logistics smart industry.	• Listed on the Shanghai Stock Exchange	• China	• Around 550	• It is dedicated to providing customers with smart logistics and mobile products and services based on types of AGVs.	• 567	• 4.7%
5	HAI ROBOTICS	• Founded in 2016, headquartered in Shenzhen, China. The company is a logistics smart robotic products and services provider to empower warehouse and factory.	• Not listed	• China and over 30 overseas countries and regions	• More than 1,600	• It is dedicated to providing robotic warehouse products and services in various industries.	• 470	• 3.9%

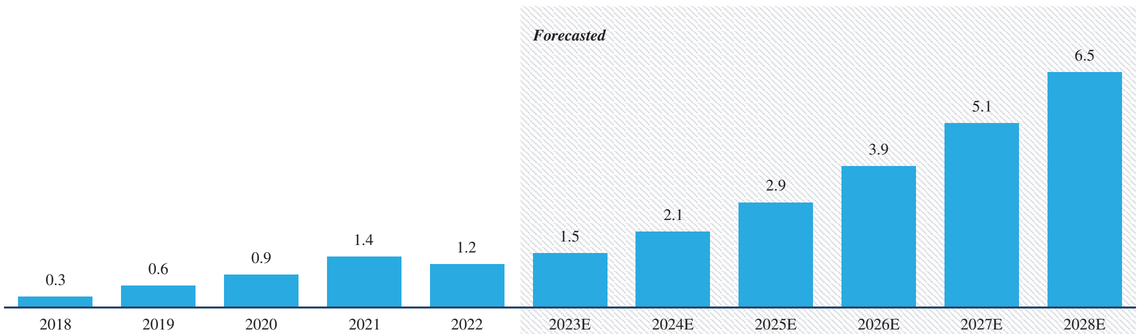
Source: Interviews with industry players; Frost & Sullivan

Wellness and Elderly Care Smart Robotic Products and Services Industry

Market Size of China's Wellness and Elderly Care Smart Robotic Products and Services Industry

RMB Billion, 2018-2028E

CAGR	2018-2022	2022-2028E
Wellness and Elderly Care Smart Robots	41.4%	32.5%



Source: Interviews with industry players; Frost & Sullivan

According to Frost & Sullivan, China's wellness and elderly care smart robotic products and services market, measured by sales revenue, has increased from RMB0.3 billion in 2018 to RMB1.2 billion in 2022, with a CAGR of 41.4% during this period. Under the influence of the shortage of long-term care workers and an upward trend in aging population in China, the demand of wellness and elderly care smart robots has increased.

According to Frost & Sullivan, the penetration rate of wellness and elderly care smart robotic products and services industry remains low as it is still at its early stage along with a limited number of technically mature market players and weak market acceptance. Moreover, the lack of technological familiarity can make it challenging for the elderly to adopt and adapt to wellness and elderly care smart robotic products and services, leading to low penetration rates. However, it is difficult to identify the total number of customers as wellness and elderly care smart robotic products and services can be applied in various scenarios such as hospitals, nursing homes. As a result, it is not feasible to calculate the penetration rate corresponding to the total demand for wellness and elderly care smart robotic products and services.

Looking forward, driven by the advancement of the technologies and the iteration of sensors, the wellness and elderly care smart robots will be commercialized, and also there is much room for growth in wellness and elderly care smart robotic products and services market, and the market size will reach RMB6.5 billion by 2028, representing a CAGR of 32.5%, according to Frost & Sullivan.

Market Drivers of China's Wellness and Elderly Care Smart Robotic Products and Services Industry

Increasing Aging Population

According to the National Bureau of Statistics of China, the number of people aged 60 and above in China was 280.0 million as of 2022, accounting for 19.8% of the country's total population; among them, 209.8 million were aged 65 and above, accounting for 14.9% of the country's total population. In recent years, China's birth rate and death rate are both decreasing, and people's life expectancy is improving, which amplified the trend of the aging population. In addition, according to the National Health Commission of the People's Republic of China, the elderly population aged 60 and above is expected to continue to grow from 2022 to 2035, and will reach 400 million in 2035, accounting for more than 30% of the total population in 2035. Therefore, elderly care has become a major problem that Chinese families urgently need to solve. As a result, it will provide the market opportunities for the development of the wellness and elderly care smart robotic products and services.

Shortage of Long-term Care Workers

China is facing an inevitable challenge in the shortage of long-term care workers and an increasingly aging population. Given the increasing labor costs and the expected relatively slow growth of the supply of long-term care workers, wellness and elderly care smart robots, which are capable of performing laborious and repetitive rehabilitation tasks and ensuring the accuracy and consistency of training movements, present themselves as a more efficient and effective approach to address the rapidly increasing demands on elderly care, and they could also fill the supply-demand gap of long-term workers in China.

Market Trends of China's Wellness and Elderly Care Smart Robotic Products and Services Industry

Gradually Increasing Market Share of Wellness and Elderly Care Smart Robots

Triggered by the recent rapid development of technologies such as AI and IoT, the wellness and elderly care smart robots will serve as the intelligent products that integrate all the functions of simple and basic wellness and elderly care equipment and have the ability to perform intended tasks autonomously. Moreover, the rising aging population and the increasing number of empty-nest elderly families will make the future demand for wellness and elderly care smart robots grow strongly, especially the demand for wellness and elderly care smart robots with multiple functions such as rehabilitation, daily care, and medical care. As a result, there is much room for growth in wellness and elderly care smart robotic products and services market in the near future.

Expansion of Wellness and Elderly Care Smart Robots in More Application Scenarios

With the continuous enrichment of function categories such as observation and monitoring of health status, emotional and physical companion, assistance of rehabilitation training, and voice interaction, wellness and elderly care smart robots will begin to expand from the professional field to the general public. For example, from the perspective of application scenarios, it is being popularized by hospitals and professional elderly care institutions to age-friendly communities and individual families.

Competitive Landscape of China's Wellness and Elderly Care Smart Robotic Products and Services Industry

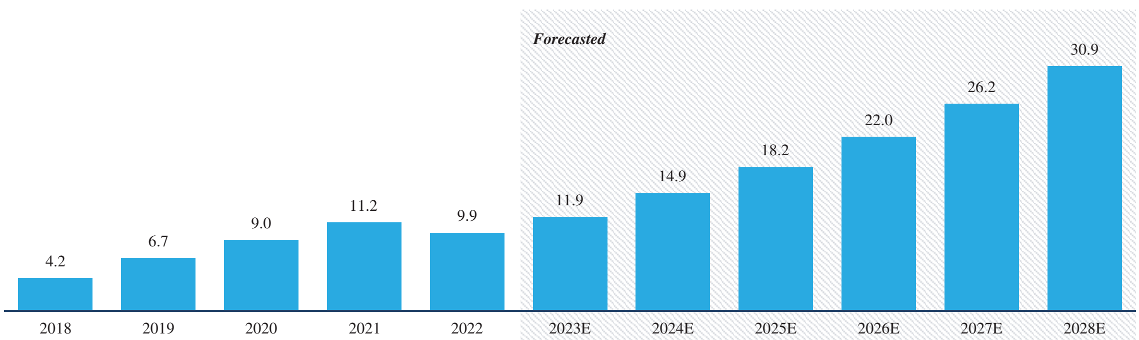
According to Frost & Sullivan, China's wellness and elderly care smart robotic products and services industry has a highly fragmented competition landscape with more than 40 market players and the top three market players accounted for approximately 15.0% market share of the industry in terms of revenue in 2022. According to Frost & Sullivan, there are still limited players with mature technologies as the wellness and elderly care smart robotic products and services industry in China is still at the early stage. As a result, it is difficult to identify the rest of the dominant market players in the industry in terms of revenue in 2022.

Inspection Smart Robotic Products and Services Industry

Market Size of China's Inspection Smart Robotic Products and Services Industry

RMB Billion, 2018-2028E

CAGR	2018-2022	2022-2028E
Inspection Smart Robots	23.9%	20.9%



Source: Interviews with industry players; Frost & Sullivan

Since the inspection smart robots can be used to detect faults or failure in the small or dangerous sites including pipelines, walls, and machines, it has been widely applied in the scenarios. In 2022, inspection smart robotic products and services market, measured by sales revenue, was valued at RMB9.9 billion, growing at a CAGR of 23.9% from 2018 to 2022, according to Frost & Sullivan. Due to the effect of COVID-19, it may be difficult for the suppliers to successfully deliver the products and services, as well as to meet the demand for inspection smart robotic products and services in China, as a result, there will be a slight decline in market size in 2022.

According to Frost & Sullivan, the main application scenarios of inspection smart robots are power distribution stations and substations, and the penetration rate of inspection smart robotic products and services is still relatively low since AI and robotic technologies are still quickly developing and inspection smart robots can only partially substitute or enhance manpower to finish works in some procedures. However, it is not feasible to calculate the penetration rate since different scenarios have varying needs for inspection smart robotic products and services.

In the forthcoming years, adoption of IoT, AI, and cloud computing will bring the advancement of the inspection smart robots. And the market size is anticipated to reach RMB30.9 billion by 2028, representing a CAGR of 20.9%, according to Frost & Sullivan.

Market Drivers of China's Inspection Smart Robotic Products and Services Industry

Application requirements in dangerous sites

It is well known that there are often inspection tasks in high-cold and remote areas and that people are usually unable to access, however inspection smart robots with advanced navigation technology can be used in substations and distribution plants in dangerous environments, gradually replacing personnel and collection systems. Examples include completing multiple inspections per day in unattended substations; reading and checking data and images, as well as other information from thousands of equipment inspection points.

Development in AI Technology

Currently, common technologies and features of inspection smart robotic products include magnetic rail navigation, laser navigation, differential GPS navigation and other positioning technologies. With the continuous development of AI technology, including the use of infrared technology to achieve navigation and positioning and visual recognition to achieve monitoring and monitoring, the inspection smart robotic products and services industry is constantly developing.

Policy Support from the National and Local Governments

With policy support from both the national and local governments, China has achieved the early application of autonomous inspection smart robots in substations and other scenarios in the world. For example, with the support of the National "863 Program", the State Grid Corporation of China has successively developed a series of substation inspection smart robots, which comprehensively use non-contact detection, multi-sensor fusion navigation and positioning, and visual servo pan-tilt control technologies to achieve inspections. The inspection smart robots are able to run autonomously outdoor under all climate conditions in all regions.

Market Trends of China's Inspection Smart Robotic Products and Services Industry

Maturity of Technologies such as Line Fault Detection

With the gradual development of inspection smart robot technology, line fault detection methods and autonomous inspection technologies are gradually becoming more mature. Inspection smart robots will gradually integrate multiple sensors in future applications, and run multiple sensor fusion methods to cross obstacles to navigate and locate so that they can quickly realize fault judgment and positioning to ensure that the line can be restored to normal operating condition in a short time.

Underlying Technology Needs to be Improved

At present, the underlying technology of inspection smart robots, such as the accuracy of outdoor navigation technology, needs to be improved as it has become an important obstacle in restricting inspection smart robots' large-scale application. Therefore, improving product reliability and truly realizing inspection robots' potential in inspection and maintenance are the development goals of the inspection smart robotic products and services industry in the future.

Integration of Multiple Work Methods

The large size and limited flexibility of inspection smart robots often pose challenges during application process, especially when they need to perform a variety of task processing functions. Therefore, inspection smart robots in the future need to integrate multiple operating methods such as combining robot inspection and online monitoring technology, and be able to share information across systems and perform complex line inspection task.

Competitive Landscape of China's Inspection Smart Robotic Products and Services Industry

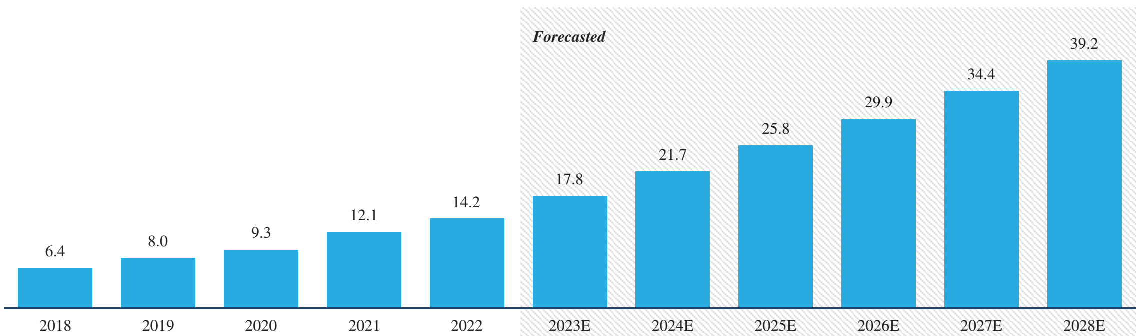
According to Frost & Sullivan, China's inspection smart robotic products and services industry has a highly fragmented competition landscape with more than 200 market players and the top five market players accounted for approximately 16.0% market share of the industry in terms of revenue in 2022. The company accounted for approximately 0.2% market share of the industry in terms of revenue in 2022.

Vacuum and Floor Cleaning Robotic Products Industry

Market Size of China's Vacuum and Floor Cleaning Robotic Products Industry

RMB Billion, 2018-2028E

CAGR	2018-2022	2022-2028E
Vacuum and Floor Cleaning Robotic Products	22.0%	18.4%



Source: Interviews with industry players; Frost & Sullivan

Under the influence of fast-paced life, the emerging of vacuum and floor cleaning robots would satisfy the consumer's demand for household cleaning. In 2022, vacuum and floor cleaning robotic products market, measured by sales revenue, has increased from RMB6.4 billion in 2018 to RMB14.2 billion in 2022, growing at a CAGR of 22.0% during this period, according to Frost & Sullivan.

According to Frost & Sullivan, the penetration rate of vacuum and floor cleaning robotic products industry in the PRC was less than 4% in 2022. Such penetration rate remains relatively low, mainly since: (1) compared to advanced economies, the average disposable income in the PRC remains relatively low, resulting in less availability for discretionary spending on non-essential items like vacuum and floor cleaning robots; (2) users are concerned about the reliability and maintenance of vacuum and floor cleaning robots.

Driven by the technological breakthroughs of essential technologies including AI, such as visual recognition, and SLAM, customers' using experience will be highly enhanced, as a result, trigger the further growth of the market. In this regard, China's vacuum and floor cleaning robotic products market is anticipated to reach RMB39.2 billion by 2028, representing a CAGR of 18.4% from 2022 to 2028, according to Frost & Sullivan.

Market Drivers of China's Vacuum and Floor Cleaning Robotic Products Industry

The Prevalence of "Lazy Economy"

In today's fast-paced environment, many consumers have no sufficient time for household chores, while the emergence of vacuum and floor cleaning robots are able to liberate consumers from household chores by providing autonomous cleaning services. In addition, people's increasing pursuit of high-quality lifestyle increases as a result of economic development, which drives the growth of household products such as vacuum and floor cleaning robots.

Enhancement in core technologies and quality of components

The basic functions of vacuum and floor cleaning robots are sweeping, vacuuming, and mopping. Improvement in the quality of components such as the mopping cloth and water tank, and also in the technologies such as the rotation method of sweeping brushes that enable vacuum and floor cleaning robots to achieve higher quality and perform more functions. Moreover, cleaning routes of vacuum and floor cleaning robots have been transformed from random collision type to planning type to further enhance user experience, and thus driving the increasing demand for vacuum and floor cleaning robots.

Market Trends of China's Vacuum and Floor Cleaning Robotic Products Industry

Diversified Product Technology Innovation Will Meet Consumers Need in Different Application Scenarios

As technology continues to improve, consumer demand for the type of vacuum and floor cleaning robot will be more complex. The diversification of application scenarios will become the main development direction of the vacuum and floor cleaning robotic products industry. Moreover, major vacuum and floor cleaning robot manufacturers will actively launch various new products in the future, strengthen product technology innovation and AI development, and promote the diversification of product forms. Specifically, in the future, vacuum and floor cleaning robots will be able to collect information about cleaning areas, such as the structure of the house, the location of items, and user habits. The information collection capability combined with big data analysis, deep learning, and AI technology will enable vacuum and floor cleaning robots to provide diverse cleaning modes based on user preferences and provide personalized services, thereby greatly enhancing consumer experience to meet consumer needs in different application scenarios.

Competitive Landscape of China's Vacuum and Floor Cleaning Robotic Products Industry

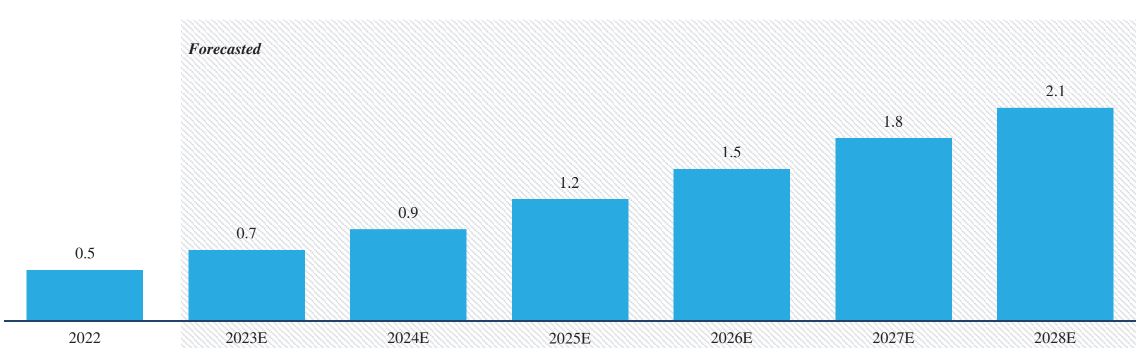
According to Frost & Sullivan, China's vacuum and floor cleaning robotic products industry has a highly concentrated competition landscape with more than 20 major market players and the top five market players accounted for approximately 90.0% market share of the industry in terms of revenue in 2022. The company accounted for approximately 0.5% market share of the industry in terms of revenue in 2022.

Overview of China's Reception Smart Robotic Products and Services Industry

Market Size of China's Reception Smart Robotic Products and Services Industry

RMB Billion, 2022-2028E

CAGR	2022-2028E
Reception Smart Robots	27.0%



Source: Interviews with industry players; Frost & Sullivan

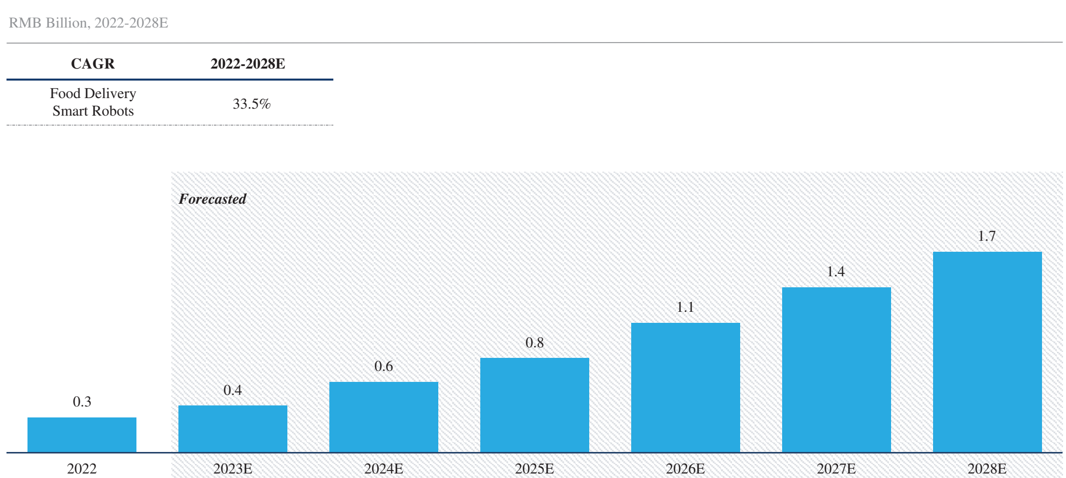
Reception smart robotic products and services market remained at a very early stage of commercialization in the past few years, however, driven by the pain points of high training costs and slow service response under traditional manual reception services, the acceptance of reception smart robots has increased. In 2022, the market size of China's reception smart robotic products and services industry, measured by sales revenue, has reached RMB0.5 billion. According to Frost & Sullivan, due to the relatively high investment cost, the penetration rate of reception smart robotic products and services is still relatively low. While it is not feasible to calculate the penetration rate as reception smart robotic products and services can be widely applied in different scenarios with varying needs by customers. Looking forward, it is expected that the market size will steadily increase to RMB2.1 billion by 2028, representing a CAGR of 27.0% from 2022 to 2028, according to Frost & Sullivan.

Competitive Landscape of China's Reception Smart Robotic Products and Services Industry

According to Frost & Sullivan, China's reception smart robotic products and services industry is currently at the early stages of development and has a highly fragmented competition landscape. There are many market players that have the ability to provide reception smart robotic products and services, but none of them have emerged as dominant players in the market yet. According to Frost & Sullivan, the total number of the players in China's reception smart robotic products and services industry is more than 50 in 2022, given the highly fragmented competitive landscape, it is difficult to identify the dominant market players. The company accounted for less than 15.0% market share of the industry in terms of revenue in 2022.

Overview of China's Food Delivery Smart Robotic Products and Services Industry

Market Size of China's Food Delivery Smart Robotic Products and Services Industry



Source: Interviews with industry players; Frost & Sullivan

Food delivery smart robotic products and services market remained at a very early stage of commercialization in the past few years, while triggered by the outbreak of COVID-19 and the popularity of contactless service, the market demand of food delivery smart robot in various scenarios including hotels and restaurants began to increase. In 2022, the market size of China's food delivery smart robotic products and services, measured by sales revenue, has reached RMB0.3 billion. According to Frost & Sullivan, since the prices of food delivery smart robotic products and services are relatively high and primarily applied in large-scale chained-restaurants, the penetration rate of smart robotic products and services in the food delivery smart robotic products and services industry in the PRC was less than 1% in 2022. Looking forward, it is expected that the market size will steadily increase to RMB1.7 billion by 2028, representing a CAGR of 33.5% from 2022 to 2028, according to Frost & Sullivan.

Competitive Landscape of China's Food Delivery Smart Robotic Products and Services Industry

According to Frost & Sullivan, China's food delivery smart robotic products and services industry is currently at the early stages of commercialization. The competition landscape is concentrated with more than 15 market players and the top three market players accounted for approximately 75.0% market share of the market share in terms of revenue in 2022.

Price range of smart service robot within key segments

The selling prices of smart service robots primarily depends on the functionalities that the robot can provide and the specifications of the robot. Smart service robots that can provide more functionalities are usually equipped with more components and advanced software, which lead to a higher price. For some smart service robots such as logistics and mobile robots, the selling price also depends on their load capacity. Smart service robots with higher load capacity usually have higher selling prices.

Segment of Smart Service Robot	Range of Selling Price in 2022 (in RMB Thousand)
Enterprise-level education robot	Between 3 ~ 10
Logistics and mobile robot	Between 50 ~ 800
Wellness and elderly care robot	Between 30 ~ 200
Inspection robot	Between 100 ~ 800
Vacuum and floor cleaning robot	Between 0.6 ~ 6
Reception robot	Between 8 ~ 60
Food delivery robot	Between 15 ~ 60
Consumer-level entertainment and companion robot	Between 0.1 ~ 6

Note: the selling price refers to the price that the end customers are charged.

Source: Frost & Sullivan

OVERVIEW OF GLOBAL HUMANOID ROBOTIC PRODUCTS AND SERVICES INDUSTRY

Definition of Humanoid Robots

A humanoid robot refers to a robot resembling the human body in shape and size and with the ability to mimic human motion, expressions, interaction, and movements. Humanoid robot is a relatively new type of smart service robot that is expected to form close relationship with human in daily routine and to replicate complex human motions.

Core Technology of Humanoid Robots

Servo Control

High-performance Servo Actuator Control: can be used as a drive mechanism for the fingers and foot, providing precise and repeatable movements to achieve a wide range of flexible movements including walking, dancing, and push-up.

AI Technologies

Computer Vision: the technology that enables robots to identify and recognize faces, objects, and environments they encounter in a human-like vision, helping pick out details in objects for decision-making on their next actions motion, or interaction with human-being.

Voice Interaction: a comprehensive technology that uses voice as the basic information carrier to enable robots to interact with human-being in a human-like manner. It integrates technologies such as Automatic Speech Recognition (ASR), Natural Language Processing (NLP), and Text-to-speech (TTS).

Motion Planning and Control

Motion planning refers to the method of motion tasks, and control is the process of execution. Motion planning and control ensure that the robot can accurately execute the given motion instructions, and realize functions such as operation, movement, and motion.

Market Size of Global Humanoid Robotic Products and Services Industry

The humanoid robot can be utilized in a wide variety of scenarios, including serving as a receptionist, simulating human interaction for educational purpose, accompanying elderly as medical assistants, and rescuing employees from dangerous workplace activities. The global humanoid robotic products and services industry is still at early stage with a few market players and limited use scenarios. However, in the forthcoming years, technological advancement and increasing R&D investment in the industry will further drive the demand for humanoid robots and their commercialization. Furthermore, an increasing number of market players will enter the global humanoid robotic products and services industry, as a result, the global humanoid robotic products and services market is expected to reach USD9.5 billion in 2028, representing 15.2% of market size of global smart service robotic products and services industry, according to Frost & Sullivan. China's humanoid robotic products and services market is expected to reach approximately RMB9.9 billion in 2028, representing approximately 5.4% of market size of China's smart service robotic products and services industry, according to Frost & Sullivan.

Entry Barriers of Global Humanoid Robotic Products and Services Industry

Intensive Technical Requirements

Compared with industrial robot and other type of smart service robot, the defining feature of bipedal humanoid robot is its kinematic structure. However, the current limited technology only allows for a simplified representation of the human form such as the legs. Since the humanoid robots are designed and manufactured with an anthropomorphic body to move flexibly within one complex terrain and mimic complex human motions and expressions, technological advancements are required for the development of humanoid robots.

High R&D Expenses and Production Cost

Unlike industrial robots and other type of smart service robots which are produced with mature technology and components widely available with competitive price, production of humanoid robots requires heavy R&D investment, high maintenance costs, complex components, and advanced technology. Thus high production cost and R&D expenses are one of the major entry barriers of the commercialization of humanoid robots.

Market Trends of Global Humanoid Robotic Products and Services Industry

Further Application Scenarios of Humanoid Robots with Technology Improvement

With continuous R&D focusing on humanoid robot technologies and systems such as mechano-informatics, visual and haptic grasping and mobile manipulation, learning from human observation, modeling and analysis of human movements, humanoid robots are able to perform versatile tasks and better interact with humans. As a result, there will be an increasing applications of humanoid robots in various fields, such as education and entertainment, wellness and elderly care, disinfection, and logistics in the coming years.

Commercialization of Humanoid Robots with Decreasing Production Costs

The high production costs and R&D expenses of humanoid robots are major barriers for market growth. However, factors such as an aging population are expected to create huge opportunities for the adoption of the humanoid robots in the coming years, thus triggering the sales volume of humanoid robots. Moreover, the high cost of humanoid robots is attributed to complex application requirements and limitations in AI technology. Technologies such as vision processing and sensing technologies will support humanoid robots to make technological breakthroughs in areas such as maintaining good posture and gait, which will reduce costs and promote commercialization of humanoid robots in the near future.

Overview of Major Players of Global Humanoid Robotic Products and Services Industry

According to Frost & Sullivan, the global humanoid robotic products and services industry remains at the early stages of technological exploration and development, with limited market players and yet to commercialize humanoid robots at a large scale. Moreover, some market players even have not commercialized their humanoid robots, and thus it is unable to identify the revenue generated from the humanoid robots. Within the very few market participants in the global humanoid robotic products and services industry, the table set forth below is an overview of the representative market players with years of research and development experience or brand awareness in the industry and have unveiled the prototype to the public.

Company	Overview	Listing Status	Geographical Coverage of Products	Number of employees (As of Dec 31, 2022)	Humanoid Robot	Released Year	Biped life-sized humanoid robot	Speed	Degrees of freedom[1]	Sales
UBTECH	• Founded in 2012, headquartered in Shenzhen, China. The company is an established smart service robotic products and services provider in China.	• **[REDACTED]**	• China and over 50 overseas countries and regions	• 1,692	• It is a biped life-sized humanoid robot that has been showcased in the China Pavilion of Dubai World Expo in 2021 to 2022.	2018	√	3km/h	41	√
Boston Dynamics	• Founded in 1992, the company focuses on creating robots with advanced mobility, dexterity and intelligence. It is headquartered in Waltham, the USA.	• Not listed	• United States, the European Union, United Kingdom, and Canada	• Around 500	• It initially designed for a variety of search and rescue tasks, and has one of the world's most compact mobile hydraulic systems.	2013	√	9km/h	28	/
Agility Robotics	• Founded in 2015, the company focused on the development of highly capable bipedal robots for applications that include logistics, telepresence, automated inspection, entertainment, and research. It is headquartered in Albany, the USA.	• Not listed	• United States	• Around 180	• It has nimble limbs and a torso packed with sensors that will allow it to navigate complex environments and carry out tasks like package delivery.	2002	√	5.4km/h	16	√
Honda[2]	• Founded in 1948, headquartered in Minato, Japan. The company is a manufacturer of automobiles, motorcycles, and power equipment.	• Listed on the Tokyo Stock Exchange	• The United States, China, India, Indonesia, Thailand, the UK, Germany and Italy	• Around 204,000	• It able to detect the movements of multiple objects by using visual information captured by two cameras in its head and recognize its surrounding environment, sounds and faces to interact with humans.	2000	√	2.7km/h ~9km/h	57	√
XIAOMI	• Founded in 2010, headquartered in Beijing, China. The company is a consumer electronics and smart manufacturing company with smartphones and smart hardware connected by an IoT platform.	• Listed on the HKEX	• China and over 100 overseas countries and regions	• Around 32,500	• It is a biped life-sized humanoid robot with artificial intelligence-based interaction algorithms that allows it to detect 45 classifications of human emotion and recognize 85 types of environmental sounds.	2022	√	3.6km/h	21	/
Rainbow Robotics[3]	• Founded in 2011, headquartered in Daejeon, South Korea. It is a technological mechatronics company that engages in the development of robotic system engineering technology.	• Listed on the KOSDAQ	• South Korea and the United States	• Around 100	• It is a full-size humanoid with a high-performance actuation system optimized for dynamic tasks, including walking, running, dancing, and grasping objects.	2009	√	1.5km/h ~3.6km/h	40	√
KAWADA Robotics[4]	• Founded in 2013, headquartered in Tokyo, Japan. The company has developed its business through thel development of humanoid robots that work with people.	• Listed on the Tokyo Stock Exchange	• Japan	• Not disclosed	• It is a biped life-sized humanoid robot that can cooperate with humans in lifting heavy objects, walk on uneven surfaces, and even get up by itself if it falls over.	2002	√	2km/h	30	√

Notes:

1. Degrees of freedom of a robot refer to the independent joint that can provide freedom of movement and can be used to define the motion capabilities of robots.
2. Honda ceased the commercial development of its humanoid robot in 2018.
3. The humanoid robot of Rainbow Robotics was originally designed at the Korea Advanced Institute of Science and Technology (KAIST) in 2009 and commercialized by Rainbow Robotics.
4. The humanoid robot of KAWADA Robotics was originally designed at the National Institute of Advanced Industrial Science and Technology (AIST) in 2002 and commercialized by KAWADA Robotics.

Source: Interviews with industry players; Frost & Sullivan

The extent of the advancement comparisons of the Group's and its peers' humanoid robots are limited since (i) the industry benchmarks and standards available for comparison purposes are limited because the global humanoid robotic products and services industry remains at the early stages of technological exploration and development; and (ii) information regarding certain benchmarks and standards in relation to humanoid robots are not publicly available for comparison since not all comparable humanoid robots in the industry have been commercialized. Based on the aforementioned advancement comparison of the Walker X with the Group's peers' humanoid robots with reference to publicly available information of the humanoid robots of the Group's peers, Frost & Sullivan believes that the core technologies and functionalities of Walker X (including, but not limited to, walking ability, balancing ability, operating ability, AI ability and autonomous ability) are comparable to those of the Group's peers' humanoid robots.

This section sets out a summary of certain aspects of the laws and regulations of the PRC and Hong Kong which are relevant to the business and operations of our Group. The principal objective of this summary is to provide potential investors with an overview of the key laws and regulations applicable to us. This summary does not purport to be a comprehensive description of all the laws and regulations applicable to our business and operations and/or which may be important to potential investors. Investors should note that the following summary is based on laws and regulations in force as at the date of this document, which may be subject to change.

PRC LAWS AND REGULATIONS

This section sets out a summary of certain aspects of laws and regulations of the PRC, which are relevant to the business and operations of our Group.

LAWS AND REGULATIONS IN RELATION TO FOREIGN INVESTMENT

The Foreign Investment Law of the People's Republic of China (《中華人民共和國外商投資法》) (the "**Foreign Investment Law**") promulgated by the National People's Congress became effective on January 1, 2020. The Law of the People's Republic of China on Sino-Foreign Equity Joint Ventures, the Law of the People's Republic of China on Wholly Foreign-Owned Enterprises and the Law of the People's Republic of China on Sino-Foreign Contractual Joint Ventures were abolished at the same time. Since then, the Foreign Investment Law has become the basic law regulating foreign-invested enterprises wholly or partially invested by foreign investors. The organization form, institutional framework and standard of conduct of foreign-invested enterprises shall be subject to the provisions of the PRC Company Law and other laws. China implements the management system of pre-entry national treatment and the Negative List for foreign investment, and abolished the original approval and filing administration system for the establishment and change of foreign-invested enterprises. Pre-entry national treatment refers to the treatment accorded to foreign investors and their investments at the stage of investment entry which is no less favorable than the treatment accorded to domestic investors and their investments.

The Negative List refers to a special administrative measure for the entry of foreign investment in specific sectors as imposed by the PRC. The PRC accords national treatment to foreign investment outside of the Negative List. The current Negative List is the Special Management Measures (the "**Negative List**") for the Access of Foreign Investment (2021 Revision) (《外商投資准入特別管理措施(負面清單)(2021年版)》) issued by the NDRC and the MOFCOM on December 27, 2021, and came into effect on January 1, 2022 which lists the special management measures for foreign investment access for industries regulated by the Negative List, such as equity requirements and senior management requirements. In the current implemented negative list, the AI and robotics industry is not explicitly listed as an industry regulated by the Negative List.

While strengthening investment promotion and protection, the Foreign Investment Law further regulates foreign investment management and proposes the establishment of a foreign investment information reporting system that replaces the original foreign investment enterprise approval and filing system of MOFCOM. The foreign investment information reporting is subject to the Foreign Investment Information Reporting Method (《外商投資信息報告辦法》) jointly developed by MOFCOM and SAMR, which came into effect on January 1, 2020. According to the Foreign Investment Information Reporting Method, foreign investors who directly or indirectly carry out investment activities in China shall submit investment information to the competent commercial department through the enterprise registration system and the National Enterprise Credit Information Publicity System and the reporting methods include initial reports, change reports, cancellation reports, and annual reports.

LAWS RELATED TO PRODUCT QUALITY

The Product Quality Law of the People's Republic of China (《中華人民共和國產品質量法》) (the "**Product Quality Law**") promulgated by the Standing Committee of the National People's Congress (the "**SCNPC**") on February 22, 1993 and last amended on December 29, 2018 is the principal governing law related to the supervision and administration of product quality. According to the Product Quality Law, manufacturers shall be liable for the quality of products produced by them and sellers shall take measures to ensure the quality of the products sold by them. A manufacturer shall be liable to compensate for any physical injuries or damage to property other than the defective product itself resulting from the defects in the product, unless the manufacturer is able to prove that: (1) the product has not been put into circulation; (2) the defects causing injuries or damage did not exist at the time when the product was put into circulation; or (3) the science and technology at the time when the product was put into circulation were at a level incapable of detecting the existence of the defect. A seller shall be liable to compensate for any physical injuries or damage to property of others caused by the defects in the product. Where a product is defective due to a mistake made by the seller and such defect causes physical injury or damage to the property of others, the seller shall bear liability for compensation. Where a seller cannot specify the producer of a defective product nor the supplier of such defective product, the seller shall be liable for compensation. Where a defect in a product causes physical injuries to others or damages to the property of others, the victim may claim compensation from the producer of the product or from the seller of the product.

Pursuant to the Civil Code of the People's Republic of China (《中華人民共和國民法典》) promulgated by the National People's Congress (the "**NPC**") on May 28, 2020 and became effective on January 1, 2021, in the event of damages caused to other party due to the defects in a product, the infringed party may seek compensation from the manufacturer or the seller of such product and shall have the right to request the manufacturer and the seller to bear tortious liabilities, such as cessation of infringement, removal of obstruction, elimination of danger, etc.

The Law of the PRC on the Protection of the Rights and Interests of Consumers (《中華人民共和國消費者權益保護法》) was promulgated on October 31, 1993 and last amended on October 25, 2013, to protect consumers' rights when they purchase or use goods and accept services. All business operators must comply with this law when they manufacture or sell goods and/or provide services to customers. Under the amendments made on October 25, 2013, all business operators must pay high attention to protecting customers' privacy and must strictly keep confidential any personal information of consumers obtained during their business operations.

RELEVANT PRC LAWS AND REGULATIONS IN RELATION TO THE INDUSTRY

According to the Administrative Regulations for Compulsory Product Certification (《強制性產品認證管理規定》), which was promulgated by the General Administration of Quality Supervision, Inspection and Quarantine of the PRC (the "**GAQSIQ**") (which merged into the State Administration for Market Regulation) on July 3, 2009 and amended on September 29, 2022, products specified by the state shall not be delivered, sold, imported or used in other business activities until they have been certified (the "**Compulsory Product Certification**") and labeled with China Compulsory Certification (中國強制認證) mark. For products that are subject to Compulsory Product Certification, the state implements unified product catalogs (the "**3C Catalog**"), unified compulsory requirements, standards and compliance assessment procedures in technical specification, unified certification marks and unified charging standards.

According to the Radio Regulation of the People's Republic of China (《中華人民共和國無線電管理條例》) jointly promulgated by the State Council of the People's Republic of China (the "**State Council**") and the Central Military Commission of the People's Republic of China on September 11, 1993 and amended on November 11, 2016, the State Radio Regulatory Commission (the "**SRRC**") is responsible for administration of non-military radio systems in China. Radio transmission equipment manufactured by enterprises must comply with the State Council's regulations on radio administration and must be registered with the national radio authority or local radio regulatory authorities.

On October 7, 1997, the SRRC and the State Bureau of Technical Supervision jointly promulgated the Administrative Regulations on Manufacturing of Radio Transmission Equipment (《關於生產無線電發射設備的管理規定》), which stipulates that a system must be implemented for the manufacturing of radio transmission equipment. The SRRC Office is required to audit the radio transmission equipment manufactured by an enterprise based on the transmitting characteristics of a particular model and, if the audit is passed, issue a Certificate of Approval of Radio Transmission Equipment Model and a model approval code. The model approval code shall be marked on the label of the equipment manufactured by the enterprise.

In addition, the Ministry of Industry and Information Technology (the "**MIIT**") promulgated the Administrative Measures for the Network Access of Telecommunications Equipment (《電信設備進網管理辦法》) on May 10, 2001, which was later amended by the MIIT on September 23, 2014, stipulating that the State shall implement a network access permit system for telecommunications terminal equipment, radio communications equipment, and equipment relating to network interconnections that are connected to public telecommunications networks. The telecommunications equipment subject to the network access permit system shall obtain the Telecommunications Equipment Network Access Permit (the "**Network Access Permit**") issued by the MIIT. Without the Network Access Permit, no telecommunications equipment is allowed to be connected to the public telecommunications network for use or sold on the domestic market. To apply for a Network Access Permit, manufacturers must submit a test report or a certificate of compulsory product certification issued by a telecommunications equipment testing institute. In the event of an application for the Network Access Permit for radio transmission equipment, a Certificate of Approval of Radio Transmission Equipment Model issued by the MIIT shall also be submitted.

In accordance with the Measures for the Supervision and Administration of Medical Devices Operation (as amended) (《醫療器械經營監督管理辦法》), which was promulgated by State Administration for Market Regulation on March 10, 2022 and became effective on May 1, 2022, enterprises engaged in the operation of Class II medical devices shall file with the food and drug administration authorities under the municipal government of the prefectural city where it operates. Enterprises engaged in the operation of Class III medical devices shall apply to the food and drug administration authorities under the municipal government of the prefectural city where it operates for operation permits. A medical device operation permit shall be valid for 5 years.

Pursuant to the Tendering and Bidding Law of the People's Republic of China (《中華人民共和國招標投標法》) (the "**Tendering and Bidding Law**") promulgated by the **SCNPC** on August 30, 1999 and revised on December 27, 2017 and effective from December 28, 2017, tenderers shall not collude with each other in setting bidding prices, nor shall they exclude other tenderers from fair competition and harm the lawful rights and interests of the tenderee and other tenderers. Tenderers shall not participate in the bidding competition by offering a price lower than the cost, nor shall they attempt to win the bid in the name of other persons or through other fraudulent means.

According to the Implementation Regulations for the Law of the People's Republic of China on Tenders and Bids (《中華人民共和國招標投標法實施條例》) which was last amended on March 2, 2019, and became effective on the same day, where the tender invitation and bidding activities of a project required by law to call for tenders violate the provisions of the Tendering and Bidding Law and these Regulations, and have a substantive influence on the outcome of award of tender, if it is impossible to adopt remedial measures to rectify, the tender invitation, bidding and award of tender shall be void, the tender exercise or bid evaluation shall be organized anew pursuant to the law.

According to the Law of the PRC on Government Procurement (《中華人民共和國政府採購法》) (the "**Procurement Law**") promulgated by the **SCNPC** on June 29, 2002 and which was last amended and implemented on August 31, 2014, the government procurement methods include public tender invitation, bidding invitation, competitive negotiation, single-source procurement, inquiry about quotations, and other methods confirmed by the department for supervision over government procurement under the State Council. Public invitation of bids shall be the principal method of government procurement, and the term "government procurement" means the use of fiscal funds by all levels of State authorities, institutions and social organizations to procure goods, projects and services that fall within the catalog for centralized procurement formulated in accordance with the law or that are above the procurement limits. Pursuant to Article 73 of the Procurement Law, if any unlawful act made pursuant to Article 71 results in or may result in the supplier winning the bid, the procurement contract shall be canceled if it has not been performed.

LAWS AND REGULATIONS IN RELATION TO THE PROTECTION OF CYBER SECURITY, DATA AND PRIVACY

The PRC government has enacted laws and regulations with respect to internet information security and protection of personal information from any abuse or unauthorized disclosure. Internet information in the PRC is regulated and restricted from a national security standpoint. The SCNPC enacted the Decision on the Maintenance of Internet Security (《關於維護互聯網安全的決定》) on December 28, 2000, which was amended on August 27, 2009, and may subject persons to criminal liabilities in the PRC for any attempt to undermine the safe operation of the internet, sabotage national security and social stability, hinder the order of the socialist market economy and social administration, or infringe personal, property and other legitimate rights and interests of individuals, legal persons and other organizations.

The Cyber Security Law of the People's Republic of China (《中華人民共和國網絡安全法》) (the "**Cyber Security Law**"), which was promulgated on November 7, 2016 and came into effect on June 1, 2017, requires that when constructing and operating a network, or providing services through a network, technical measures and other necessary measures shall be taken in accordance with laws, administrative regulations and the compulsory requirements set forth in national standards to ensure the secure and stable operation of the network, to effectively cope with cyber security events, to prevent criminal activities committed on the network, and to protect the integrity, confidentiality and availability of network data. The Cyber Security Law emphasizes that any individuals and organizations that use networks must not endanger network security or use networks to engage in activities endangering national security, economic order and social order or infringing the reputation, privacy, intellectual property rights and other lawful rights and interests of others. The Cyber Security Law also reiterates certain basic principles and requirements on personal information protection previously specified in other existing laws and regulations. Any violation of the provisions and requirements under the Cyber Security Law may subject an internet service provider to rectifications, warnings, fines, confiscation of illegal gains, revocation of business permit, cancellation of business license, closedown of websites or even criminal liabilities.

The Data Security Law of the People's Republic of China (《中華人民共和國數據安全法》) (the "**Data Security Law**") was passed by the Standing Committee of the 13th NPC at the 29th Session on June 10, 2021 and came into effect on September 1, 2021. The Data Security Law requires a data processor to establish and improve a whole-process data security management system, organize data security education and training, and take corresponding technical measures and other necessary measures to safeguard data security. In conducting data processing activities using the Internet or any other information networks, a data processor shall perform the above data security protection obligations on the basis of the hierarchical cybersecurity protection system. Any violation of the provisions and requirements under the Data Security Law may subject a data processor to rectifications, warnings, fines, suspension of the related business, revocation of business permit or even criminal liabilities.

The Personal Information Protection Law of the People's Republic of China (《中華人民共和國個人信息保護法》) (the "**Personal Information Protection Law**") was passed by the Standing Committee of the 13th NPC at the 30th Session on August 20, 2021 and came into effect on November 1, 2021. The Personal Information Protection Law reiterates the circumstances under which a personal information processor could process personal information and the requirements for such circumstances, such as when (1) the individual's consent has been obtained; (2) the processing is necessary for the conclusion or performance of a contract to which the individual is a party, or where it is necessary for carrying out human resource management pursuant to employment rules legally adopted or a collective contract legally concluded; (3) the processing is necessary to fulfill statutory duties and statutory obligations; (4) the processing is necessary to respond to public health emergencies or protect natural persons' life, health and property safety under emergency circumstances; (5) where the personal information is processed within a reasonable scope to carry out any news reporting, supervision by public opinions or any other activity for public interest purposes; (6) where the personal information, which has already been disclosed by an individual or otherwise legally disclosed, is processed within a reasonable scope according to this law; or (7) under any other circumstance as provided by any law or regulation. It also stipulates the obligations of a personal information processor. Any violation of the provisions and requirements under the Personal Information Protection Law may subject a personal information processor to rectifications, warnings, fines, suspension of the related business, revocation of business licenses, being entered into the relevant credit record or even criminal liabilities.

In addition, the Decision on Strengthening Network Information Protection (《關於加強網絡信息保護的決定》), promulgated by the SCNPC on December 28, 2012 with immediate effect, emphasizes the need to protect electronic information that contains individual identification information and other private data. This decision requires internet information services providers and other enterprises and public institutions to take technological and other necessary measures to ensure information security and to prevent any information leak, damage or loss of personal electronic information of citizens collected in the business activities. Furthermore, the Ministry of Industry and Information Technology's Rules on Protection of Personal Information of Telecommunications and Internet Users (《電信和互聯網用戶個人信息保護規定》), which was promulgated on July 16, 2013 and came into effect on September 1, 2013, contains detailed requirements on the collection and use of personal information as well as the security measures to be taken by internet information services providers. "Personal information" includes a user's name, birth date, identification card number, address, phone number, account name, password and other information that can be used for identifying a user either independently or in combination with other information as well as the time, place, etc. for the use of services by the users. Collection and use of user personal information by internet information service providers are subject to users' consent and should abide by the principles of legality, appropriateness and necessity and be within the specified methods, scopes and purposes that are required to be published by such internet information services providers. Internet information services providers and their staff members shall strictly keep confidential the personal information of users collected or used in the course of providing services, and shall not divulge, tamper with, damage, sell or illegally provide others with the same. Internet information services providers should also provide their staff with knowledge, skills and trainings relating to the protection of the personal information of users.

On September 15, 2018, the Ministry of Public Security issued the Regulations for Internet Security Supervision and Inspection by Public Security Organs (《公安機關互聯網安全監督檢查規定》) (the "**Inspection Regulations**") which took effect on November 1, 2018. Pursuant to the Inspection Regulations, public security authorities shall conduct supervision and inspections on the internet service providers and network users that provide the following services: (1) internet connection, internet data centers, content distributions and domain name services; (2) internet information services; (3) public internet access services; and (4) other internet services. The inspection may relate to whether the internet service providers and network users have fulfilled their cyber security obligations under applicable laws and regulations, such as to formulate and implement cyber security management systems and operational procedures, determine the person responsible for cyber security, and to take technical measures to record and retain user registration information and online log information, etc.

Pursuant to the Announcement of Launching Special Crackdown against Illegal Collection and Use of Personal Information by Apps (《關於開展App違法違規收集使用個人信息專項治理的公告》) that was issued and took effect on January 23, 2019, and the Guideline to the Self-Assessment of Illegal Collection and Use of Personal Information by Apps (《App違法違規收集使用個人信息自評估指南》) that was issued and took effect on March 3, 2019, the App operators shall check whether their privacy policies include the elements that are required to be disclosed to the users.

Internet information service providers may be subject to criminal penalty for failure to protect personal information. The Amendment IX to the Criminal Law of the People's Republic of China (《中華人民共和國刑法修正案(九)》), which was promulgated by the Standing Committee on August 29, 2015 and came into effect on November 1, 2015, provides that selling or providing personal information of citizens in violation of relevant national provisions shall be subject to criminal penalty.

On December 28, 2021, thirteen PRC governmental and regulatory agencies, including the CAC, promulgated the Measures for Cyber Security Review (《網絡安全審查辦法》), which was published on January 4, 2022, and came into effect on February 15, 2022. The Measures for Cyber Security Review specify that the procurement of network products and services by operators of critical information infrastructure and the activities of data processing carried out by Internet platform operators that raise or may raise "national security" concerns are subject to cyber security review by Office of Cyber Security Review established by the CAC. Before a critical information infrastructure operator purchases internet products and services, it should assess the potential risk of national security that may arise from using such products and services. If such use of products and services may give rise to national security concerns, it should apply for a cyber security review by the Cyber Security Review Office and a report of analysis of the potential effect on national security shall be submitted when the application is made. In addition, Internet platform operators that possess the personal data of over one million users must apply for a cyber security review by the Office of Cyber Security Review, if they intend to be listed in foreign countries. The CAC may voluntarily conduct cyber security review if any network products and services and activities of data processing affect or may affect national security. The cyber security review focuses on the assessment of the following risk factors: (i) the risk of critical information infrastructure being illegally controlled, interfered or destroyed as a result of the use of the products or services; (ii) the continuous harm to the business of critical information infrastructure by the interruption of provision of products or services; (iii) the security, openness, transparency, diversity of sources, reliability of supply and potential supply interruptions of products and services due to political, diplomatic or international trade issues; (iv) whether the products and services provider complies with PRC laws and regulations; (v) the risk of core data, important data or a large amount of personal information being stolen, leaked, destroyed, illegally utilized or transmitted outside the country; (vi) regarding to listing, risks of critical information infrastructure, core data, important data or a large amount of personal information being influenced, controlled or maliciously used by foreign governments, as well as network information security risks; and (vii) other factors that may endanger the security of critical information infrastructure, cyber security and data security. It may take approximately 70 business days in maximum for the general cybersecurity review upon the delivery of their applications, which may be subject to extensions for a special review. As confirmed by our Special PRC Legal Adviser, given that the number of personal information subjects involved in the personal information processing activities carried out by us is less than 1 million, all the data processed by the Company are stored in China, and listing in Hong Kong is different from listing in foreign countries, we believe that we are not required to apply for a cybersecurity review according to the Measures for Cyber Security Review. However, the regulations relating to cybersecurity review are constantly evolving, and future regulatory changes may impose additional requirements. We would pay close attention to any changes to the cybersecurity review regulations and take compliance measures in a timely manner.

On November 14, 2021, the Administration Regulations on Cyber Data Security (Draft for Comments) (《網絡數據安全管理條例(徵求意見稿)》) (the "**Draft Regulation**") was proposed by the CAC for public comments until December 13, 2021. The Draft Regulation reiterates that data processors which process the personal information of over one million users must apply for a cybersecurity review if they intend to be listed in foreign countries, and the Draft Regulation further require the data processors that carry out the following activities to apply for cybersecurity review in accordance with the relevant laws and regulations: (i) the merger, reorganization or division of internet platform operators that have gathered a large number of data resources related to national security, economic development and public interests that affects or may affect national security; (ii) listing of the data processor in Hong Kong that affects or may affect national security; and (iii) other data processing activities that affect or may affect national security. Any failure to comply with such requirements may subject us to, among others, suspension of services, fines, revocation of relevant business permits or business licenses and penalties. Since the CAC is still seeking comments on the Draft Regulation from the public as of the date of the Document, the Draft Regulation (especially its implementation provisions) and its anticipated adoption or effective date are subject to further changes with substantial uncertainty. According to the Draft Regulation, data processors who use networks to carry out data processing activities shall be subject to the Draft Regulation. As a data processor, we are required to perform the following obligations after the Draft Regulation is formally adopted:

- to establish and improve the data security management system and technical protection mechanism in accordance with the provisions of relevant laws and regulations;
- to conduct data processing activities in a manner that respects social morality and ethics and does not contravene prohibitions stipulated in the Draft Regulation or other laws and regulations;
- to comply with the requirements of cybersecurity classified protection system;
- to establish emergency response mechanisms for cyber security and data security, data security complaints and reporting channels and other relevant measures;
- to acquire personal information without authorization and to preserve relevant evidence for data collection, especially user consent; and
- to establish protocols to process personal information with clear and reasonable purposes and follow the principles of legality, rightfulness and necessity.

In addition, the MITT promulgated the "Measures for Data Security Management in the Industrial and Information Technology Sector (Trial)" 《工業和信息化領域數據安全管理辦法(試行)》(the "**Measures for Data Security Management**") on December 8, 2022, which came into effect on January 1, 2023. The Measures for Data Security Management stipulate that industrial and telecoms data processors shall implement hierarchical management of industrial and telecoms data, which will be classified into three levels according to the relevant regulations: general data, important data and core data. The Measures for Data Security Management also stipulate certain obligations of industrial and telecoms data processors in relation to the implementation of data security systems, key management, data collection, data storage, data usage, data transmission, data provision, data disclosure, data destruction, security audits and contingency planning.

During the Track Record Period and up to the Latest Practicable Date, we have implemented comprehensive internal policies and measures on protection of cybersecurity, data privacy and personal information to ensure continuous regulatory compliance. See "Business — Data Privacy and Security." As of the date of this document, we have not received any warning or sanction from applicable government authorities (including the CAC) with regard to our business operations concerning any issues related to cybersecurity and data security. In addition, we have not been involved in any penalty or other legal proceedings initiated by applicable governmental or regulatory authorities or third parties in relation to cyber security or data protection.

LAWS AND REGULATIONS IN RELATION TO INTELLECTUAL PROPERTY

Trademarks

The Trademark Law of the People's Republic of China (《中華人民共和國商標法》) (the"**Trademark Law**") became effective on March 1, 1983 and was last amended on April 23, 2019, and the Implementation Rules of the Trademark Law of the People's Republic of China (《中華人民共和國商標法實施條例》) became effective on September 15, 2002 and was last amended on April 29, 2014. The Trademark Law and its implementation rules provide the basic legal framework for the regulation of trademarks in the PRC, covering registered trademarks, including commodity trademarks, service trademarks, collective marks and certificate marks. Registered trademarks are protected under the Trademark Law and related rules and regulations. Trademarks are registered with the Trademark Office. Where registration is sought for a trademark that is identical or similar to another trademark that has already been registered or given preliminary examination and approved for use on the same or similar commodities or services, the application for registration of such trademark may be rejected. Trademark registrations are effective for a renewable ten-year period, unless otherwise revoked.

Patents

Pursuant to the Patent Law of the People's Republic of China (《中華人民共和國專利法》) promulgated by the SCNPC on March 12, 1984, last amended on October 17, 2020 and effective from June 1, 2021 and the Implementation Rules of the Patent Law of the People's Republic of China (《中華人民共和國專利法實施細則》) promulgated by the State Council on June 15, 2001, and last amended on January 9, 2010, there are three types of patents, namely, invention, utility model and design. Invention patents are valid for twenty years, while design patents are valid for fifteen years and utility model patents are valid for ten years, from the date of application. The PRC patent system adopts a "first come, first file" principle, which means that where more than one persons file a patent application for the same invention, a patent will be granted to the person who files the application first. To be patentable, invention or utility models must meet three criteria: novelty, inventiveness and practicability. Unless otherwise stipulated by relevant laws and regulations, a third party must obtain consent or a proper license from the patent owner to use the patent. Otherwise, the use constitutes an infringement of the patent rights.

Copyright and Software Copyright

Copyright (including software copyright) is mainly protected by the Copyright Law of the People's Republic of China (《中華人民共和國著作權法》) as promulgated on September 7, 1990 and latest amended on November 11, 2020 by the SCNPC and the Implementing Rules of the Copyright Law of the People's Republic of China (《中華人民共和國著作權法實施條例》) as promulgated on August 2, 2002 and latest amended on January 30, 2013 by the State Council. Such law and rules prescribe that Chinese citizens, legal persons or other organizations enjoy copyright protection over their works, whether published or not, in the domain of literature, art and science.

In addition, internet activities, products disseminated over the internet and software products also enjoy copyright. Pursuant to the Regulation on Protection of Computer Software (《計算機軟件保護條例》) promulgated by the State Council on June 4, 1991 and last amended by the State Council on January 30, 2013, the China Copyright Protection Center shall grant certificates of registration to computer software copyright applicants in compliance with the Regulation on Protection of Computer Software.

Domain Names

Internet domain name registration and related matters are regulated by the Administrative Measures on Internet Domain Names (《互聯網域名管理辦法》) promulgated by Ministry of Industry and Information Technology on August 24, 2017 and became effective on November 1, 2017, and the Implementation Rules for the Registration of National Top-level Domain Names (《國家頂級域名註冊實施細則》) promulgated by China Internet Network Information Center and became effective on June 18, 2019. Domain name owners are required to register their domain names and the

Ministry of Industry and Information Technology is in charge of the administration of PRC internet domain names. The domain name services follow a "first come, first file" principle. The applicants will become the holders of such domain names upon the completion of the registration procedure.

LAWS AND REGULATIONS IN RELATION TO LABOR PROTECTION, SOCIAL INSURANCE AND HOUSING PROVIDENT FUNDS

General Labor Contract Rules

Labor contracts must be concluded in writing if labor relationships are to be or have been established between enterprises, individual economic organizations, private non-enterprise entities, etc. and the employees under the Labor Contract Law of the People's Republic of China (《中華人民共和勞動合同法》) promulgated on June 29, 2007 and last amended on December 28, 2012. Employers are forbidden to force employees to work overtime or to do so in a disguised manner and employers must pay employees overtime wages in accordance with national regulations. In addition, wages may not be lower than local standards on minimum wages and must be paid to the employees timely. According to the Labor Law of the People's Republic of China (《中華人民共和國勞動法》) promulgated on July 5, 1994 and last amended on December 29, 2018, employers shall establish and improve a system of labor safety and sanitation and shall strictly abide by national rules and standards on labor safety and sanitation as well as educate employees on labor safety and sanitation so as to prevent accidents during work and reduce occupational hazards. Labor safety and sanitation facilities shall comply with national standards. The employers must also provide employees with labor safety and sanitation conditions that are in compliance with national standards and necessary articles for labor protection.

Social Insurance and Housing Provident Fund

According to the Social Insurance Law of the People's Republic of China (《中華人民共和國社會保險法》) passed by the SCNPC on October 28, 2010 and amended on December 29, 2018, each employer and individual in the PRC shall make social insurance contributions, including basic pension insurance, basic medical insurance, work injury insurance, unemployment insurance and maternity insurance. An employer who fails to promptly pay social insurance contributions in full amount shall be ordered to pay or supplement within a prescribed period, and shall be subject to a late payment fine computed from the due date at the rate of 0.05% per day; where payment is not made within the stipulated period, the relevant administrative authorities shall impose a fine ranging from one to three times the amount of the amount in arrears.

According to the Administrative Regulations on the Housing Provident Fund (《住房公積金管理條例》) passed by the State Council on April 3, 1999 and latest amended on March 24, 2019, each employer and individual in the PRC shall make housing provident fund contributions. Where, in violation of the provisions of the regulations, an employer is overdue in the contribution of, or underpays, the housing provident fund, the housing provident fund management center shall order it to make the contribution within a prescribed time limit; where the contribution has not been made after the expiration of the time limit, an application may be made to a people's court for compulsory enforcement.

LAWS AND REGULATIONS IN RELATION TO FOREIGN EXCHANGE

The principal law governing foreign currency exchange in the PRC is the Regulations of the People's Republic of China on Foreign Exchange Administration (《中華人民共和國外匯管理條例》) (the "**Foreign Exchange Regulations**") promulgated on January 29, 1996 and latest amended on August 5, 2008. According to the Foreign Exchange Regulations currently in effect, international payments in foreign currencies and transfers of foreign currencies under current account shall not be subject to any state control or restriction. Foreign currency transactions under the capital account, such as direct investment and capital contribution, are still subject to restrictions and require approvals from, or registration with, the foreign exchange administrative authorities.

According to the Circular of the State Administration of Foreign Exchange on Issues concerning the Administration of Foreign Exchange Involved in Overseas Listing (《國家外匯管理局關於境外上市外匯管理有關問題的通知》) announced by the State Administration of Foreign Exchange (the "**SAFE**") on February 1, 2005 and amended on December 26, 2014, the SAFE and its branch offices and administrative offices shall oversee, regulate and inspect domestic companies regarding their business registration, opening and use of accounts, trans-border payments and receipts, exchange of funds and other conduct involved in overseas [**REDACTED**]. The domestic company shall, within fifteen working days upon the end of its overseas [**REDACTED**], handle registration formalities for overseas [**REDACTED**] with the foreign exchange authority at its place of registration with the required materials.

According to the Circular of the State Administration of Foreign Exchange on Reforming and Regulating Policies for the Administration over Foreign Exchange Settlement of Capital Accounts (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》), the foreign exchange receipts under capital accounts of domestic institutions are subject to discretionary settlement policies. The foreign exchange receipts under capital accounts (including foreign exchange capital, foreign debts, and repatriated funds raised through overseas [**REDACTED**]) subject to discretionary settlement as expressly prescribed in the relevant policies may be settled with banks according to the actual need of the domestic institutions for business operation. Domestic institutions may, at their discretion, settle up to 100% of foreign exchange receipts under capital accounts for the time being. The SAFE may adjust the above proportion in due time according to balance of payments. While being eligible for discretionary settlement of foreign exchange receipts under capital accounts, domestic institutions may also opt to use their foreign exchange receipts according to the payment-based settlement system. A bank shall, in handling each transaction of foreign exchange settlement for a domestic institution according to the principle of payment-based settlement, review the authenticity and compliance of the use of the funds settled in the previous foreign exchange settlement (including discretionary settlement and payment based settlement) of such domestic institution. Domestic institutions' foreign exchange receipts under the capital account and the RMB funds obtained from the settlement thereof shall not, directly or indirectly, be used for expenditure beyond the enterprise's business scope or expenditure prohibited by laws and regulations of the state. Unless otherwise specified, the funds shall not, directly or indirectly, be used for investments in securities or other investments or wealth management other than banks' principal-secured products. The funds shall not be used for the granting of loans to non-affiliated enterprises, except where it is expressly permitted in the business scope. The funds shall not be used for the construction or purchase of real estate for purposes other than self-use (except for real estate enterprises).

According to the Circular on Optimizing Administration of Foreign Exchange to Support the Development of Foreign-related Business by the State Administration of Foreign Exchange (《國家外匯管理局關於優化外匯管理支持涉外業務發展的通知》) issued by the SAFE on April 10, 2020, eligible enterprises are allowed to make domestic payments by using receipts under capital accounts, such as their capital funds, foreign credits and the income from overseas [**REDACTED**], with no need to provide the evidentiary materials concerning authenticity on a transaction-by-transaction basis to banks in advance, provided that their capital use shall be authentic and in line with provisions, and conform to the prevailing administrative regulations on the use of receipts under capital accounts. Local foreign exchange authorities shall strengthen monitoring analysis and interim and post regulation.

LAWS AND REGULATIONS IN RELATION TO TAXATION

PRC Enterprise Income Tax Law

According to the Enterprise Income Tax Law of the People's Republic of China (《中華人民共和國企業所得稅法》), as promulgated on March 16, 2007 and last amended on December 29, 2018, and the Implementing Rules of the Enterprise Income Tax Law of the People's Republic of China (《中華人民共和國企業所得稅法實施條例》), as promulgated on December 6, 2007 and last amended on April 23, 2019 (collectively the "**Enterprise Income Tax Law**"), enterprise income taxpayers shall include resident and non-resident enterprises. Resident enterprise refers to an enterprise that is established within China, or is established under the law of a foreign country (region) but whose actual institution of management is within China. Non-resident enterprise refers to an enterprise established under the law of a foreign country (region), whose actual institution of management is not within China but has offices or establishments within China; or which does not have any offices or establishments within China but has incomes sourced from China. The rate of enterprise income tax shall be 25%. Qualified small low-profit enterprises are given the reduced enterprise income tax rate of 20%.

According to the Circular of the Ministry of Finance and the State Administration of Taxation on Implementing the Inclusive Tax Deduction and Exemption Policies for Small and Micro Enterprises (《財政部稅務總局關於實施小微企業普惠性稅收減免政策的通知》) promulgated on January 17, 2019, during January 1, 2019 to December 31, 2021, the annual taxable income of a small low-profit enterprise that is not more than RMB1 million shall be included in its taxable income at the reduced rate of 25%, with the applicable enterprise income tax rate of 20%; and the annual taxable income that is not less than RMB1 million but not more than RMB3 million shall be included in its taxable income at the reduced rate of 50%, with the applicable enterprise income tax rate of 20%.

Enterprises that are recognized as high-tech enterprises in accordance with the Administrative Measures for Accreditation of High-tech Enterprises (《高新技術企業認定管理辦法》) are entitled to enjoy the preferential enterprise income tax rate of 15%. The validity period of the high-tech enterprise qualification shall be three years from the date of issuance of the certificate of high-tech enterprise. After the certificate expires, the enterprise can re-apply for such recognition as a high-tech enterprise.

Value-Added Tax

According to the Interim Value-Added Tax Regulations of the People's Republic of China (《中華人民共和國增值稅暫行條例》), as announced by the State Council on December 13, 1993 and latest amended on November 19, 2017, entities and individuals selling goods, providing labor services of processing, repairing or maintenance, selling services, intangible assets, real property in China, and importing goods to China, shall be identified as taxpayers of value-added tax.

Unless otherwise provided by laws, the value-added tax rate is: 17% for taxpayers selling goods, labor services, or tangible movable property leasing services or importing goods; 11% for taxpayers selling transportation, postal, basic telecommunication, construction, immovable property or immovable property leasing services, transferring the land use rights, or selling or importing specific goods; 6% for taxpayers selling services or intangible assets; 0% for domestic entities and individuals selling services or intangible assets within the scope prescribed by the State Council across national borders; and 0% for exported goods, except as otherwise specified by the State Council.

Pursuant to the Circular on Comprehensively Promoting the Pilot Program of the Collection of Value-added Tax in Lieu of Business Tax (《財政部、國家稅務總局關於全面推開營業稅改徵增值稅試點的通知》) promulgated by the Ministry of Finance and the State Administration of Taxation on March 23, 2016 and amended on July 11, 2017 and March 20, 2019 respectively, the pilot program of the collection of value-added tax in lieu of business tax shall be promoted nationwide in a comprehensive manner, and all taxpayers of business tax engaged in the building industry, the real estate industry, the financial industry and the life service industry shall be included in the scope of the pilot program with regard to payment of value-added tax instead of business tax.

According to the Circular on Policies for Simplifying and Consolidating Value-added Tax Rates (《財政部、國家稅務總局關於簡並增值稅稅率有關政策的通知》) announced by the Ministry of Finance and the State Administration of Taxation on April 28, 2017, the structure of value-added tax rates will be simplified and consolidated from July 1, 2017, and the 13% value-added tax rate shall be canceled. The scope of goods with 11% value-added tax rate and the provisions for deducting input tax are specified.

According to the Circular on Adjusting Value-added Tax Rates (《財政部、國家稅務總局關於調整增值稅稅率的通知》) announced by the Ministry of Finance and the State Administration of Taxation on April 4, 2018, from May 1, 2018, where a taxpayer engages in a value-added tax taxable sales activity or imports goods, the previous applicable 17% and 11% tax rates are adjusted to be 16% and 10% respectively.

According to the Announcement of the Ministry of Finance, the State Taxation Administration and the General Administration of Customs on Relevant Policies for Deepening Value-Added Tax Reform (《關於深化增值稅改革有關政策的公告》) promulgated on March 20, 2019, with respect to value-added tax taxable sales or imported goods of a value-added tax general taxpayer, the originally applicable value-added tax rate of 16% shall be adjusted to 13%; and the originally applicable value-added tax rate of 10% shall be adjusted to 9%.

According to the Announcement on Further Enhancing the Implementation of the End-of-Period Value-Added Tax Refund Policy (Announcement No. 14 [2022] of the Ministry of Finance and the State Administration of Taxation) (《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》(財政部、稅務總局公告2022年第14號)) issued by the Ministry of Finance and the State Administration of Taxation in March 2022, eligible enterprises in manufacturing and other industries may apply to the competent tax authorities for refund of the remaining recoverable value-added tax from the tax declaration period in April 2022. Taxpayers who have benefited from the value-added tax refunds policy of "immediate refund upon collection" (即徵即退) and "levy and refund later" (先徵後返(退)) since April 2019 may apply for End-of-Period Value-Added Tax Refund, provided that, taxpayers shall apply after returning all the Value-added Tax refunds enjoyed since April 2019 to relevant tax authorities before October 31, 2022 in one go.

Transfer pricing

Pursuant to the EIT Law, the business transactions between enterprises and their affiliates that reduce the taxable income or income of such enterprises and their affiliates are not in compliance with the arm's length principle, the taxation authority has the right to make an adjustment with reasonable methods. Where enterprises submit to the tax authority the annual enterprise income tax return, they shall enclose a statement of the annual business transactions in respect of the business transactions of the enterprises and their affiliates. If an enterprise fails to provide the information of business transactions with their affiliates, or provides false or incomplete information, which cannot faithfully reflect their affiliated business transactions, the tax authority has the right to verify its taxable income legally. The additional tax payment and the interest thereupon shall be collected when required by a tax authority in respect of the tax payment adjustment. In addition, in accordance with the Implementation Rules, the taxation authorities shall have the right to make the aforesaid tax adjustment within 10 years as from the tax year when such transactions are happened.

According to the Administrative Measures for Special Tax Audits and Adjustments and the Mutual Agreement Procedure (《特別納稅調查調整及相互協商程序管理辦法》) promulgated by the State Administration of Taxation on March 17, 2017 and which became effective on May 1, 2017, tax authorities shall carry out special tax adjustments-focused monitoring and administration of enterprises, and may issue a Notice of Tax Matters to enterprises found with any special tax adjustment risks to prompt their existing tax risks. Enterprises can also make a self-adjustment and pay the underpaid tax, and the tax authorities can still perform special tax audits and adjustments thereafter.

Tax authorities shall initiate the special tax audit procedure upon request by an enterprise for confirmation of its tax position on special tax adjustment items, such as the pricing principle or method adopted for related-party transactions.

Pursuant to the Administration of Tax Collection Law of the PRC (《中華人民共和國稅收徵稅管理 法》) promulgated by the SCNPC on September 4, 1992 and last amended on April 24, 2015, if a taxpayer fails to pay taxes or a withholding agent fails to remit taxes within the time limit in accordance with the provisions, the relevant tax authorities may impose a fine on a daily basis at the rate of 0.05% of the amount of tax in arrears, commencing on the day the tax payment was defaulted. For taxpayers who evade taxes, the tax authorities may impose a fine not less than 50% of and not more than five times the amount of taxes unpaid or underpaid. Criminal liability may be incurred in serious cases.

LAWS AND REGULATIONS IN RELATION TO ENVIRONMENTAL PROTECTION AND FIRE

Environment Protection

The Environmental Protection Law of the PRC (《中華人民共和國環境保護法》), which was promulgated by the SCNPC on December 26, 1989, came into effect on the same day and last amended on April 24, 2014, outlines the authorities and duties of various environmental protection regulatory agencies. The Ministry of Environmental Protection is authorized to issue national standards for environmental quality and discharge of pollutants, and to monitor the environmental protection scheme of the PRC. Meanwhile, local environment protection authorities may formulate local standards for discharge of pollutants which are more rigorous than the national standards, in which case, the concerned enterprises must comply with both the national standards and the local standards.

Environmental Impact Appraisal

According to the Administration Rules on Environmental Protection of Construction Projects (《建設項目環境保護管理條例》), which was promulgated by the State Council on November 29, 1998 and last amended on July 16, 2017, depending on the impact of the construction project on the environment, an construction employer shall submit an environmental impact report or an environmental impact statement, or file a registration form. As to a construction project, for which an environmental impact report or the environmental impact statement is required, the construction employer shall, before the commencement of construction, submit the environmental impact report or the environmental impact statement to the relevant authority at the environmental protection administrative department for approval. If the environmental impact assessment documents of the construction project have not been examined or approved upon examination by the approval authority in accordance with the law, the construction employer shall not commence the construction.

According to the Environmental Impact Appraisal Law of PRC (《中華人民共和國環境影響評價法》), which was promulgated by the SCNPC on October 28, 2002 and last amended on December 29, 2018, for any construction projects that have an impact on the environment, the construction employer is required to prepare an environmental impact report or an environmental impact statement, or file a registration form depending on the seriousness of effect that may be exerted on the environment.

Pollutant Discharge

Pursuant to the Administrative Measures for Pollutant Discharge Licensing (for Trial Implementation) (《排污許可管理辦法(試行)》) promulgated on January 10, 2018 and partially revised on August 22, 2019 by the Ministry of Ecology and Environment (the "**MEE**"), enterprises and public institutions as well as other producers and operators included in the Catalog of Classified Administration of Pollutant Discharge License for Stationary Pollution Sources shall apply for and obtain a pollutant discharge license within a prescribed time limit. Any enterprise that fails to obtain a pollutant discharge license as required shall not discharge pollutants.

According to the Catalog of Classified Administration of Pollutant Discharge License for Stationary Pollution Sources (2019 Version) (《固定污染源排污許可分類管理名錄(2019年版)》) issued by the MEE on December 20, 2019, key management, simplified management and registration management of pollutant discharge permits are implemented according to factors including the amount of pollutants generated, the amount of pollutants discharged, the degree of impact on the environment, etc., and only pollutant discharge entities that implement registration management do not need to apply for a pollutant discharge permit.

The State Council issued the Regulation on Pollutant Discharge Permit Administration (《排污許可管理條例》) on January 24, 2021 to enhance the pollutant discharge administration. The administration on pollutant discharge units are divided into key management and simplified management pursuant to amount of pollutants generated, the amount of pollutants discharged and the degree of impact on the environment. The review, decision and information disclosure of pollutant discharge licenses shall be handled through the management information platform of the national pollutant discharge license. The pollutant discharge license is valid for 5 years and the discharging units should apply for renewal 60 days before the expiry pollutant discharge permit if they need to discharge pollutants on a continuous basis.

Acceptance Inspection on Environmental Protection Facilities

The Administration Rules on Environmental Protection of Construction Projects requires that upon completion of construction for which an environment impact report or environment impact statement is formulated, the constructor shall conduct acceptance inspection of the environmental protection facilities pursuant to the standards and procedures stipulated by the environmental protection administrative authorities of the State Council, formulate the acceptance inspection report, and disclose to the public the acceptance inspection report pursuant to the law, except for circumstances where there is a need to keep confidentiality pursuant to the provisions of the State. Where the environmental protection facilities have not undergone acceptance inspection or failed on acceptance inspection, the construction project shall not be put into production or use.

Fire Prevention Design and Acceptance

The Fire Prevention Law of the PRC (《中華人民共和國消防法》) (the "**Fire Prevention Law**") was issued on April 29, 1998, became effective on September 1, 1998 and last amended on April 29, 2021. According to the Fire Prevention Law, for special construction projects stipulated by the housing and urban-rural development authority of the State Council, the developer shall submit the fire safety design documents to the housing and urban-rural development authority for examination, while for construction projects other than those stipulated as special development projects, the developer shall, at the time of applying for the construction permit or approval for work commencement report, provide the fire safety design drawings and technical materials which satisfy the construction needs. According to Interim Regulations on Administration of Examination and Acceptance of Fire Control Design of Construction Projects (《建設工程消防設計審查驗收管理暫行規定》) issued by the Ministry of Housing and Urban-Rural Development of the PRC on April 1, 2020, an examination system for fire prevention design and acceptance only applies to special construction projects, and for other projects, a record-filing and spot check system would be applied.

LAWS AND REGULATIONS IN RELATION TO EXPORTATION OF GOODS

According to the Regulations of the PRC on the Administration of Import and Export of Goods (《中華人民共和國貨物進出口管理條例》) promulgated by the State Council on December 10, 2001 which came into effect on January 1, 2002, the Foreign Trade Law of the PRC (《中華人民共和國對外貿易法》) promulgated by the SCNPC on May 12, 1994 which came into effect on July 1, 1994 and last amended on November 7, 2016, the Customs Law of the PRC (《中華人民共和國海關法》) promulgated by the SCNPC on January 22, 1987 which came into effect on July 1, 1987 and last amended on April 29, 2021, the Measures for Record Filing and Registration by Foreign Trade Dealer (《對外貿易經營者備案登記辦法》) promulgated by MOFCOM on June 25, 2004, which came into effect on July 1, 2004 and last amended on May 10, 2021 and the Administrative Provisions of the Customs of the People's Republic of China on Record-filing of Customs Declaration Entities (《中華人民共和國海關報關單位備案管理規定》) promulgated by the General Administration of Customs of the PRC on November 19, 2021 which came into effect on January

1, 2022, foreign trade business operators engaging in the import or export of goods or technology must go through the record filing and registration formalities with the MOFCOM or the agency entrusted by the MOFCOM. Unless otherwise provided, the declaration of import or export goods and the payment of duties may be made by the consignees or consignors themselves, or by entrusted customs brokers. Customs declaration entities refer to consignees or consignors of imported or exported goods or customs brokers that have filed for record with Customs. Customs declaration entities may conduct customs declaration business within the customs territory of the PRC.

LAWS AND REGULATIONS IN RELATION TO THE H SHARE "FULL CIRCULATION"

The Company shall comply with regulations on the H share "full circulation" to converse its domestic shares into H shares and circulate on the Hong Kong Stock Exchange. Pursuant to the Guidelines on Application for "Full Circulation" of Domestic Unlisted Shares of H-share Companies (2023 Amendment) (《H股公司境內未上市股份申請「全流通」業務指引(2023修正)》), or the Guidelines for the "Full Circulation", promulgated and implemented by the CSRC on November 14, 2019 and revised on August 10, 2023, shareholders of domestic unlisted shares may determine by themselves through consultation the amount and proportion of shares, for which an application will be filed for circulation, provided that the requirements laid down in the relevant laws and regulations and set out in the policies for state-owned asset administration, foreign investment and industry regulation are met. After domestic unlisted shares are [**REDACTED**] and circulated on the Stock Exchange, they may not be transferred back to China.

According to the Overseas Listing Trial Measures and related guidelines, "Full circulation" represents the shareholders of domestic [**REDACTED**] shares of domestic companies, which directly [**REDACTED**] and [**REDACTED**] securities in overseas markets, converting its domestic [**REDACTED**] shares into foreign [**REDACTED**] shares circulating in overseas markets. The shareholders of domestic [**REDACTED**] shares shall authorize the domestic company to file the "Full circulation" application with CSRC by filing materials on key compliance issues, including whether the "Full circulation" has fulfilled adequate internal decision-making procedures, necessary internal approvals and authorizations, and whether the "Full circulation" involves approval or filing procedures set out in the laws, regulations and policies for state-owned asset administration, industry supervision and foreign investment, and if so, whether such approval or filing procedures have been performed.

According to the Measures for Implementation of H-share "Full Circulation" Business (《H股「全流通」業務實施細則》), or the Measures for Implementation, promulgated by the China Securities Depository and Clearing Corporation Limited, or the CSDC, and Shenzhen Stock Exchange, or the SZSE, on December 31, 2019, the businesses of cross-border transfer registration, maintenance of deposit and holding details, transaction entrustment and instruction transmission, settlement, management of settlement participants, services of nominal holders, etc. in relation to the H-share "full circulation business", are subject to the Measures for Implementation. Where there is no provision in the Measures for Implementation, it shall be handled with reference to other business rules of the CSDC and China Securities Depository and Clearing (Hong Kong) Company Limited, or the CSDC (Hong Kong), and SZSE. In order to fully promote the reform of H-shares "Full Circulation" and clarify the business arrangement and procedures for the relevant shares' registration, custody, settlement and delivery, CSDC has promulgated the Circular on Issuing the Guide to the Program for Full Circulation of H-shares (《關於發佈<H股"全流通"業務指南>的通知》) on February 7, 2020, which specifies the business preparation, account arrangement, cross-border share transfer registration and overseas centralized custody, etc. According to the Notes on the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (《關於<境內企業境外發行證券和上市管理試行辦法>的說明》), the New Regulations Filing aims to strengthening institutional inclusiveness and deepening opening-up, and lays out "full circulation" arrangements. For the overseas [**REDACTED**] and [**REDACTED**] by a domestic company, holders of its domestically-based domestic [**REDACTED**] shares are allowed after filing to convert the shares into overseas [**REDACTED**] shares to be circulated on overseas trading venues.

HONG KONG LAWS AND REGULATIONS

Business Registration Ordinance (Chapter 310 of the Laws of Hong Kong)

The Business Registration Ordinance (Chapter 310 of the Laws of Hong Kong) requires every person carrying on any business to make application to the Commissioner of Inland Revenue in the prescribed manner for the registration of that business. The Commissioner of Inland Revenue must register each business for which a business registration application is made and as soon as practicable after the prescribed business registration fee and levy are paid, issue a business registration certificate or branch registration certificate for the relevant business or the relevant branch as the case may be.

Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong)

The Inland Revenue Ordinance ("**IRO**") is an ordinance for the purposes of imposing taxes on property, earnings and profits in Hong Kong. The IRO provides, among others, that persons, which include corporations, partnerships, trustees and bodies of persons, carrying on any trade, profession or business in Hong Kong are chargeable to tax on all profits (excluding profits arising from the sale of capital assets) arising in or derived from Hong Kong from such trade, profession or business. As at the Latest Practicable Date, the standard profits tax rate for corporations is at 8.25% on assessable profits up to HK$2,000,000 and 16.5% on any part of assessable profits over HK$2,000,000. The IRO also contains provisions relating to, among others, permissible deductions for outgoings and expenses, set-offs for losses and allowances for depreciation.

Laws relating to Transfer Pricing

The Inland Revenue Department ("**IRD**") may make transfer pricing adjustments by disallowing expenses incurred by Hong Kong residents under sections 16(1), 17(1)(b) and 17(1)(c) of the IRO and challenging the entire arrangement under general anti-avoidance provisions such as sections 61 and 61A of the IRO if the IRD considers that the related party transactions are not conducted on an arm's length basis.

In December 2009, the IRD released Departmental Interpretation and Practice Notes No. 46 ("**DIPN 46**"). DIPN 46 provides clarifications and guidance on the IRD's views on transfer pricing and how it intends to apply the existing provisions of the IRO to establish whether related parties are transacting at arm's length prices. In general the practices followed by the IRD are based on the transfer pricing methodologies recommended by the OECD Transfer Pricing Guidelines.

In April 2009, the IRD released Departmental Interpretation and Practice Notes No. 45 ("**DIPN 45**"). DIPN 45 provides that where double taxation arises as a result of transfer pricing adjustments made by the tax authorities of another country, a Hong Kong taxpayer may potentially claim relief under the treaty between Hong Kong and that country (countries that entered into tax arrangements with Hong Kong includes the PRC).

Furthermore, the Hong Kong Government has gazetted the Inland Revenue (Amendment) (No. 6) Ordinance 2018 (the "**Amendment Ordinance**") on 13 July 2018. The main objectives of the Amendment Ordinance are to codify the transfer pricing principles and implement certain measures under the Base Erosion and Profit Shifting ("**BEPS**") package promulgated by the Organisation for Economic Co-operation and Development, such as the transfer pricing documentation requirements. The BEPS package seeks to counter the exploitation of gaps and mismatches in tax rules by multinational enterprises to artificially shift profits to low or no-tax locations where there are little or no economic activity.

Section 50AAF of the IRO now codifies the arm's-length principle and allows for an adjustment of a taxpayer's profits upwards/losses downwards if the taxpayer has entered into transaction(s) with an associated person, and the pricing of such transaction(s) differs from that between independent persons and has created a Hong Kong tax advantage. Section 82A of the IRO stipulates that a person is liable to be assessed for penalties to additional tax of the amount of tax undercharged resulting from transfer pricing adjustments, unless it is proved that reasonable efforts have been made to determine the arm's length price for the transaction(s). Pursuant to section 58C of the IRO, Hong Kong entities engaged in transactions with associated enterprises will be required to prepare master and local files for accounting periods beginning on or after 1 April 2018, except where they meet either one of the following exemptions in respect of business size or relevant transaction volume:

<u>Exemption based on size of business:</u> Taxpayers meeting any two of the following conditions are not required to prepare the master file and local files:

(i) Total revenue for the accounting period not exceeding HK$400 million;

(ii) Total assets at the end of the accounting period not exceeding HK$300 million;

(iii) No more than 100 employees on average.

<u>Exemption based on related party transactions:</u> If the amount of a type of controlled transactions for the relevant accounting period is below the threshold set out below, an enterprise will not be required to prepare a local file for that particular type of transactions:

(i) Transfer of properties (other than financial assets and intangibles): HK$220 million;

(ii) Transaction of financial assets: HK$110 million;

(iii) Transfer of intangibles: HK$110 million;

(iv) Any other transaction (e.g., service income and royalty income): HK$44 million.

If all types of controlled transactions for the relevant accounting period are not required to be covered in local files, neither of the following is required to be prepared or retained by a taxpayer:

(i) Local file for the accounting period;

(ii) Master file for the corresponding accounting period.

ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT'S ("OECD") GUIDELINES

The Organisation for Economic Co-operation and Development (the "**OECD**"), an organization for international cooperation, promulgated the transfer pricing guidelines for multinational enterprises and tax administrations (the "**OECD Guidelines**"), which is consistent with the transfer pricing regulations in the tax jurisdictions involved in our intra-group transactions including PRC, the United States and Hong Kong.

The OECD Guidelines provide that the arm's length standard should be used to establish transfer prices between associated enterprises.

The arm's length standard is applied by comparing controlled transactions with transactions between independent enterprises based on "economically relevant characteristics". Comparability is achieved if: (i) no differences between the controlled and uncontrolled transactions exist; (ii) the differences that do exist do not materially affect the condition being examined; or (iii) reasonably accurate quantitative adjustments can be made to eliminate the effect of any differences.

The methods presented in the OECD Guidelines can be categorised into three groups:

- Comparable uncontrolled price/transaction methods
- Other traditional transaction methods, including resale price and cost plus
- Transaction profit methods, including profit split and transaction net margin

The OECD Guidelines state that the objective is to select the method "that is apt to provide the best estimation of an arm's length price". Notwithstanding this overall objective, the OECD Guidelines adopt the "most appropriate method to the circumstances of the case" principle for the selection of transfer pricing method.

It is also acknowledged that the OECD Guidelines establish the hierarchy between the traditional transaction methods and transactional profit methods when both can be applied in an "equally reliable manner" that the traditional transaction methods should be selected.

INTERNATIONAL SANCTIONS LAWS AND REGULATIONS

Set out below is a summary of the sanctions regimes implemented by the U.S., the E.U., the U.K., the U.N. and Australia. This summary does not intend to set out the relevant sanctions laws and regulations in their entirety.

United States Economic Sanctions Laws

OFAC administers and enforces U.S. primary sanctions programs, and violation of primary sanctions carries monetary and criminal penalties. It has also enacted secondary sanctions targeting non-U.S. Persons who are engaged in certain defined activities.

Primary Sanctions

In general, U.S. primary sanctions apply to U.S. Persons or activities involving a U.S. nexus (e.g., funds transfers in U.S. currency even if performed by non-U.S. Persons). U.S. primary sanctions may also be applied to non-U.S. Persons who cause U.S. Persons to violate sanctions or otherwise facilitate the violation of some sanctions programs. In addition, U.S. primary sanctions prohibit U.S. Persons, wherever located, from approving, financing, facilitating or guaranteeing any transaction by a foreign person where the transaction by that foreign person would be prohibited if performed by a U.S. Person or within the United States. This is generally known as the prohibition on "*facilitation*".

There are two types of U.S. primary sanctions programs – "country based" programs and "list based" programs. Violations of either type can result in "*strict*" civil liability (not a negligence standard) where fines and penalties may be imposed. In addition, willful violations may result in criminal liability, punishable by imprisonment and elevated fines.

"Comprehensive country-based" sanctions programs prohibit U.S. Persons from dealing in any manner with a Comprehensively Sanctioned Country and their governments. "Limited country-based" sanctions programs, which are often referred to as "sectoral sanctions," prohibit U.S. Persons from participating in certain types of transactions with particular persons related to the sanctioned country and their governments. "*List based*" programs prohibit U.S. Persons from dealing with or facilitating dealings with individuals, entities and organizations that have been designated as SDNs by the OFAC.

Secondary Sanctions

The U.S. has also enacted secondary sanctions targeting non-U.S. Persons who are engaged in certain defined activities. Secondary sanctions grant broad discretion to the U.S. President and his delegated representatives to deny access to the U.S. economic system to non-U.S. Persons who have been determined to engage in the specified transaction. The imposition of penalties under secondary sanctions legislation is a mechanism that the U.S. employs to punish and deter non-U.S. parties from certain behavior and transactions.

United States Export Control Regulations

Unlike U.S. economic sanctions that apply based on the persons involved, U.S. export controls apply based on the product involved. Any item that is sent from the U.S. to a foreign destination is an export. "Items" include commodities, software or technology, circuit boards, blue prints, design plans, retail software packages and technical information. The method by which an item is exported does not matter in determining export license requirements. For example, an item can be sent by regular mail, hand-carried on an airplane, or sent via facsimile; software can be uploaded to or downloaded from an Internet site; or technology can be transmitted via e-mail or during a telephone conversation. Regardless of the method used for the transfer, the transaction is considered an export (or a re-export if such U.S.-origin item is transferred from one foreign country to another).

The BIS regulates the exports, re-exports and transfer (in-country) of commercial and dual-use products, software and technology. These controls are authorized by the Export Administration Act of 1979, as amended and extended, and implemented by the EAR.

The EAR applies to exports of commodities, software and technical data from the U.S. to foreign countries, to re-exports from one foreign country to another, and to in-country transfer from one person to another person that occurs outside the United States within a single foreign country. According to § 734.9 of the EAR, foreign-produced items located outside the United States are subject to the EAR when they are a "direct product" of specified "technology" or "software," or are produced by a plant or 'major component' of a plant that itself is a "direct product" of specified "technology" or "software" (the so called "**FDP rule**"). If a foreign-produced item is subject to the EAR, the license requirements may apply to that item based on its item classification, destination, end-use, and end-user in the relevant transaction. Not all transactions involving foreign-produced items that are subject to the EAR require a license. Those transactions that do require a license may be eligible for a license exception. As of June 30, 2023, there were a number of FDP rules in force, including Russia FDP rule, Russia-Military FDP rule, Advanced computing FDP rule, and "Supercomputer" FDP rule.

The common Russia-related FDP rule (15 CFR §§ 746.8(a)(2) and 734.9(f)) provides that a foreign-produced item is subject to the EAR if it is:

(i) a direct product of U.S.-origin technology or software classified under any ECCN on the CCL (or produced by a plant or "major component" of a plant that is itself a direct product of such U.S. technologies and software);

(ii) is identified in Supplement 6 to Part 746 or has an export classification other than EAR99; and

(iii) is known to be destined for Russia.

This rule applies to any end-user in Russia, while another more restrictive FDP rule (15 CFR §§ 746.8(a)(3) and 734.9(g)) applies when there is knowledge that the foreign-produced item is a direct product of any technology or software on the CCL (or produced by a plant or "major component" of a plant that is itself a direct product of such U.S. technologies and software) and "will be incorporated into, or used in the 'production' or 'development' of any 'part,' 'component,' or 'equipment' produced, purchased, or ordered by an entity" that is designated as a Russian military end-user on the Entity List.

In addition, under the BIS export control rules targeting advanced computing chips, supercomputers and semiconductor manufacturing equipment, the following items are subject to the EAR and BIS licensing requirement: certain advanced and high-performance computing chips, commodities that contain such chips, semiconductor manufacturing equipment, and software and technology associated with these items (15 CFR. §§ 740.2, 740.10, 742.6, and Part 774, Supplement No. 1). Certain semiconductor manufacturing and supercomputer items are also subject to end-user/end-use controls (15 CFR. §§ 744.1 and 744.23).

Furthermore, there are three China-related FDP rules basically subjecting to EAR and licensing requirement items that meet both the product scope (i.e., a direct product of technology or software subject to the EAR and specified in certain ECCNs) and certain end-user/end-use/destination scope (i.e., end user on the Entity List).

Finally, the EAR applies to shipments from one foreign country to another of foreign-made products that incorporate more than de minimis amount of controlled U.S. origin parts, components or materials, or are the foreign direct product of certain controlled U.S. technology. The de minimis threshold varies, from 25% for most countries to less than 10% for Iran (other Comprehensively Sanctioned Countries have the 10% threshold), and what items are considered controlled (and thus are included in the de minimis calculation) also varies.

United Nations Sanctions Regimes

The U.N. can take action to maintain or restore international peace and security under Chapter VII of the U.N. Charter. It does this by way of resolutions passed by the U.N. Security Council. U.N. Security Council sanctions have taken a number of different forms and have measures ranging from comprehensive economic and trade sanctions to more targeted measures such as arms embargoes, travel bans, and financial or commodity restrictions.

There are a number of ongoing U.N. sanctions regimes which focus on supporting political settlement of conflicts, nuclear non-proliferation and counter-terrorism. Each regime is administered by a sanctions committee chaired by a non-permanent member of the Security Council.

U.N. Security Council Resolutions are binding upon U.N. member states but are not enforceable against private parties. U.N. member states are therefore required to implement U.N. sanctions. The domestic laws of U.N. member states will determine how sanctions imposed by the U.N. Security Council are implemented and enforced against private parties.

European Union Sanctions Regimes

The E.U. has over 40 different sanctions regimes in place. The E.U. implements all sanctions adopted by the U.N. Security Council. The E.U. may also reinforce U.N. sanctions by applying measures in addition to those imposed by the U.N. Security Council and/or impose sanctions on its own initiative.

All E.U. sanctions apply: (a) within the E.U. (including its airspace); (b) on board any aircraft or vessel under the jurisdiction of any E.U. Member State; (c) to any E.U. national, regardless of where they are resident/located; (d) to any legal person, entity or body which is incorporated/constituted under the laws of any E.U. Member State, irrespective of their location, including unincorporated branches, but not entities incorporated outside the E.U. (except that European parent companies are still liable for the activities conducted by their non-European subsidiaries where they have cleared or green-lighted such activities); and (e) to any legal person, entity or body in respect of any business done in the E.U.

E.U. sanctions are implemented through E.U. regulations, which are directly applicable in the member states of the E.U. and do not require further implementing legislation on a national level. Each member state sets its own penalties for breaches of E.U. sanctions. This is generally done by way of national legislation.

European Union Export Control Rules

E.U. export controls consist of a combination of E.U.-wide rules pursuant to E.U. legislation and national rules applied by individual E.U. Member States. These rules predominantly implement export controls on items agreed pursuant to international frameworks to which the E.U. or its member states are party.

E.U. export controls apply to both tangible and intangible exports of controlled items. Each of these controlled items will be classified under a relevant export control regime, with a specific control entry number; otherwise, the item will be classified as "NLR" (no licence required).

E.U. export control rules can also apply to exports of non-listed items if there is knowledge, awareness or, in some cases, suspicion of a sensitive end use (known as "catch all" end-use controls). This includes certain end uses relating to the military sector or weapons of mass destruction.

The two main export control regimes in the E.U. are those in relation to: (i) dual-use export controls (i.e. items that can be used for commercial or civilian purposes but also for military purposes); and (ii) military export controls, generally in relation to listed items that are specially designed or modified for military use.

United Kingdom

The U.K. operates its own sanctions regime after its Brexit from the E.U. U.K. sanctions laws apply: (a) within the territory and territorial waters of the U.K. and to all U.K. persons, wherever they are in the world; (b) to all individuals and legal entities who are within or undertake activities within the U.K.'s territory; and/or (c) to all U.K. nationals and U.K. legal entities established under U.K. law, including their non-U.K. branches (but not separately incorporated non-U.K. subsidiaries), irrespective of where their activities take place.

The Office of Financial Sanctions Implementation maintains two lists of those subject to financial sanctions: (a) the "consolidated list" includes all designated persons subject to financial sanctions under E.U. and U.K. legislation, as well as those subject to U.N. sanctions which are implemented through E.U. regulations; and (b) a separate list of entities subject to specific capital market restrictions. OFSI also has the power to impose financial penalties on a party which breaches financial sanctions.

Australia

The Australian restrictions and prohibitions arising from the sanctions laws apply broadly to any person in Australia, any Australian anywhere in the world, companies incorporated overseas that are owned or controlled by Australians or persons in Australia, and/or any person using an Australian flag vessel or aircraft to transport goods or transact services subject to United Nations sanctions.

OVERVIEW

UBTech is an established robotic company based in the PRC, dedicated to the design, production, commercialization, sales and marketing and research development (R&D) of smart service robotic products and services. According to Frost & Sullivan, we are (i) the No. 3 in the smart service robotic products and services industry in China (in terms of revenue in 2022) with a market share of 2.8%; and (ii) China's No. 1 provider of education smart robotic products and services (in terms of revenue in 2022) with a market share of 22.5%.

Our history dates back to March 2012 when our Company (formerly known as Shenzhen UBTECH Technology Co., Ltd.* (深圳市優必選科技有限公司)) was established under the laws of PRC as a limited liability company with a registered capital of RMB10 million which was held as to 78%, 17% and 5% by Mr. Zhou Jian, who is our chief executive officer, Executive Director and one of our Controlling Shareholders, Mr. Xia Yongjun, one of our Controlling Shareholders and Mr. Chen Zhenjiang (陳振江) respectively. Ms. Wang Lin and Mr. Xiong Youjun, our Executive Directors and Controlling Shareholders, joined our Company in March 2012 and June 2012 respectively and have become our core management team with Mr. Zhou Jian since then. In March 2019, our Company converted into a joint stock company with limited liabilities with our name changed to UBTECH ROBOTICS CORP LTD* (深圳市優必選科技股份有限公司). As of the Latest Practicable Date, our Company had a registered capital of RMB406,568,674.

MILESTONES

The key milestones of our Group are as follows:

Year	Event
2012	Our Company was established and commenced research, development and design of robots.
2014	We successfully developed and produced our first small sized humanoid robot, Alpha Robot.
2015	Our Alpha Robot was exhibited in the China Hi-Tech Fair.
	We organized the 17th National Robotics Championship and the 6th International Humanoid Robotics Olympiad.
2016	540 units of our Alpha Robots performed simultaneously at China Central Television's Spring Festival Gala ("**Spring Festival Gala**"), one of the most watched national network television broadcasts in the world, and the performance was registered as a Guinness World Record in 2016.
2017	We commenced commercialization of our education smart robotic products and services segment.
	We were ranked in CB Insights' "AI 100" list, a list of the 100 most promising private AI start-ups across the globe.
	Our Alpha2 Robot and Jimu Robot were awarded the Innovation Awards in the Consumer Electronics Show (CES).
	Our Education Alpha 1X Robot won the New York Design Award.

Year	Event
2018	Our total production of servo actuators reached one million units.
	We were selected for the PRC National Development and Reform Commission's 2018 "Internet +", artificial intelligence innovation and development and digital economy pilot major engineering project* ("互聯網+"、人工智能創新發展和數字經濟試點重大工程), and undertook the high-end intelligent smart service robotic products industrialization project.
	We developed the first generation of Walker Robot, achieving a breakthrough in the walking capability of bipedal robots in China.
	The building components of our Jimu Robot were awarded the 20th China Patent Gold Award.
	We were awarded as one of the "Top 50 Innovative Enterprises" by Forbes China.
	Our humanoid Alpha Mini Robot was awarded the "Most Innovative Product" at the 2018 World Robotics Congress.
2019	We were selected by MIT Technology Review magazine as one of the "50 Smartest Companies" globally.
	We launched the second generation of Walker Robot, achieving higher walking speed and free movement.
	We were ranked as one of the "Top 100 Most Valuable Chinese Brands" by BrandZ, achieving a brand value of USD910 million and being the only AI and smart service robotic products and services company in the list.
	Our Walker Robot was awarded as one of the "Top 30 projects of 2019 SAIL Award" in the World AI Conference.
	We converted into a joint stock company with limited liabilities with our name changed to UBTECH ROBOTICS CORP LTD* (深圳市優必選科技股份有限公司).
	6 units of our Walker Robot performed at the Spring Festival Gala.
2020	Our smart service robot project was selected as one of the New Generation AI Industry Innovative Focus Mission Entities (新一代人工智能產業創新重點任務揭榜單位) by the PRC Ministry of Industry and Information Technology.
	We were awarded as one of the "10 Most Innovative Robotics Companies of 2020" by Fast Company Magazine.
	Our "R&D and application of intelligent control system for service robots" project was awarded the Wu Wenjun Award for Advancement in Artificial Intelligence.

Year	Event
	We were awarded two "1+X" professional skill level certificates in respect of service robot application development and service robot implementation, operation and maintenance by the PRC Ministry of Education.
	We were the sole official AI robotics partner for the China Pavilion of World Expo held in Dubai.
2021	Our robotic industrial design center was selected as the fifth batch of China national industrial design centres.
	We developed a new generation of Walker Robot, Walker X.
	We were selected as one of the top 10 robotic companies in the world that will gain more prominence in 2022 by Analytics Insight.
2022	Our "Key Technologies and Applications of Fully Autonomous Service Robots" project was awarded the First Prize of the Guangdong Technology Advancement Awards.
	Our walking assistance robot Wassi was awarded the 2022 China Fortune Best Design Award.
	Our robots performed at the Beijing Olympic Winter Games Opening Ceremony.
2023	We were selected as one of the top 10 companies in the vanguard of the rise of humanoid robots by Analytics Insight.

ESTABLISHMENT AND MAJOR SHAREHOLDING CHANGES OF OUR COMPANY

(1) Establishment of Our Company

Our Company was established in Shenzhen, PRC as a limited liability company on March 31, 2012, with an initial registered capital of RMB10 million. The shareholding structure of our Company upon establishment was as follows:

Shareholder	Registered capital subscribed for	Percentage of shareholding
	(RMB'000)	(%)
Mr. Zhou Jian	7,800	78
Mr. Xia Yongjun	1,700	17
Mr. Chen Zhenjiang	500	5
Total	10,000	100

(2) [REDACTED] Investments

Since our establishment, we have received [**REDACTED**] Investments by way of our [**REDACTED**] Investors subscribing for increased registered capital of our Company or acquiring equity interest from some of our Shareholders to, among other things, raise funds for the development of our business and bring in new shareholders to our Company. Please see "[**REDACTED**] Investments" in this section for further details.

Our PRC Legal Adviser has confirmed that, all the capital increases and equity interest transfers as described in "[**REDACTED**] Investments" in this section were properly and legally completed and all necessary approvals, filings and registrations from the relevant PRC authorities have been obtained and completed in all material respects.

(3) Major Shareholding Changes of Our Company

Set out below is a summary of the major shareholding changes of our Company (save for the [**REDACTED**] Investments) since our establishment and up to the Latest Practicable Date.

(1) Capital Increase in September 2013

Pursuant to an investment agreement dated September 28, 2013 (the "**Sep-2013 Investment Agreement**"), Mr. Zhou Jian, Mr. Xia Yongjun and Mr. Chen Zhenjiang subscribed for the increased registered capital of our Company of approximately RMB2.34 million, RMB0.51 million and RMB0.15 million at the considerations of RMB2.34 million, RMB0.51 million and RMB0.15 million respectively.

(2) Equity Transfers in January 2014

Pursuant to an equity transfer agreement dated January 2, 2014, Mr. Zhou Jian and Mr. Xia Yongjun transferred 4.1% and 0.9% equity interest respectively to Mr. Xiong Youjun, our Executive Director, at a nominal considerations of RMB1 and RMB1 respectively. The considerations were determined after arm's length negotiations between the parties and as incentive to Mr. Xiong Youjun, who was a member of the core management team of our Company.

(3) Equity Transfers in September 2014

Pursuant to an equity transfer agreement dated July 17, 2014, Mr. Zhou Jian, Mr. Xia Yongjun, Mr. Xiong Youjun, Shenzhen Leaguer Huarui Investment Enterprise Limited Partnership* (深圳市力合華睿投資企業(有限合夥)) ("**Leaguer Huarui**") and Shenzhen Zhengxuan Investment Co., Ltd.* (深圳市正軒投資有限公司) ("**Zhengxuan Investment**") transferred an aggregate of 4.97% equity interest to Ms. Wang Lin, our Executive Director, at a total consideration of approximately RMB3.5 million.

The considerations were determined after arm's length negotiations between the parties taking into account the then business prospects of our Company and as incentive to Ms. Wang Lin, who was a member of the core management team of our Company.

(4) Introduction of Incentive Shareholding Platform

Pursuant to a capital increase agreement dated August 25, 2015, Shenzhen Evolution subscribed for the increased registered capital of approximately RMB2.13 million of our Company at a consideration of approximately RMB2.13 million ("**Shenzhen Evolution 2015 Subscription**").

Shenzhen Evolution was established as an incentive shareholding platform for the employees of our Group. Please see "Incentive Shareholding Platforms" in this section and "Appendix VII — Statutory and General Information — D. Equity Incentive Schemes" for further details.

(5) Capital Increase in March 2016

Pursuant to a capital increase agreement dated February 2016 (the "**Feb-2016 Investment Agreement**"), Shenzhen Sanciyuan subscribed for the increased registered capital of approximately RMB1.42 million of our Company at a consideration of approximately RMB1.42 million (the "**Shenzhen Sanciyuan 2016 Subscription**").

As of the Latest Practicable Date, Shenzhen Sanciyuan was a limited partnership owned as to approximately 73.961%, 4.395%, 4.642% and 17.002% by Mr. Zhou Jian, Mr. Xiong Youjun, Ms. Wang Lin and Mr. Deng Peng ("**Mr. Deng**"), respectively, and Mr. Zhou Jian was the sole general partner of Shenzhen Sanciyuan. Mr. Deng was a former Director from November 2015 to July 2019, and was mainly responsible for strategic planing. He also acted as the director or legal representative of certain subsidiaries of our Group prior to his resignation as our Director. While Mr. Deng had resigned in July 2019 as a Director and from all positions in the Group in July 2019, Mr. Deng still appeared as the general manager of Shenzhen UBTECH, a subsidiary of our Company on its record with the Administration for Industry and Commerce (**AIC**) up to October 2023. Since July 2019, Mr. Zhou, being the legal representative of Shenzhen UBTECH, has been responsible for its day-to-day management and conduct of its business and Mr. Deng has not been involved in the affairs of Shenzhen UBTECH. In October 2023, Shenzhen UBTECH has completed formal procedures to update its AIC registration to reflect the resignation of Mr. Deng. Shenzhen Sanciyuan is one of our Controlling Shareholders. See "Relationship with our Controlling Shareholders — Our Controlling Shareholders" for further details.

Subsequently in September 2016, Shenzhen Sanciyuan subscribed for the increased registered capital of RMB15,937 of our Company by conversion of capital reserve pursuant to the anti-dilution compensation entitled by it under a cooperation agreement entered into in February 2016 (the "**Feb-2016 Cooperation Agreement**") as a result of the subscription by Jinshi Haorui in Series B Financing. For further details, see "[**REDACTED**] Investments – (13) Series B Financing II".

(6) Equity Transfers in January 2018

Pursuant to an equity transfer agreement dated December 19, 2017, Mr. Xia Zuoquan, Mr. Xia Yongjun, Mr. Zhao Guoqun, Ms. Tang Jing (唐靜), Leaguer Huarui, QM25 Limited ("**QM25**"), Shanghai Ding Hui Jia Ling Investment Center Limited Partnership* (上海鼎暉嘉瓴投資中心(有限合夥)) ("**CDH**"), Qingdao Jinshi Haorui Investment Co., Ltd.* (青島金石灝汭投資有限公司) ("**Jinshi Haorui**"), iFlytek Stock Co., Ltd.* (科大訊飛股份有限公司) ("**iFlytek Stock**"), Anhui Kexun Venture Capital Fund Limited Partnership* (安徽科訊創業投資基金合夥企業(有限合夥)) ("**Anhui Kexun**"), Wuhu Dingli Investment Management Limited Partnership* (蕪湖頂立投資管理合夥企業(有限合夥)) ("**Wuhu Dingli**"), Shenzhen Zhineng Youxuan, Shenzhen Qixuan Equity Investment Limited Partnership* (深圳祁烜股權投資合夥企業(有限合夥)) ("**Shenzhen Qixuan**"), Shenzhen Maigao Fuda Growth Phase III Equity Investment Limited Partnership* (深圳麥高富達成長三期股權投資合夥企業(有限合夥)) ("**Maigao Fuda**"), Guangzhou Shanjiatian Investment Limited Partnership* (廣州市山加天投資合夥企業(有限合夥)) ("**Guangzhou Shanjiatian**"), Zhuhai Huaying Investment Company Limited* (珠海鏵盈投資有限公司) ("**Zhuhai Huaying**"), Zhuhai Technology Venture Capital Company Limited* (珠海科技創業投資有限公司) ("**Zhuhai Technology**") and Beijing Tianlang Xingsu Investment Management Center Limited Partnership* (北京天狼星宿投資管理中心(有限合夥)) ("**Beijing Tianlang Xingsu**") as transferors, transferred an aggregate of approximately 3.45% equity interest to Shenzhen Evolution as a transferee at a total consideration of USD41.34 million. For further details of the transferors, please see "[**REDACTED**] Investments" in this section.

(7) Capital Increase in February 2019

Shenzhen Evolution subscribed for the increased registered capital of RMB753,720 of our Company for a consideration of approximately RMB126.07 million. Immediately after the subscription, our registered capital increased to approximately RMB26.19 million.

(8) Equity Transfer in February 2019

Pursuant to an equity transfer agreement dated February 2019, Mr. Zhou Jian transferred the registered capital of RMB0.17 million to Mr. Xia Yongjun at the consideration RMB1 million.

The transfer was in connection with an equity transfer agreement entered into in 2013 pursuant to which Mr. Zhou Jian agreed to transfer the registered capital of RMB0.17 million of our Company, representing 1.7% equity interest, to an Independent Third Party at the consideration of RMB1 million. However, the transfer was not completed as the Independent Third Party had not settled the consideration. As such, Mr. Xia Yongjun subsequently elected to exercise his pre-emption right to purchase the registered capital which such Independent Third Party initially agreed to purchase.

(9) Conversion into a Joint Stock Company in 2019

On March 29, 2019, our Company was converted into a joint stock limited liability company with our name changed to UBTECH ROBOTICS CORP LTD* (深圳市優必選科技股份有限公司). Immediately after the conversion, our Company had a total registered capital of RMB360 million, and a total of 360 millions Shares in a nominal value of RMB1.0 each.

Set forth below is our shareholding structure immediately after the conversion:

Shareholders	**Number of Shares**	**Approximate shareholding**
		(%)
Mr. Zhou Jian	103,586,040	28.77
Shenzhen Evolution	39,599,280	11.00
QM25	23,681,160	6.58
Mr. Xia Zuoquan	22,888,800	6.36
IMAGE FRAME INVESTMENT (HK) LIMITED ("**Image Frame**")	22,128,840	6.15
Shenzhen Sanciyuan	14,538,600	4.04
Mr. Xia Yongjun	10,217,880	2.84
Mr. Xiong Youjun	9,933,480	2.76
Ms. Wang Lin	9,023,400	2.51
Mr. Zhao Guoqun	7,486,920	2.08
CDH	7,040,160	1.96
ICBC (Shenzhen) Equity Investment Fund Limited Partnership* (工銀(深圳)股權投資基金合夥企業(有限合夥)) ("**ICBC (Shenzhen)**")	6,861,960	1.91
Shenzhen Zhineng Jiaxuan Investment Limited Partnership* (深圳市智能佳選投資合夥企業(有限合夥)) ("**Shenzhen Zhineng Jiaxuan**")	5,379,840	1.49
Shenzhen Huizhi Tongtai Investment Limited Partnership* (深圳匯智同泰投資合夥企業(有限合夥)) ("**Huizhi Tongtai**")	5,139,000	1.43
Shenzhen Unicorn Investment Limited Partnership* (深圳市獨角獸投資合夥企業(有限合夥)) ("**Shenzhen Unicorn**")	5,086,440	1.41
Beijing Fuzhong Kangding Management Consulting Limited Partnership* (北京富眾康鼎管理諮詢合夥企業(有限合夥)) ("**Fuzhong Kangding**")	4,667,400	1.30
Qingdao Ningmi Enterprise Management Center Limited Partnership * (青島寧謐企業管理中心(有限合夥)) ("**Qingdao Ningmi**")	4,593,600	1.28
Chongqing Liangjiang Xinqu Chengwei Enterprise Management Limited Partnership* (重慶兩江新區承為企業管理合夥企業(有限合夥)) ("**Chongqing Chengwei**")	3,847,320	1.07
Tencent Technology (Shenzhen) Co., Ltd.* (騰訊科技(深圳)有限公司) ("**Tencent SZ**")	3,532,320	0.98

Shareholders	Number of Shares	Approximate shareholding
		(%)
Hangzhou Haikun Xinhong Investment Limited Partnership* (杭州海鯤鑫弘投資合夥企業(有限合夥)) ("**Haikun Xinhong**")	3,517,200	0.98
Beijing Juran Zhijia Investment Management Center Limited Partnership* (北京居然之家投資管理中心(有限合夥)) ("**Beijing Juran Investment**")	3,502,440	0.97
Suzhou Haikun Yujie Investment Center Limited Partnership* (蘇州海鯤譽捷投資中心(有限合夥)) ("**Haikun Yujie**")	3,443,760	0.96
Shenzhen Zhineng Youxuan	3,220,200	0.89
Chengdu Hongzhijia Enterprise Management Center Limited Partnership* (成都宏之佳企業管理中心(有限合夥)) ("**Chengdu Hongzhijia**")	2,708,640	0.75
Huzhou Tianlangxin Huihuang Equity Investment Limited Partnership* (湖州天狼星輝煌股權投資合夥企業(有限合夥)) ("**Huzhou Tianlangxing**")	2,516,760	0.70
Zhuhai Hengqin Jinfuzi Pangu No. 29 Equity Investment Center Limited Partnership* (珠海横琴金斧子盤古貳拾玖號股權投資中心(有限合夥)) ("**Zhuhai Hengqin**")	2,447,640	0.68
Ningbo Bonded Area Jiuyou Wise Investment Limited Partnership* (寧波保稅區久友智選投資合夥企業(有限合夥)) ("**Ningbo Jiuyou**")	2,423,880	0.67
Beijing Juran Zhijia Investment Holding Group Company Limited* (北京居然之家投資控股集團有限公司) ("**Beijing Juran Holding**")	2,299,680	0.64
Chia Tai Investment Management Limited ("**Chia Tai**")	2,132,640	0.59
Other 21 Shareholders (each holding less than 0.5% of the total Shares)	2,255,472	6.27
Total	360,000,000	100.00

INCENTIVE SHAREHOLDING PLATFORMS

In order to motivate, retain and reward talents for their contribution to the development of our Group, we have approved and adopted several equity incentive schemes since 2015. As part of the arrangements under the equity incentive schemes, Shenzhen Evolution, a limited partnership, was established in 2015 as the "direct level incentive shareholding platform", and held approximately 9.74% equity interest in our Company as of the Latest Practicable Date. A number of other limited partnerships have been formed as the "indirect level incentive shareholding platforms" and act as limited partners of Shenzhen Evolution. Participants under the equity incentive schemes are granted partnership interest in the indirect level incentive shareholding platforms. As the indirect level incentive shareholding platforms own partnership interest in Shenzhen Evolution which in turn owns our Shares directly, the participants would be indirectly interested in our Shares. As of the Latest Practicable Date, (i) 41 indirect level incentive shareholding platforms have been established for the purpose of the equity incentive schemes; (ii) Ms. Wang Lin is the sole general partner of Shenzhen Evolution and all of the indirect level incentive shareholding platforms; (iii) there is an aggregate number of 689 participants holding partnership interest in the indirect level incentive shareholding platforms; and (iv) none of our Directors or Supervisors holds more than one-third of the partnership interest in any of the indirect level incentive shareholding platforms.

Participants include core employees of our Group and external advisers, such as technical advisers, to our Group. The commercial rationale of granting equity interests to the participants is to link the interests of the participants under the equity incentive schemes with those of our Company and our Shareholders, so as to motivate, retain and reward the participants for their contribution to the development of our Group.

See "Appendix VII — Statutory and General Information — D. Equity Incentive Schemes" for further details.

[**REDACTED**] INVESTMENTS

Overview

(1) Series Pre-A Financing I

Pursuant to the Sep-2013 Investment Agreement, Leaguer Huarui subscribed for the increased registered capital of approximately RMB1.63 million of our Company at the consideration of RMB4 million (the "**Series Pre-A Financing I**").

(2) Equity Transfer in December 2013

Pursuant to an equity transfer agreement dated December 17, 2013, Mr. Chen Zhenjiang transferred 4.4% equity interest to Zhengxuan Investment at a consideration of RMB1.7 million (the "**Dec-2013 Transfer**").

Mr. Chen Zhenjiang was one of the co-founders of our Company. Mr. Chen Zhenjiang also co-founded UNION BROTHER (SHANGHAI) LIMITED* (優鎧(上海)機械有限公司), a company principally engaged in the manufacturing and supply of solutions for automation equipment production lines for high-end building materials industry, along with Mr. Zhou Jian and Mr. Xia Yongjun in 2007, and has served as its director since its founding. Mr. Zhou Jian subsequently disposed of his equity interest in UNION BROTHER (SHANGHAI) LIMITED* (優鎧(上海)機械有限公司) in October 2016. Mr. Chen Zhenjiang did not play any role or assume any responsibilities in the day-to-day management and operations of our Group, save for being a supervisor of our Company from September 2013 to January 2014, and disposed of all of his equity interest in our Company in the Dec-2013 Transfer due to his satisfaction in terms of the investment return generated and his personal financial needs.

(3) Series Pre-A Financing II

In January 2014, (i) Zhengxuan Investment subscribed for the increased registered capital of approximately RMB0.44 million of our Company at the consideration of RMB1 million; and (ii) Leaguer Huarui subscribed for the increased registered capital of RMB55,000 of our Company by conversion of capital reserve pursuant to the anti-dilution compensation entitled by Leaguer Huarei under the Sep-2013 Investment Agreement as a result of the subscription by Zhengxuan Investment (the "**Series Pre-A Financing II**").

Immediately after the Series Pre-A Financing II, our Company's registered capital increased to approximately RMB15.12 million.

(4) Equity Transfer in February 2014

Pursuant to an equity transfer agreement dated February 19, 2014, Mr. Zhou Jian transferred 2.78% equity interest to Zhengxuan Investment at a consideration of RMB1 million (the "**Feb-2014 Transfer**").

(5) Series Pre-A Financing III

In September 2014, Zhengxuan Investment subscribed for the increased registered capital of approximately RMB0.9 million of our Company at the consideration of approximately RMB6.59 million (the "**Series Pre-A Financing III**").

Immediately after the Series Pre-A Financing III, our Company's registered capital increased to approximately RMB16.03 million.

(6) Equity Transfer in October 2014

Pursuant to an equity transfer agreement dated October 16, 2014, Mr. Xia Yongjun transferred 5% equity interest to Mr. Zhao Guoqun at a consideration of RMB7.5 million (the "**Oct-2014 Transfer**").

(7) Series Pre-A Financing IV

In October 2014, Mr. Zhao Guoqun subscribed for the increased registered capital of approximately RMB0.99 million of our Company at the consideration of RMB9 million (the "**Series Pre-A Financing IV**").

Immediately after the Series Pre-A Financing IV, our Company's registered capital increased to approximately RMB17.02 million.

(8) Equity Transfer in December 2014

Pursuant to an equity transfer agreement dated November 6, 2014, Leaguer Huarui transferred 3% equity interest to Mr. Zhao Guoqun at a consideration of RMB4.5 million (the "**Dec-2014 Transfer**").

(9) Equity Transfer in April 2015

Pursuant to an equity transfer agreement dated April 16, 2015, Mr. Zhao Guoqun transferred approximately 6.20% equity interest to Ms. Tang Jing at a consideration of RMB9.7 million (the "**Apr-2015 Transfer**").

(10) Series A Financing

Pursuant to a capital increase agreement dated August 25, 2015, QM25 subscribed for the increased registered capital of approximately RMB2.13 million of our Company at a consideration of USD10 million (the "**Series A Financing**"). Immediately after the Series A Financing and the Shenzhen Evolution 2015 Subscription which completed on the same date, our Company's registered capital increased to approximately RMB21.28 million.

(11) Equity Transfers in December 2015

Pursuant to the equity transfer agreements dated November 26, 2015, (i) Leaguer Huarui transferred 1% equity interest to iFlytek Stock at a consideration of USD3 million; and (ii) Leaguer Huarei transferred 2% equity interest to Anhui iFlytek Industrial Investment Company Limited* (安徽訊飛產業投資有限責任公司) ("**iFlytek Investment**") at a consideration of USD6 million (the "**Dec-2015 Transfers**").

(12) Series B Financing I

Pursuant to the Feb-2016 Investment Agreement, CDH subscribed for the increased registered capital of approximately RMB0.95 million of our Company at a consideration of RMB260 million (the "**Series B Financing I**"). Immediately after the Series B Financing I and the Shenzhen Sanciyuan 2016 Subscription which completed on the same date, our Company's registered capital increased to approximately RMB23.64 million.

(13) Series B Financing II

Pursuant to a capital increase agreement dated May 2016, (i) Jinshi Haorui subscribed for the increased registered capital of approximately RMB0.24 million of our Company at a consideration of RMB65 million; and (ii) CDH subscribed the increased registered capital of RMB10,625 of our Company by conversion of capital reserve pursuant to the anti-dilution compensation entitled by it under the Feb-2016 Cooperation Agreement as a result of the subscription by Jinshi Haorui (the "**Series B Financing II**").

Immediately after the Series B Financing II, our registered capital increased to approximately RMB23.91 million.

(14) Equity Transfers in April 2017

In January 2017, the following parties entered into separate equity transfer agreements, respectively, pursuant to which the following transfers of equity interest were agreed (the "**Apr-2017 Transfers**"):

Transferor	Transferee	Approximate registered capital transferred	Consideration
		(RMB'000)	
Mr. Zhou Jian	Maigao Fuda	143	RMB39 million
Leaguer Huarui	Maigao Fuda	72	RMB19.5 million
Mr. Xia Yongjun	Maigao Fuda	24	RMB6.5 million
Mr. Xia Yongjun	Zhuhai Huaying	120	USD5 million
Mr. Xia Yongjun	Zhuhai Technology	120	USD5 million
Mr. Xia Yongjun	Guangzhou Shanjiatian	75	RMB20.5 million
Mr. Zhao Guoqun	Guangzhou Shanjiatian	72	RMB19.5 million
Mr. Zhao Guoqun	Shenzhen Qixuan	258	USD10.8 million
Mr. Zhao Guoqun	Beijing Tianlang Xingsu	120	USD5 million
Ms. Tang Jing	Shenzhen Zhineng Youxuan	359	RMB97.5 million

(15) Equity Transfers in January 2018

From January 2017 to December 2017, the following parties entered into separate equity transfer agreements, respectively, pursuant to which the following transfers of equity interest (the "**Jan-2018 Transfers**") were agreed:

Transferor(s)	Transferee	Approximate registered capital transferred	Consideration
		(RMB'000)	
Mr. Xia Zuoquan, Mr. Xia Yongjun, Mr. Zhao Guoqun, Ms. Tang Jing, Leaguer Huarui, QM25, iFlytek Stock, Anhui Kexun and Wuhu Dingli	Image Frame	1,594	Approximately USD80.00 million

Transferor(s)	Transferee	Approximate registered capital transferred	Consideration
		(RMB'000)	
Shenzhen Evolution	Shenzhen Shengshi Shidai Bole Investment Management Limited Partnership* (深圳市盛世時代伯樂投資管理合夥企業(有限合夥)) ("**Shenzhen Shengshi Shidai**")	191	USD9.6 million
Shenzhen Evolution	ICBC (Shenzhen)	347	USD17.4 million
Shenzhen Evolution	Huizhi Tongtai	120	USD10 million
Shenzhen Evolution	Minsheng Securities Investment Company Limited (民生證券投資有限公司) ("**Minsheng Securities**")	106	USD8.9 million
Shenzhen Evolution	Haikun Yujie	60	USD5 million
Shenzhen Qixuan	Chia Tai	60	USD5 million
Jinshi Haorui	Beijing Juran Investment	131	USD11 million
Shenzhen Qixuan	Beijing Juran Investment	60	USD5 million
CDH	Beijing Juran Holding	167	RMB93.8 million
Anhui Kexun	Huzhou Tianlangxing	120	USD10 million
Shenzhen Qixuan	Shenzhen Huizhi Tongying Investment Limited Partnership* (深圳匯智同盈投資合夥企業(有限合夥)) ("**Huizhi Tongying**")	18	USD1.5 million
Wuhu Dingli	Huizhi Tongying	12	USD1 million
Shenzhen Qixuan	Shenzhen Unicorn	60	USD5 million

(16) Series C Financing

Pursuant to a capital increase agreement dated December 19, 2017 (the "**Series C Financing Agreement**"), the subscribers subscribed for the increased registered capital of approximately RMB1.54 million of our Company in aggregate at a total consideration of USD241.3 million (the "**Series C Financing**"). The respective subscription amount and consideration paid by the subscribers were as follows:

Subscribers	Approximate registered capital subscribed for	Consideration
	(RMB'000)	**(USD)**
Tencent SZ	254	40 million
Huizhi Tongtai	254	40 million
Minsheng Securities	226	35.6 million
ICBC (Shenzhen)	153	24 million
Yiwu Hongyuan Investment Management Limited Partnership* (義烏弘緣投資管理合夥企業(有限合夥)) (formerly known as Hangzhou Yuanyuan Investment Management Limited Partnership* (杭州園緣投資管理合夥企業(有限合夥)) ("**Yiwu Hongyuan**")	127	20 million
Zhongde Phase One Investment Management (Ningbo) Company Limited* (仲德壹期投資管理(寧波)有限公司) ("**Zhongde Phase One**")	127	20 million
Huizhi Tongying	64	10 million
Shenzhen Songhe Growth Equity Investment Limited Partnership* (深圳市松禾成長股權投資合夥企業(有限合夥)) ("**Shenzhen Songhe**")	64	10 million

Subscribers	Approximate registered capital subscribed for	Consideration
	(RMB'000)	(USD)
Beijing Juran Investment	64	10 million
Shenzhen Unicorn	64	10 million
Haikun Yujie	64	10 million
Beijing Wenzi Huaxia Yaolai Investment Fund Management Center Limited Partnership* (北京文資華夏耀萊投資基金管理中心(有限合夥)) ("**Wenzi Huaxia**")	57	9 million
Telstra Ventures Pty Limited ("**Telstra Ventures**")	13	2 million
CDH	4	0.7 million
Total	1,535	241.3 million

After the Series C Financing, our registered capital increased to approximately RMB25.44 million.

(17) Equity Transfer in February 2018

Zhongde Phase One could not settle the consideration of USD20 million for the increased registered capital subscribed under the Series C Financing Agreement due to restrictions on fund transfers. Zhongde Phase One and Shenzhen Unicorn entered into an equity transfer agreement dated February 2, 2018 (the "**Feb-2018 Agreement**"), pursuant to which (i) Zhongde Phase One transferred the equity interest subscribed under the Series C Financing Agreement to Shenzhen Unicorn for nil consideration; and (ii) the obligation of Zhongde Phase One to pay the consideration of USD20 million under the Series C Financing was taken up by Shenzhen Unicorn (the "**Feb-2018 Transfer**").

(18) Equity Transfers in May 2018

From March 2018 to May 2018, the following parties entered into separate equity transfer agreements, respectively, pursuant to which the following transfers of equity interest were agreed (the "**May-2018 Transfers**"):

Transferor	Transferee	Approximate registered capital transferred	Consideration
		(RMB'000)	
Mr. Zhou Jian	Wenzi Huaxia	66	RMB70 million
Mr. Zhou Jian	Chengdu Hongzhijia	197	Approximately RMB200 million
Mr. Zhou Jian	YBX Company Limited ("**YBX**")	127	USD20 million
Mr. Zhou Jian	Zhuhai Hengqin	178	RMB187.6 million
Leaguer Huarui	Chia Tai	95	USD15 million
Zhuhai Technology	Shanghai Zhonghui Jinjiu Phase 11 Equity Investment Fund Management Limited Partnership* (上海中匯金玖十一期股權投資基金管理合夥企業(有限合夥)) ("**Zhonghui Jinjiu**")	32	RMB33.5 million
Zhuhai Huaying	Zhonghui Jinjiu	32	RMB33.5 million
CDH	Beijing Langma Yongan Investment Management Stock Company* (北京朗瑪永安投資管理股份公司) ("**Langma Yongan**")	127	RMB130 million
CDH	Ningbo Jiuyou	41	RMB42.88 million

Transferor	Transferee	Approximate registered capital transferred	Consideration
		(RMB'000)	
CDH	Shenzhen Zhineng Jiaxuan	37	RMB39.3 million
Mr. Xia Yongjun	Minsheng Securities	7	Nil
Ms. Tang Jing	Haikun Yujie	127	RMB134 million
Ms. Tang Jing	Haikun Xinhong	38	RMB40.2 million
Shenzhen Sanciyuan	Shenzhen Zhineng Jiaxuan	239	Approximately RMB251.96 million
Shenzhen Sanciyuan	Huzhou Tianlangxing	64	RMB67 million
Shenzhen Sanciyuan	Haikun Xinhong	74	Approximately RMB77.64 million
Ms. Wang Lin	Ningbo Meishan Bonded Area Haohong Equity Investment Limited Partnership* (寧波梅山保税港區灝泓股權投資合夥企業(有限合夥)) ("**Ningbo Haohong**")	47	RMB49.98 million
Ms. Wang Lin	Lide Equity Investment Management Company Limited* (利得股權投資管理有限公司) ("**Lide Equity**")	47	Approximately RMB50 million
Maigao Fuda	Ningbo Xiangshi Xiren Investment Management Limited Partnership* (寧波翔石熙仁投資管理合夥企業(有限合夥)) ("**Xiangshi Xiren**")	55	RMB58.05 million
Maigao Fuda	Ningbo Xiangshi Xiyi Investment Management Limited Partnership* (寧波翔石熙義投資管理合夥企業(有限合夥)) ("**Xiangshi Xiyi**")	72	RMB75.95 million
Mr. Xia Zuoquan	Shenzhen Zhineng Jiaxuan	64	RMB67 million
Mr. Zhao Guoqun	Haikun Xinhong	51	RMB53.6 million
Wuhu Dingli	Haikun Xinhong	15	Approximately RMB16.16 million
Anhui Kexun	Haikun Xinhong	25	RMB26.8 million
Guangzhou Shanjiatian	Ningbo Jiuyou	136	Approximately RMB142.92 million

(19) Equity Transfers on 26 February 2019

In February 2019, the following transfers of equity interest among the following parties were completed (the "**26 Feb-2019 Transfers**"):

Transferor	Transferee	Approximate registered capital transferred	Approximate consideration
		(RMB'000)	
Anhui Kexun	Chongqing Chengwei	89	RMB70.07 million
Shenzhen Shengshi Shidai	Chongqing Chengwei	191	RMB191.38 million
Maigao Fuda	Suzhou Lifu Tianda Intelligent Robots Limited Partnership* (蘇州立富天達智能機器人合夥企業(有限合夥)) ("**Lifu Tianda**")	93	RMB96.09 million
Leaguer Huarui	Shenzhen Zhineng Jiaxuan	42	RMB43.74 million
Mr. Xia Zuoquan	Shenzhen Zhineng Jiaxuan	10	RMB10.34 million

(20) Equity Transfers in March 2019

On February 28, 2019, the following parties entered into separate equity transfer agreements, respectively, pursuant to which the following transfers of equity interest were agreed (the "**Mar-2019 Transfers**"):

Transferor	Transferee	Approximate registered capital transferred	Consideration
		(RMB'000)	
Shenzhen Qixuan	Taian Taiying Caijian Equity Investment Fund Limited Partnership* (泰安市泰鷹財建股權投資基金合夥企業(有限合夥)) ("**Taian Taiying**")	41	Approximately RMB41.81 million
Shenzhen Zhineng Youxuan	Shenzhen Qianhai Quanmintong Holding Group Company Limited* (深圳前海全民通控股集團有限公司) ("**Qianhai Quanmintong**")	44	RMB45 million
Shenzhen Zhineng Youxuan	Haikun Xinhong	52	RMB53.6 million
Mr. Zhou Jian	Image Frame	16	RMB1*(note)*
Mr. Zhou Jian	Tencent SZ	3	RMB1*(note)*

Note: Image Frame and Tencent SZ were entitled to acquire the registered capital of our Company under such transfers because according to the supplemental shareholders agreement dated February 4, 2018 and entered into between our Company, Mr. Zhou Jian, and our other then shareholders, Image Frame and Tencent SZ had the right to anti-dilution compensation, and at that time our Company implemented an equity incentive scheme which would dilute the value of equity interest held by Image Frame and Tencent SZ. Under the supplemental shareholders agreement, Image Frame and Tencent SZ were entitled to request Mr. Zhou Jian to transfer shares to them at nil consideration or the lowest price permitted under the law to pay for the anti-dilution compensation. Accordingly, Mr. Zhou Jian transferred part of his shareholding for a nominal consideration to Image Frame and Tencent SZ respectively.

(21) Series D Financing I

Pursuant to a capital increase agreement dated March 10, 2020, Hangzhou Youzhi Enterprise Management Services Limited Partnership* (杭州優知企業管理服務合夥企業(有限合夥)) ("**Hangzhou Youzhi**") subscribed for the increased registered capital of approximately RMB14.20 million of our Company at a consideration of RMB1,120 million (the "**Series D Financing I**"). After the Series D Financing I, our registered capital increased to approximately RMB374.20 million.

(22) Equity Transfers in September 2020

In September 2020, (i) pursuant to an equity transfer agreement dated August 31, 2020, Shenzhen Unicorn transferred approximately 0.03% equity interest to Foshan Hongtao Jiuhe New Construction Equity Investment Limited Partnership* (佛山弘陶九合新基建股權投資合夥企業(有限合夥)) ("**Foshan Hongtao**") at a consideration of RMB10 million; and (ii) pursuant to an equity transfer agreement dated September 2, 2020, Shenzhen Unicorn transferred approximately 0.1% equity interest to Zhongtai Venture Capital (Shenzhen) Company Limited* (中泰創業投資(深圳)有限公司) ("**Zhongtai VC**") at a consideration of approximately RMB30 million (the "**Sep-2020 Transfers**").

(23) Series D Financing II

Pursuant to a capital increase agreement dated August 2020, Huzhou Nanxun District Financial Investment Company Limited* (湖州市南潯區金融投資有限公司) ("**Huzhou Nanxun**") subscribed for the increased registered capital of approximately RMB2.28 million of our Company at a consideration of RMB180 million (the "**Series D Financing II**"). Immediately after the Series D Financing II, our registered capital increased to approximately RMB376.48 million.

(24) Equity Transfers in December 2020

Pursuant to an equity transfer agreement dated December 15, 2020, Shenzhen Unicorn transferred 389,914 Shares to Hangzhou Huaxia Kefa Equity Investment Limited Partnership* (杭州華夏科發股權投資合夥企業(有限合夥)) ("**Hangzhou Huaxia**") at a consideration of RMB30 million (the "**Dec-2020 Transfer**").

(25) Series D Financing III

Pursuant to a capital increase agreement dated December 2020, Anqing Tongan Chanye Zhaoshang Investment Fund Limited Partnership* (安慶市同安產業招商投資基金(有限合夥)) ("**Anqing Tongan**") subscribed for the increased registered capital of approximately RMB1.27 million of our Company at a consideration of RMB100 million (the "**Series D Financing III**"). Immediately after the Series D Financing III, our registered capital increased to approximately RMB377.75 million.

(26) Equity Transfers in January 2021

In January 2021, (i) pursuant to an equity transfer agreement dated December 15, 2020 (as supplemented by a supplemental agreement dated January 25, 2021), Shenzhen Unicorn transferred 197,398 Shares to Hanying Youxiang (Zhaozhuang) Equity Investment Limited Partnership* (漢盈優享(棗莊)股權投資合夥企業(有限合夥)) ("**Hanying Youxiang**") at a consideration of RMB19.4 million; (ii) pursuant to an equity transfer agreement dated December 15, 2020 (as supplemented by a supplemental agreement dated January 25, 2021), Shenzhen Unicorn transferred approximately 1.44 million Shares to Heze Dianjinyun Calculation Limited Partnership* (菏澤市點金雲計算合夥企業(有限合夥)) ("**Heze Dianjinyun**"), at a consideration of RMB100 million; and (iii) pursuant to an equity transfer agreement dated 5 January 2021, Qingdao Ningmi transferred 704,225 Shares to Jinan Changqing Shengxin Equity Investment Management Center Limited Partnership* (濟南常青盛欣股權投資管理中心(有限合夥)) ("**Jinan Changqing**") at a consideration of RMB50 million (the "**Jan-2021 Transfers**").

(27) Equity Transfers in February 2021

In February 2021, (i) pursuant to an equity transfer agreement dated December 15, 2020 (as supplemented by a supplemental agreement dated February 9, 2021) and the novation agreement dated February 28, 2021, Shenzhen Unicorn transferred 219,460 Shares to Qingdao Anyu No. 1 Investment Limited Partnership* (青島安宇壹號投資合夥企業(有限合夥)) ("**Qingdao Anyu**") at a consideration of approximately RMB15.16 million; (ii) pursuant to an equity transfer agreement dated 15 December 2020, Shenzhen Unicorn transferred 222,828 Shares to Pingyang Bangtuo Equity Investment Limited Partnership* (平陽邦拓股權投資合夥企業(有限合夥)) ("**Pingyang Bangtuo**") at a consideration of RMB27.15 million; and (iii) pursuant to an equity transfer agreement dated February 2, 2021, Haikun Yujie transferred 1,271,879 Shares to Beijing SINOIF Financial Services Outsourcing Company Limited* (北京中金匯理金融服務外包有限公司) ("**Beijing SINOIF**") at a consideration of RMB100 million (the "**Feb-2021 Transfers**").

(28) Series D Financing IV

Pursuant to capital increase agreements entered into between December 2020 to March 2021, Xiamen Jinyuan Investment Group Company Limited* (廈門金圓投資集團有限公司) ("**Xiamen Jinyuan**"), Xiamen Siming District Chanye Investment Company Limited* (廈門市思明區產業投資有限公司) ("**Xiamen Siming**"), Hangzhou Hushan Equity Investment Company Limited* (杭州湖山股權投資有限公司) ("**Hangzhou Hushan**") and Yangzhou Longtou Chuanghai No. 1 Changye Funds Limited Partnership* (揚州龍投創海壹號產業基金合夥企業(有限合夥)) ("**Yangzhou Longtou**") as subscribers subscribed for the increased registered capital of approximately RMB6.34 million of our Company in aggregate at a total consideration of RMB500 million (the "**Series D Financing IV**"). The respective subscription amount and consideration paid by the subscribers were as follows:

Subscribers	**Approximate registered capital subscribed for**	**Consideration**
	(RMB'000)	**(RMB)**
Xiamen Jinyuan	1,268	100 million
Xiamen Siming	1,268	100 million
Hangzhou Hushan	3,169	250 million
Yangzhou Longtou	634	50 million
Total	6,339	500 million

Immediately after the Series D Financing IV, our registered capital increased to approximately RMB384.09 million.

(29) Equity Transfer in June 2021

Pursuant to an equity transfer agreement dated March 1, 2021 (as supplemented by a supplemental agreement dated April 20, 2021), Shenzhen Unicorn transferred 83,304 Shares to Pingyang Yuandao Equity Investment Limited Partnership* (平陽源道股權投資合夥企業(有限合夥)) ("**Pingyang Yuandao**") at a consideration of RMB10.15 million (the "**Jun-2021 Transfer**").

(30) Equity Transfers in July 2021

In July 2021, (i) pursuant to an equity transfer agreement dated March 1, 2021 (as supplemented by a supplemental agreement dated July 6, 2021), Shenzhen Unicorn transferred 305,890 Shares to Zibo Zhouhan Equity Investment Limited Partnership* (淄博洲涵股權投資合夥企業(有限合夥)) ("**Zibo Zhouhan**") at a consideration of RMB26 million; (ii) pursuant to an equity transfer agreement dated July 29, 2021, Shenzhen Unicorn transferred 131,312 Shares to Ms. Peng Yahua (彭亞華) at a consideration of RMB10 million; and (iii) Mr. Xiong Youjun transferred 1,642,737 Shares to Mr. Zhao Guoqun (the **"July-2021 Transfers**").

(31) Series D Financing V

Pursuant to a capital increase agreement dated June 11, 2022, Jiujiang Youxuan Zhihui Chanye Investment Development Center Limited Partnership* (九江市優選智慧產業投資發展中心(有限合夥)) ("**Jiujiang Youxuan**") subscribed for approximately 6.34 million of new Shares at a consideration of RMB500 million.

Pursuant to a capital increase agreement dated May 30, 2022, Liuzhou Government Investment Guidance Fund Management Company Limited* (柳州市政府投資引導基金管理有限公司) ("**Liuzhou Government Investment Fund**") subscribed for approximately 2.54 million new Shares at a consideration of RMB200 million.

(32) Issue of new Shares in connection with the UBJ Acquisition in July 2022

In July 2022, our Company issued an aggregate of 1,166,319 new Shares to Hangzhou Yuanxing Yuhan Equity Investment Fund Limited Partnership* (杭州源星昱瀚股權投資基金合夥企業(有限合夥)) ("**Hangzhou Yuanxing**"), Gongqingcheng Yachang Jiake Investment Management Limited Partnership* (共青城亞昌嘉科投資管理合夥企業(有限合夥)) ("**Yachang Jiake**") and Gongqingcheng Jialu Investment Management Limited Partnership* (共青城嘉麓投資管理合夥企業(有限合夥)) ("**GQC Jialu**") in relation to the acquisition of equity interest in Shanghai UBJ Education Technology Co., Ltd.* (上海優必傑教育科技有限公司) ("**Shanghai UBJ**") (the "**UBJ Acquisition**"). Immediately after issuance of the new Shares, our registered capital increased to approximately RMB394.128 million.

For further details of the UBJ Acquisition, please see "Material Acquisitions During the Track Record Period – Acquisition of Additional 47.80% Equity Interest in Shanghai UBJ" in this section.

(33) Transfers by Shenzhen Unicorn to Zibo Linrui

Pursuant to an equity transfer agreement dated February 15, 2022 (as supplemented by a supplemental agreement dated August 4, 2022), Shenzhen Unicorn transferred 133,425 Shares at a consideration of RMB15 million in April 2022, and 83,969 Shares at a consideration of RMB9.44 million in August 2022, to Zibo Linrui Youxuan Equity Investment Management Limited Partnership* (淄博麟睿優選股權投資管理合夥企業(有限合夥)) ("**Zibo Linrui**") (the "**Transfers to Zibo Linrui**").

(34) Series D Financing VI

Pursuant to a capital increase agreement dated September 27, 2022, Puyang Financial Holding Co., Ltd* (濮陽市金融控股有限公司) ("**Puyang Jinkong**") subscribed for approximately 2.05 million new Shares at a consideration of RMB161.33 million. Immediately after the subscription, our registered capital increased to approximately RMB396.17 million.

(35) Equity Transfer in November 2022

In November 2022, pursuant to an equity transfer agreement dated November 25, 2022, Shenzhen Unicorn transferred 480,088 Shares to Shanghai Youjue Medical Technology Limited Partnership* (上海優爵醫療科技合夥企業(有限合夥)) ("**Shanghai Youjue**") at a consideration of RMB30 million ("**Nov-2022 Transfer**").

(36) Equity Transfer in December 2022

In December 2022, pursuant to an equity transfer agreement dated August 13, 2022, Shenzhen Unicorn transferred 890,588 Shares to Puyang Youzi Investment Development Company Limited* (濮陽市豫資投資發展有限公司) ("**Puyang Investment**") at a consideration of RMB58.67 million (the "**Dec-2022 Transfer**").

(34) Series D Financing VII

Pursuant to a capital increase agreement dated January 29, 2023, Liuzhou Industrial Guidance Fund Investment Management Company Limited* (柳州市產業引導基金投資管理有限公司) ("**Liuzhou Industrial Fund**") subscribed for the increased registered capital of approximately RMB10.4 million of our Company at a consideration of RMB820 million.

(35) Equity Transfer in May 2023

Pursuant to an equity transfer agreement dated May 30, 2023, Huzhou Nanxun transferred 2,281,947 Shares to Liuzhou Industrial Fund at a consideration of RMB180 million ("**May-2023 Transfer**").

Principal terms of the [REDACTED] Investments

The following table summarizes the key terms of the [**REDACTED**] Investments:

[REDACTED] Investments	Name of [REDACTED] Investors[4]	Total Amount of Registered Capital Increased or Transferred	Aggregate Consideration	Implied valuation	Basis of consideration	Date of Completion[1]	Date of Full Settlement of Consideration	Approximate Cost Per Share[2]	Approximate (Discount to)/Premium over the [REDACTED][3]
		(in RMB)							
Series Pre-A Financing I	Leaguer Huarui	1,625,000	RMB4 million	RMB36 million	Business prospect of our Company	October 23, 2013	October 9, 2013	RMB0.18	[REDACTED]
Dec-2013 Transfer	Zhengxuan Investment[5]	650,000	RMB1.7 million	RMB38 million	Business prospect of our Company	December 27, 2013	December 24, 2013	RMB0.19	[REDACTED]
Series Pre-A Financing II	Zhengxuan Investment	441,000	RMB1 million	RMB34 million	Business prospect of our Company	January 24, 2014	January 16, 2014	RMB0.17	[REDACTED]
	Leaguer Huarui	55,000	—[6]	—[6]	—[6]	January 24, 2014	—[6]	–[6]	[REDACTED]
Feb-2014 Transfer	Zhengxuan Investment	421,000	RMB1 million	RMB36 million	Business prospect of our Company	February 21, 2014	February 25, 2014	RMB0.17	[REDACTED]
Series Pre-A Financing III	Zhengxuan Investment	905,471	RMB6.59 million	RMB117 million	Business prospect of our Company	September 25, 2014	September 23, 2014	RMB0.53	[REDACTED]
Oct-2014 Transfer	Mr. Zhao Guoqun[7]	801,324	RMB7.5 million	RMB150 million	Business prospect of our Company	October 30, 2014	October 30, 2014	RMB0.68	[REDACTED]
Series Pre-A Financing IV	Mr. Zhao Guoqun	994,746	RMB9 million	RMB154 million	Business prospect of our Company	October 30, 2014	October 27, 2014	RMB0.66	[REDACTED]

[REDACTED] Investments	Name of [REDACTED] Investors[4]	Total Amount of Registered Capital Increased or Transferred	Aggregate Consideration	Implied valuation	Basis of consideration	Date of Completion[1]	Date of Full Settlement of Consideration	Approximate Cost Per Share[2]	Approximate (Discount to)/Premium over the [REDACTED][3]
		(in RMB)							
Dec-2014 Transfer	Mr. Zhao Guoqun	510,637	RMB4.5 million	RMB150 million	Business prospect of our Company	December 15, 2014	November 12, 2014	RMB0.64	[REDACTED]
Apr-2015 Transfer	Ms. Tang Jing[8]	1,055,860	RMB9.7 million	RMB156 million	Business prospect of our Company	April 17, 2015	October 12, 2014	RMB0.67	[REDACTED]
Series A Financing	QM25[9]	2,127,652	USD10 million	USD100 million	Business prospect and agreed valuation of our Company[33]	November 17, 2015	September 22, 2017	USD0.34	[REDACTED]
Dec-2015 Transfers	iFlytek Stock[10]	212,765	USD3 million	USD300 million	Business prospect and agreed valuation of our Company	December 29, 2015	January 4, 2016	USD1.03	[REDACTED]
	iFlytek Investment[10]	425,531	USD6 million	USD300 million	Business prospect and agreed valuation of our Company	December 29, 2015	December 31, 2015	USD1.03	[REDACTED]
Series B Financing I	CDH	945,623	RMB260 million	RMB6.5 billion	Business prospect and agreed valuation of our Company[34]	March 18, 2016	May 20, 2016	RMB20.01	[REDACTED]

[REDACTED] Investments	Name of [REDACTED] Investors[4]	Total Amount of Registered Capital Increased or Transferred	Aggregate Consideration	Implied valuation	Basis of consideration	Date of Completion[1]	Date of Full Settlement of Consideration	Approximate Cost Per Share[2]	Approximate (Discount to)/Premium over the [REDACTED][3]
		(in RMB)							
Series B Financing II	Jinshi Haorui	239,062	RMB65 million	RMB650 million	Valuation of our Company in recent financing rounds	September 20, 2016	October 13, 2016	RMB19.79	[REDACTED]
	CDH	10,625	—[11]	—[11]	—[11]	September 20, 2016	–[11]	–[11]	[REDACTED]
Apr-2017 Transfers	Maigao Fuda	239,062	RMB65 million	RMB6.5 billion	Valuation of our Company in recent financing rounds	April 6, 2017	April 6, 2017	RMB19.79	[REDACTED]
	Zhuhai Huaying[12]	119,531	USD5 million	USD1 billion	Valuation of our Company in recent financing rounds	April 6, 2017	October 20, 2016	USD3.04	[REDACTED]
	Zhuhai Technology[12]	119,531	USD5 million	USD1 billion	Valuation of our Company in recent financing rounds	April 6, 2017	October 24, 2016	USD3.04	[REDACTED]
	Guangzhou Shanjiatian	147,116	RMB40 million	RMB6.5 billion	Valuation of our Company in recent financing rounds	April 6, 2017	January 18, 2017	RMB19.79	[REDACTED]

[REDACTED] Investments	Name of [REDACTED] Investors(4)	Total Amount of Registered Capital Increased or Transferred	Aggregate Consideration	Implied valuation	Basis of consideration	Date of Completion(1)	Date of Full Settlement of Consideration	Approximate Cost Per Share(2)	Approximate (Discount to)/Premium over the [REDACTED](3)
		(in RMB)							
	Shenzhen Qixuan	258,180	USD10.8 million	USD1 billion	Valuation of our Company in recent financing rounds	April 6, 2017	January 18, 2017	USD3.04	[REDACTED]
	Beijing Tianlang Xingsu(13)	119,531	USD5 million	USD1 billion	Valuation of our Company in recent financing rounds	April 6, 2017	January 18, 2017	USD3.04	[REDACTED]
	Shenzhen Zhineng Youxuan	358,592	RMB97.5 million	RMB6.5 billion	Valuation of our Company in recent financing rounds	April 6, 2017	April 19, 2017	RMB19.79	[REDACTED]
Jan-2018 Transfers	Shenzhen Shengshi Shidai	191,250	USD9.6 million	USD1.2 billion	Business prospect and agreed valuation of our Company	January 23, 2018	November 22, 2017	USD3.65	[REDACTED]
	ICBC (Shenzhen)	346,640	USD17.4 million	USD1.2 billion	Business prospect and agreed valuation of our Company	January 23, 2018	December 28, 2017	USD3.65	[REDACTED]

[REDACTED] Investments	Name of [REDACTED] Investors[4]	Total Amount of Registered Capital Increased or Transferred	Aggregate Consideration	Implied valuation	Basis of consideration	Date of Completion[1]	Date of Full Settlement of Consideration	Approximate Cost Per Share[2]	Approximate (Discount to)/Premium over the [REDACTED][3]
		(in RMB)							
	Image Frame[14]	1,593,754	Approximately USD80 million	USD1.2 billion	Business prospect and agreed valuation of our Company	January 23, 2018	April 4, 2018	USD3.65	[REDACTED]
	Huizhi Tongtai[15]	119,531	USD10 million	USD2 billion	Business prospect and agreed valuation of our Company	January 23, 2018	December 13, 2017	USD6.09	[REDACTED]
	Minsheng Securities	106,383	USD8.9 million	USD2 billion	Business prospect and agreed valuation of our Company	January 23, 2018	November 14, 2017	USD6.09	[REDACTED]
	Haikun Yujie[22]	59,766	USD5 million	USD2 billion	Business prospect and agreed valuation of our Company	January 23, 2018	December 11, 2017	USD6.09	[REDACTED]
	Chia Tai	59,766	USD5 million	USD2 billion	Business prospect and agreed valuation of our Company	January 23, 2018	November 7, 2017	USD6.09	[REDACTED]

[REDACTED] Investments	Name of [REDACTED] Investors[4]	Total Amount of Registered Capital Increased or Transferred	Aggregate Consideration	Implied valuation	Basis of consideration	Date of Completion[1]	Date of Full Settlement of Consideration	Approximate Cost Per Share[2]	Approximate (Discount to)/Premium over the [REDACTED][3]
		(in RMB)							
	Beijing Juran Investment[16]	191,250	USD16 million	USD2 billion	Business prospect and agreed valuation of our Company	January 23, 2018	October 16, 2017	USD6.09	[REDACTED]
	Beijing Juran Holding[16]	167,343	RMB93.8 million	RMB13 billion	Business prospect and agreed valuation of our Company	January 23, 2018	October 20, 2017	RMB40.8	[REDACTED]
	Huzhou Tianlangxing[13]	119,531	USD10 million	USD2 billion	Business prospect and agreed valuation of our Company	January 23, 2018	December 19, 2017	USD6.09	[REDACTED]
	Huizhi Tongying[15]	29,883	USD2.5 million	USD2 billion	Business prospect and agreed valuation of our Company	January 23, 2018	February 5, 2018	USD6.09	[REDACTED]
	Shenzhen Unicorn[17]	59,766	USD5 million	USD2 billion	Business prospect and agreed valuation of our Company	January 23, 2018	January 23, 2018	USD6.09	[REDACTED]

[REDACTED] Investments	Name of [REDACTED] Investors[4]	Total Amount of Registered Capital Increased or Transferred	Aggregate Consideration	Implied valuation	Basis of consideration	Date of Completion[1]	Date of Full Settlement of Consideration	Approximate Cost Per Share[2]	Approximate (Discount to)/Premium over the [REDACTED][3]
		(in RMB)							
Series C Financing	Tencent SZ[14]	254,410	USD40 million	USD4 billion	Business prospect and agreed valuation of our Company[35]	January 23, 2018	February 13, 2018	USD11.44	[REDACTED]
	Huizhi Tongtai	254,410	USD40 million	USD4 billion	Business prospect and agreed valuation of our Company	January 23, 2018	January 30, 2018	USD11.44	[REDACTED]
	Minsheng Securities	226,424	USD35.6 million	USD4 billion	Business prospect and agreed valuation of our Company	January 23, 2018	February 2, 2018	USD11.44	[REDACTED]
	ICBC (Shenzhen)	152,646	USD24 million	USD4 billion	Business prospect and agreed valuation of our Company	January 23, 2018	January 30, 2018	USD11.44	[REDACTED]
	Yiwu Hongyuan	127,205	USD20 million	USD4 billion	Business prospect and agreed valuation of our Company	January 23, 2018	January 30, 2018	USD11.44	[REDACTED]

[REDACTED] Investments	Name of [REDACTED] Investors(4)	Total Amount of Registered Capital Increased or Transferred	Aggregate Consideration	Implied valuation	Basis of consideration	Date of Completion(1)	Date of Full Settlement of Consideration	Approximate Cost Per Share(2)	Approximate (Discount to)/Premium over the [REDACTED](3)
		(in RMB)							
	Zhongde Phase One	127,205	USD20 million	USD4 billion	Business prospect and agreed valuation of our Company	January 23, 2018	—(19)	USD11.44	[REDACTED]
	Huizhi Tongying	63,602	USD10 million	USD4 billion	Business prospect and agreed valuation of our Company	January 23, 2018	February 5, 2018	USD11.44	[REDACTED]
	Shenzhen Songhe	63,602	USD10 million	USD4 billion	Business prospect and agreed valuation of our Company	January 23, 2018	January 30, 2018	USD11.44	[REDACTED]
	Beijing Juran Investment	63,602	USD10 million	USD4 billion	Business prospect and agreed valuation of our Company	January 23, 2018	February 2, 2018	USD11.44	[REDACTED]
	Shenzhen Unicorn	63,602	USD10 million	USD4 billion	Business prospect and agreed valuation of our Company	January 23, 2018	February 5, 2018	USD11.44	[REDACTED]

[REDACTED] Investments	Name of [REDACTED] Investors(4)	Total Amount of Registered Capital Increased or Transferred	Aggregate Consideration	Implied valuation	Basis of consideration	Date of Completion(1)	Date of Full Settlement of Consideration	Approximate Cost Per Share(2)	Approximate (Discount to)/Premium over the [REDACTED](3)
		(in RMB)							
	Haikun Yujie	63,602	USD10 million	USD4 billion	Business prospect and agreed valuation of our Company	January 23, 2018	December 12, 2017	USD11.44	[REDACTED]
	Wenzi Huaxia	57,242	USD9 million	USD4 billion	Business prospect and agreed valuation of our Company	January 23, 2018	January 30, 2018	USD11.44	[REDACTED]
	Telstra Ventures(18)	12,720	USD2 million	USD4 billion	Business prospect and agreed valuation of our Company	January 23, 2018	March 2, 2018	USD11.44	[REDACTED]
	CDH	4,452	USD0.7 million	USD4 billion	Business prospect and agreed valuation of our Company	January 23, 2018	February 7, 2018	USD11.44	[REDACTED]
Feb-2018 Transfer	Shenzhen Unicorn	127,205	USD20 million(19)	USD4 billion	—(19)	February 5, 2018	February 5, 2018	USD11.44	[REDACTED]

[REDACTED] Investments	Name of [REDACTED] Investors(4)	Total Amount of Registered Capital Increased or Transferred	Aggregate Consideration	Implied valuation	Basis of consideration	Date of Completion(1)	Date of Full Settlement of Consideration	Approximate Cost Per Share(2)	Approximate (Discount to)/Premium over the [REDACTED](3)
		(in RMB)							
May-2018 Transfers	Wenzi Huaxia(25)	66,451	RMB70 million	RMB27 billion	Valuation of our Company in recent financing rounds	May 29, 2018	June 5, 2018	RMB76.67	[REDACTED]
	Chengdu Hongzhijia	197,090	RMB200.1 million	RMB26 billion	Valuation of our Company in recent financing rounds	May 29, 2018	May 31, 2018	RMB73.89	[REDACTED]
	YBX	127,204	USD20 million	USD4 billion	Valuation of our Company in recent financing rounds	May 29, 2018	June 6, 2018	USD11.44	[REDACTED]
	Zhuhai Hengqin	178,086	RMB187.6 million	RMB27 billion	Valuation of our Company in recent financing rounds	May 29, 2018	May 22, 2018	RMB76.67	[REDACTED]
	Chia Tai	95,403	USD15 million	USD4 billion	Valuation of our Company in recent financing rounds	May 29, 2018	September 26, 2017	USD11.44	[REDACTED]

[REDACTED] Investments	Name of [REDACTED] Investors[4]	Total Amount of Registered Capital Increased or Transferred	Aggregate Consideration	Implied valuation	Basis of consideration	Date of Completion[1]	Date of Full Settlement of Consideration	Approximate Cost Per Share[2]	Approximate (Discount to)/Premium over the [REDACTED][3]
		(in RMB)							
	Zhonghui Jinjiu	63,602	RMB67 million	RMB27 billion	Valuation of our Company in recent financing rounds	May 29, 2018	July 5, 2018	RMB76.67	[REDACTED]
	Langma Yongan	127,205	RMB130 million	RMB26 billion	Valuation of our Company in recent financing rounds	May 29, 2018	June 4, 2018	RMB74.38	[REDACTED]
	Ningbo Jiuyou	176,370	Approximately RMB185.80 million	RMB27 billion	Valuation of our Company in recent financing rounds	May 29, 2018	April 28, 2018	RMB76.67	[REDACTED]
	Shenzhen Zhineng Jiaxuan[20]	340,094	Approximately RMB358. 26 million	RMB27 billion	Valuation of our Company in recent financing rounds	May 29, 2018	July 14, 2020	RMB76.67	[REDACTED]
	Minsheng Securities	6,818	—[21]	—[21]	—[21]	May 29, 2018	—[21]	—[21]	[REDACTED]
	Haikun Yujie[22]	127,205	RMB134 million	RMB27 billion	Valuation of our Company in recent financing rounds	May 29, 2018	December 12, 2017	RMB76.67	[REDACTED]

[REDACTED] Investments	Name of [REDACTED] Investors(4)	Total Amount of Registered Capital Increased or Transferred	Aggregate Consideration	Implied valuation	Basis of consideration	Date of Completion(1)	Date of Full Settlement of Consideration	Approximate Cost Per Share(2)	Approximate (Discount to)/Premium over the [REDACTED](3)
		(in RMB)							
	Haikun Xinhong(22)	203,534	RMB214.4 million	RMB27 billion	Valuation of our Company in recent financing rounds	May 29, 2018	May 30, 2018	RMB76.67	[REDACTED]
	Huzhou Tianlangxing	63,602	RMB67 million	RMB27 billion	Valuation of our Company in recent financing rounds	May 29, 2018	May 29, 2018	RMB76.67	[REDACTED]
	Ningbo Haohong	47,447	Approximately RMB49.98 million	RMB27 billion	Valuation of our Company in recent financing rounds	May 29, 2018	March 28, 2018	RMB76.67	[REDACTED]
	Lide Equity(23)	47,473	Approximately RMB50.01 million	RMB27 billion	Valuation of our Company in recent financing rounds	May 29, 2018	June 13, 2018	RMB76.67	[REDACTED]
	Xiangshi Xiren(24)	55,105	RMB58.05 million	RMB27 billion	Valuation of our Company in recent financing rounds	May 29, 2018	February 5, 2018	RMB76.67	[REDACTED]

[REDACTED] Investments	Name of [REDACTED] Investors[4]	Total Amount of Registered Capital Increased or Transferred	Aggregate Consideration	Implied valuation	Basis of consideration	Date of Completion[1]	Date of Full Settlement of Consideration	Approximate Cost Per Share[2]	Approximate (Discount to)/Premium over the [REDACTED][3]
		(in RMB)							
	Xiangshi Xiyi[24]	72,100	RMB75.95 million	RMB27 billion	Valuation of our Company in recent financing rounds	May 29, 2018	May 31, 2018	RMB76.67	[REDACTED]
26 Feb-2019 Transfers	Chongqing Chengwei	279,938	Approximately RMB261.45 million	RMB24 billion	Valuation of our Company in recent financing rounds	February 26, 2019	May 5, 2019	RMB67.97	[REDACTED]
	Lifu Tianda	93,258	Approximately RMB96.09 million	RMB26 billion	Valuation of our Company in recent financing rounds	February 26, 2019	March 8, 2019	RMB74.99	[REDACTED]
	Shenzhen Zhineng Jiaxuan	51,352	Approximately RMB54.08 million	RMB27 billion	Valuation of our Company in recent financing rounds	February 26, 2019	January 24, 2019	RMB76.65	[REDACTED]

[REDACTED] Investments	Name of [REDACTED] Investors(4)	Total Amount of Registered Capital Increased or Transferred	Aggregate Consideration	Implied valuation	Basis of consideration	Date of Completion(1)	Date of Full Settlement of Consideration	Approximate Cost Per Share(2)	Approximate (Discount to)/Premium over the [REDACTED](3)
		(in RMB)							
Mar-2019 Transfers	Taian Taiying	40,871	Approximately RMB41.81 million	RMB27 billion	Valuation of our Company in recent financing rounds	March 20, 2019	April 4, 2019	RMB74.45	[REDACTED]
	Qianhai Quanmintong	43,983	RMB45 million	RMB27 billion	Valuation of our Company in recent financing rounds	March 20, 2019	March 15, 2019	RMB74.46	[REDACTED]
	Haikun Xinhong	52,389	RMB53.6 million	RMB27 billion	Valuation of our Company in recent financing rounds	March 20, 2019	March 27, 2019	RMB74.46	[REDACTED]
	Image Frame	16,413	RMB1(26)	—(26)	—(26)	March 20, 2019	March 20, 2019	Nil(26)	[REDACTED]
	Tencent SZ	2,620	RMB1(26)	—(26)	—(26)	March 20, 2019	March 20, 2019	Nil(26)	[REDACTED]
Series D Financing I	Hangzhou Youzhi	14,198,883	RMB1,120 million	RMB30 billion	Valuation of our Company in recent financing rounds	March 26, 2020	March 23, 2020	RMB78.88	[REDACTED]

[REDACTED] Investments	Name of [REDACTED] Investors(4)	Total Amount of Registered Capital Increased or Transferred	Aggregate Consideration	Implied valuation	Basis of consideration	Date of Completion(1)	Date of Full Settlement of Consideration	Approximate Cost Per Share(2)	Approximate (Discount to)/Premium over the [REDACTED](3)
		(in RMB)							
Sep-2020 Transfers	Zhongtai VC	380,324	Approximately RMB30.00 million	RMB30 billion	Valuation of our Company in recent financing rounds	September 15, 2020	September 10, 2020	RMB78.88	[REDACTED]
	Foshan Hongtao	125,485	RMB10 million	RMB30 billion	Valuation of our Company in recent financing rounds	September 15, 2020	September 7, 2020	RMB79.69	[REDACTED]
Series D Financing II	Huzhou Nanxun	2,281,947	RMB180 million	RMB30 billion	Valuation of our Company in recent financing rounds	November 2, 2020	November 10, 2020	RMB78.88	[REDACTED]
Dec-2020 Transfer	Hangzhou Huaxia	389,914	RMB30 million	RMB29 billion	Valuation of our Company in recent financing rounds	December 20, 2020	December 25, 2020	RMB76.94	[REDACTED]
Series D Financing III	Anqing Tongan	1,267,748	RMB100 million	RMB30 billion	Valuation of our Company in recent financing rounds	December 31, 2020	December 30, 2020	RMB78.88	[REDACTED]

[REDACTED] Investments	Name of [REDACTED] Investors[4]	Total Amount of Registered Capital Increased or Transferred	Aggregate Consideration	Implied valuation	Basis of consideration	Date of Completion[1]	Date of Full Settlement of Consideration	Approximate Cost Per Share[2]	Approximate (Discount to)/Premium over the [REDACTED][3]
		(in RMB)							
Jan-2021 Transfers	Hanying Youxiang	197,398	RMB19.4 million	RMB37 billion	Business prospect of the Company, valuation of our Company in recent financing rounds and commercial negotiation between the transferor and transferee	January 25, 2021	January 5, 2021	RMB98.28	[REDACTED]
	Heze Dianjinyun[31]	1,442,455	RMB100 million	RMB26 billion	Valuation of our Company in recent financing rounds	January 31, 2021	December 31, 2020	RMB69.33	[REDACTED]
	Jinan Changqing	704,225	RMB50 million	RMB27 billion	Valuation of our Company in recent financing rounds	January 5, 2021	March 23, 2021	RMB71.00	[REDACTED]
Feb-2021 Transfers	Qingdao Anyu	219,460	Approximately RMB15.16 million	RMB26 billion	Valuation of our Company in recent financing rounds	February 5, 2021	February 26, 2021	RMB69.06	[REDACTED]

[REDACTED] Investments	Name of [REDACTED] Investors[4]	Total Amount of Registered Capital Increased or Transferred	Aggregate Consideration	Implied valuation	Basis of consideration	Date of Completion[1]	Date of Full Settlement of Consideration	Approximate Cost Per Share[2]	Approximate (Discount to)/Premium over the [REDACTED][3]
		(in RMB)							
	Pingyang Bangtuo	222,828	RMB27.15 million	RMB46 billion	Business prospect of the Company and commercial negotiation between the transferor and transferee	February 5, 2021	February 4, 2021	RMB121.84	[REDACTED]
	Beijing SINOIF	1,271,879	RMB100 million	RMB30 billion	Valuation of our Company in recent financing rounds	February 2, 2021	March 8, 2021	RMB78.62	[REDACTED]
Series D Financing IV	Hangzhou Hushan	3,169,371	RMB250 million	RMB30 billion	Valuation of our Company in recent financing rounds	March 29, 2021	February 4, 2021	RMB78.88	[REDACTED]
	Xiamen Jinyuan	1,267,748	RMB100 million	RMB30 billion	Valuation of our Company in recent financing rounds	March 29, 2021	February 10, 2021	RMB78.88	[REDACTED]
	Xiamen Siming	1,267,748	RMB100 million	RMB30 billion	Valuation of our Company in recent financing rounds	March 29, 2021	February 10, 2021	RMB78.88	[REDACTED]

[REDACTED] Investments	Name of [REDACTED] Investors(4)	Total Amount of Registered Capital Increased or Transferred	Aggregate Consideration	Implied valuation	Basis of consideration	Date of Completion(1)	Date of Full Settlement of Consideration	Approximate Cost Per Share(2)	Approximate (Discount to)/Premium over the [REDACTED](3)
		(in RMB)							
	Yangzhou Longtou	633,874	RMB50 million	RMB30 billion	Valuation of our Company in recent financing rounds	March 29, 2021	March 26, 2021	RMB78.88	[REDACTED]
Jun-2021 Transfer	Pingyang Yuandao	83,304	RMB10.15 million	RMB47 billion	Business prospect of the Company and commercial negotiation between the transferor and transferee	June 20, 2021	April 20, 2021	RMB121.84	[REDACTED]
July-2021 Transfers	Zibo Zhouhan	305,890	RMB26 million	RMB33 billion	Valuation of our Company in recent financing rounds	July 14, 2021	May 28, 2021	RMB85.00	[REDACTED]
	Ms. Peng Yahua	131,312	RMB10 million	RMB29 billion	Valuation of our Company in recent financing rounds	July 30, 2021	July 30, 2021	RMB76.15	[REDACTED]
	Mr. Zhao Guoqun	1,642,737	RMB32.5 million(27)	RMB6.5 billion	Valuation of our Company in recent financing rounds(27)	July 22, 2021	August 17, 2018(27)	RMB19.78(27)	[REDACTED]

[REDACTED] Investments	Name of [REDACTED] Investors[4]	Total Amount of Registered Capital Increased or Transferred	Aggregate Consideration	Implied valuation	Basis of consideration	Date of Completion[1]	Date of Full Settlement of Consideration	Approximate Cost Per Share[2]	Approximate (Discount to)/Premium over the [REDACTED][3]
		(in RMB)							
Series D Financing V	Jiujiang Youxuan	6,338,742	RMB500 million	RMB31 billion	Valuation of our Company in recent financing rounds	July 20, 2022	June 27, 2022	RMB78.88	[REDACTED]
	Liuzhou Government Investment Fund[32]	2,535,497	RMB200 million	RMB31 billion	Valuation of our Company in recent financing rounds	July 21, 2022	June 27, 2022	RMB78.88	[REDACTED]
Issue of new Shares in connection with UBJ Acquisition	Hangzhou Yuanxing[28]	507,082	RMB40 million	RMB31 billion	Valuation of our Company in recent financing rounds	July 21, 2022	July 29, 2022[29]	RMB78.88	[REDACTED]
	Yachang Jiake[28]	405,686	Approximately RMB32.00 million	RMB31 billion	Valuation of our Company in recent financing rounds	July 21, 2022	July 29, 2022[29]	RMB78.88	[REDACTED]
	GQC Jialu[28]	253,551	Approximately RMB20.00 million	RMB31 billion	Valuation of our Company in recent financing rounds	July 21, 2022	July 29, 2022[29]	RMB78.88	[REDACTED]

[REDACTED] Investments	Name of [REDACTED] Investors[(4)]	Total Amount of Registered Capital Increased or Transferred	Aggregate Consideration	Implied valuation	Basis of consideration	Date of Completion[(1)]	Date of Full Settlement of Consideration	Approximate Cost Per Share[(2)]	Approximate (Discount to)/Premium over the [REDACTED][(3)]
		(in RMB)							
Transfers to Zibo Linrui	Zibo Linrui	217,394	RMB24 million	RMB43 billion	Business prospect of the Company and commercial negotiation between the transferor and transferee	August 4, 2022	August 4, 2022	RMB112.42	[REDACTED]
Series D Financing VI	Puyang Jinkong[(30)]	2,045,259	RMB161.33 million	RMB31 billion	Valuation of our Company in recent financing rounds	December 13, 2022	November 11, 2022	RMB78.88	[REDACTED]
Nov-2022 Transfer	Shanghai Youjue	480,088	RMB30 million	RMB25 billion	Valuation of our Company in recent financing rounds and commercial negotiation between the transferor and transferee	November 30, 2022	January 19, 2023	RMB62.49	[REDACTED]

[REDACTED] Investments	Name of [REDACTED] Investors(4)	Total Amount of Registered Capital Increased or Transferred	Aggregate Consideration	Implied valuation	Basis of consideration	Date of Completion(1)	Date of Full Settlement of Consideration	Approximate Cost Per Share(2)	Approximate (Discount to)/Premium over the [REDACTED](3)
		(in RMB)							
Dec-2022 Transfer	Puyang Investment(30)	890,588	RMB58.67 million	RMB26 billion	Valuation of our Company in recent financing rounds and commercial negotiation between the transferor and transferee	December 1, 2022	November 11, 2022	RMB65.88	[REDACTED]
Series D Financing VII	Liuzhou Industrial Fund(32)	10,395,538	RMB820 million	RMB32 billion	Valuation of our Company in recent financing rounds	February 21, 2023	January 29, 2023	RMB78.88	[REDACTED]
May-2023 Transfer	Liuzhou Industrial Fund	2,281,947	RMB180 million	RMB32 billion	Valuation of our Company in recent financing rounds	May 31, 2023	May 30, 2023	RMB78.88	[REDACTED]

Notes:

1. Such date represents, (i) in respect of subscriptions of increased registered capital, or equity transfers prior to the conversion of our Company into a joint stock company on March 29, 2019, the date on which the necessary change in business registration with the competent Chinese authority was completed; or (ii) in respect of equity transfers after the conversion of our Company into a joint stock company when the change in business registration was not required, the date on which the relevant transferors and transferees of the transfers notified our Company.

2. Upon the conversion of our Company into a joint stock company on March 29, 2019, interest in each RMB1 of our registered capital was converted into Shares at the ratio of approximately 1:13.74. Accordingly, for the purpose of calculating cost per Share for the [**REDACTED**] Investments prior to the conversion, the subscription or purchase of each RMB1 of our registered capital was deemed to be the subscription or purchase of approximately 13.74 Shares.

3. Calculated based on the assumption that the [**REDACTED**] is [**REDACTED**] per H Share, being the mid-point of the indicative [**REDACTED**] of [**REDACTED**] to [**REDACTED**] per H Share.

4. Except for Zhengxuan Investment, Mr. Zhao Guoqun, Shenzhen Zhineng Youxuan and Shenzhen Unicorn, all of such [**REDACTED**] Investors are Independent Third Parties.

5. As of the Latest Practicable Date, Zhengxuan Investment was owned as to 97.25% and 2.75% by Mr. Xia Zuoquan, our Non-executive Director and one of our Controlling Shareholders, and Ms. Yang Zhilian (楊志蓮), spouse of Mr. Xia Zuoquan. In April 2015, Zhengxuan Investment transferred approximately 14.12% equity interest in our Company to Mr. Xia Zuoquan.

6. The nil consideration was determined after arm's length negotiations between Leaguer Huarei and our Company pursuant to the anti-dilution compensation entitled by Leaguer Huarei under the Sep-2013 Investment Agreement as a result of the subscription by Zhengxuan Investment.

7. In June 2019, Mr. Zhao Guoqun agreed to transfer 6,660,000 Shares to Ms. Zhou Jing unconditionally pursuant to a divorce agreement. The parties agreed that such Shares shall then be held by Mr. Zhao Guoqun on behalf of Ms. Zhou Jing for administrative convenience purposes. Subsequently, in December 2020, Ms. Zhou Jing became the registered owner of the aforesaid Shares and the nominee arrangement was thus terminated.

8. In March 2019, Ms. Tang Jing transferred RMB334,246 of the registered capital of our Company to Qingdao Ningmi as an intra-group transfer. As of the Latest Practicable Date, Qingdao Ningmi had been deregistered, and Ms. Tang Jing was the sole general partner and a limited partner of Qingdao Ningmi prior to its deregistration.

   Further, in October 2022, Qingdao Ningmi transferred approximately 389,000 Shares to Shanghai Ningjing Youxuan Management Consultancy Limited Partnership* (上海甯靖優選管理諮詢合夥企業(有限合夥)) ("**Ningjing Youxuan**") as an intra-group transfer. Ms. Tang Jing was the sole general partner of Qingdao Ningmi and Ningjing Youxuan.

9. QM25 is a company principally engaged in venture investment and ultimately managed by Qiming Venture Partners, an institution principally engaged in providing venture capital and asset management services. Mr. Zhou Zhifeng, our Non-executive Director, currently serves as a partner in Qiming Venture Partners.

10. iFlytek Investment is an investment company owned by the core management team of iFlytek Stock. In April 2017, iFlytek Investment transferred approximately RMB383,000 and RMB43,000 of the registered capital of the Company owned by it to Anhui Kexun and Wuhu Dingli, respectively, as intra-group transfers. Mr. Xu Jingming (徐景明) was the president of iFlytek Investment and the general partner of Anhui Kexun and Wuhu Dingli.

11. The nil consideration was determined after arm's length negotiations between CDH and our Company pursuant to the anti-dilution compensation entitled by CDH under the Feb-2016 Cooperation Agreement as a result of the subscription by Jinshi Haorui.

12. As of the Latest Practicable Date, the Zhuhai State-owned Assets Supervision and Administration Commission was the ultimate controller of Zhuhai Huaying and Zhuhai Technology. Pursuant to an equity transfer agreement dated October 23, 2020, Zhuhai Huaying transferred approximately RMB1.08 million of the registered capital of our Company to Zhuhai Huaying Youxuan Investment Limited Partnership* (珠海鏵盈優選投資合夥企業(有限合夥)) ("**Huaying Youxuan**") as an intra-group transfer. As of the Latest Practicable Date, Huaying Youxuan was owned as to approximately 97% by Zhuhai Huaying as a limited partner. Pursuant to an equity transfer agreement dated October 30, 2020, Zhuhai Technology transferred approximately RMB1.08 million of the registered capital of our Company to Zhuhai Kechuang Haiyuan Investment Limited Partnership* (珠海科創海源投資合夥企業(有限合夥)) ("**Zhuhai Haiyuan**") as an intra-group transfer. As of the Latest Practicable Date, Zhuhai Haiyuan was owned as to approximately 99% by Zhuhai Technology as a limited partner.

13. As of the Latest Practicable Date, Beijing Ding Sheng Hui Zhong Investment Management Co., Ltd.* (北京鼎晟匯眾投資管理有限公司) was the general partner of Huzhou Tianlangxing and Beijing Tianlang Xingsu.

14. As of the Latest Practicable Date, Image Frame and Tencent SZ were both subsidiaries of Tencent Holdings Limited, a company listed on the Stock Exchange (stock code: 700). Tencent SZ was one of our customers, and two other subsidiaries of Tencent Holdings Limited were our customer and supplier (together the "**Tencent Subsidiaries**"), during the Track Record Period.

   We purchased (i) licensed music and voice interaction services used in producing our smart service robotic products from the Tencent Subsidiaries in the amount of RMB157,000, RMB81,000 and RMB93,000 in FY2020, FY2021 and FY2022, representing 0.04%, 0.01% and 0.01% of our total cost of sales during the corresponding periods respectively; and (ii) technology services (such as voice interaction technology development services and cloud servers) from the Tencent Subsidiaries for our research and development of smart service robotic products and services in the amount of RMB6.6 million, RMB120,000 and RMB271,000 in FY2020, FY2021 and FY2022, representing 1.47%, 0.02% and 0.06% of our research and development expenses during the corresponding periods respectively. We sold smart service robotic products to the Tencent Subsidiaries in the amount of RMB129,000, RMB234,000 and RMB398,000 in FY2020, FY2021 and FY2022, representing 0.02%, 0.03% and 0.04% of our total revenue during the corresponding periods respectively.

15. As of the Latest Practicable Date, Shenzhen MacLeod Fund Management Co., Ltd.* (深圳市麥高富達基金管理有限公司) was the general partner of Huizhi Tongtai and Huizhi Tongying.

16. As of the Latest Practicable Date, Beijing Juran Investment was owned as to approximately 99% by Beijing Juran Holding as a limited partner. Pursuant to an equity transfer agreement dated December 15, 2020, Beijing Juran Holding transferred approximately RMB2.30 million of the registered capital of our Company to Beijing Juran Investment as an intra-group transfer.

17. As of the Latest Practicable Date, the majority of partnership interest in Shenzhen Unicorn was owned by an associate of Mr. Xia Yongjun. In January 2018, Mr. Xia Yongjun transferred RMB119,531 of the registered capital of our Company to Shenzhen Unicorn.

18. Pursuant to an equity transfer agreement dated August 28, 2018, Telstra Ventures transferred RMB12,720 of the registered capital of our Company to Telstra Ventures Fund II, L.P. ("**Telstra Fund**") as an intra-group transfer. As of the Latest Practicable Date, Telstra Fund was an affiliate of Telstra Ventures.

19. Zhongde Phase One could not settle the consideration of USD20 million for the increased registered capital subscribed under the Series C Financing Agreement due to restrictions on the transfer of funds. In this connection, Zhongde Phase One and Shenzhen Unicorn entered into the Feb-2018 Agreement, pursuant to which (i) Zhongde Phase One transferred its entire equity interest to Shenzhen Unicorn for nil consideration; (ii) the obligation of Zhongde Phase One to pay the consideration of USD20 million under the Series C Financing was taken up by Shenzhen Unicorn. The consideration of USD20 million was paid by Shenzhen Unicorn to our Company on February 5, 2018.

20. As of the Latest Practicable Date, Shenzhen Qianhai Honghao Asset Management Limited Company* (深圳市前海鴻灝資產管理有限公司) ("**Qianhai Honghao**") was the general partner of Shenzhen Zhineng Jiaxuan and Shenzhen Zhineng Youxuan.

21. In November 2017, Shenzhen Evolution and Minsheng Securities entered into an equity transfer agreement, pursuant to which Shenzhen Evolution transferred 0.45% equity interest in our Company to Minsheng Securities at the consideration of USD8.9 million, corresponding to an implied valuation of our Company at USD2 billion as part of the Jan-2018 Transfers. In comparison, the investments by Shenzhen Shengshi Shidai, ICBC (Shenzhen) and Image Frame in the Jan-2018 Transfers corresponded to an implied valuation of our Company at USD1.2 billion. In the Series C Financing, Minsheng Securities, ICBC (Shenzhen) and Tencent SZ, among other subscribers, subscribed for our increased registered share capital respectively which corresponded to an implied valuation of our Company at USD4 billion. Accordingly, the implied valuation of our Company regarding the [**REDACTED**] Investments by Minsheng Securities in the Jan-2018 Transfers and Series C Financing overall was higher when compared with the [**REDACTED**] Investments by Tencent (being the shareholder of Image Frame and Tencent SZ) and ICBC (Shenzhen) in the Jan-2018 Transfer and Series C Financing, resulting in a relatively higher average investment cost by Minsheng Securities.

    In addition, in December 2017, Minsheng Securities appointed a representative to our Board, who, with her extensive experience in financial investments, provided advice on our Company's financing and did not receive any remuneration from our Company. In order to maintain shareholder relationship, and considering that (i) Minsheng Securities is a renowned investor, the investment by which could serve as an endorsement of our Company's prospects; (ii) the contribution of the Board representative appointed by Minsheng Securities to our Company; and (iii) the higher implied valuation of our Company regarding the [**REDACTED**] Investments by Minsheng Securities in the Jan-2018 Transfers and the Series C Financing, after arm's negotiation between our Company, Minsheng Securities and Mr. Xia Yongjun, one of our Controlling Shareholders and a then Director, Mr. Xia Yongjun transferred RMB6,818 of our registered capital to Minsheng Securities at nil consideration as compensation to Minsheng Securities for its higher investment cost and recognition of its contribution to the Company.

    In February 2019, Minsheng Securities transferred approximately 1.34% equity interest to Fuzhong Kangding as an intra-group transfer. As of the Latest Practicable Date, Fuzhong Kangding was owned as to approximately 99.83% by Minsheng Securities as a limited partner.

22. As of the Latest Practicable Date, Haikun Investment Management (Shanghai) Limited Company* (海鯤投資管理(上海)有限公司) ("**Haikun Investment**") was the general partner of both Haikun Xinhong and Haikun Yujie. In December 2022, Haikun Xinhong and Haikun Yujie transferred approximately 3.5 million Shares and 2.2 million Shares to Haikun Investment respectively as intra-group transfers.

23. In September 2018, Lide Equity transferred RMB47,473 of the registered capital of our Company to Shuoguang Lide Jintou Investment Center Limited Partnership* (壽光市利得金投投資中心(有限合夥)) ("**Lide Investment**") as an intra-group transfer. As of the Latest Practicable Date, Lide Equity was the sole general partner of Lide Investment.

24. As of the Latest Practicable Date, Xiangshi (Shanghai) Investment Co., Ltd.* (翔石(上海)投資有限公司) ("**Xiangshi Shanghai**") was the general partner of Xiangshi Xiren and Xiangshi Xiyi. In December 2022, Xiangshi Xiren and Xiangshi Xiyi transferred in aggregate approximately 1.75 million Shares to Shanghai Yaosen Investment Management Co., Ltd.* (上海垚森投資管理有限公司) ("**Shanghai Yaosen**"), which is owned as to 91.80% by Xiangshi Shanghai as of the Latest Practicable Date, as intra-group transfers.

25. In February 2019, Wenzi Huaxia transferred approximately RM124,000 of our registered capital to Chengdu Zhongrui Zhixuan Equity Investment Fund Limited Partnership* (成都市中瑞智選股權投資基金合夥企業(有限合夥)) ("**Chengdu Zhongrui**") as intra-group transfer. As of the Latest Practicable Date, Wenzi Huxia was owned as to approximately 48.89% by Chengdu Zhongrui.

26. Image Frame and Tencent SZ were entitled to acquire the registered capital of our Company under such transfers because according to the supplemental shareholders agreement dated February 4, 2018 and entered into between our Company, Mr. Zhou Jian, and our other shareholders at that time, Image Frame and Tencent SZ had the right to anti-dilution compensation, and at that time our Company implemented an equity incentive scheme which would dilute the value of equity interest held by Image Frame and Tencent SZ. Under the supplemental shareholders agreement, Image Frame and Tencent SZ were entitled to request Mr. Zhou Jian to transfer shares to them at nil consideration or the lowest price permitted under the law to pay for the anti-dilution compensation. Accordingly, Mr. Zhou Jian transferred part of his shareholding for a nominal consideration to Image Frame and Tencent SZ respectively.

27. On December 30, 2016, Mr. Zhao Guoqun and Mr. Xiong Youjun entered into an agreement, pursuant to which Mr. Xiong Youjun agreed to transfer 0.5% equity interest in our Company to Mr. Zhao Guoqun at the consideration of RMB32.5 million. The parties agreed that such equity interest would be held by Mr. Xiong Youjun on behalf of Mr. Zhao Guoqun for administrative convenience purposes. On July 22, 2021, Mr. Zhao Guoqun became the registered owner of the relevant equity interest and the nominee arrangement was thus terminated.

28. For further details, please see "Material Acquisitions During the Track Record Period — Acquisition of Additional 47.80% Equity Interest in Shanghai UBJ".

29. The dates of settlement of consideration are taken to be the dates when Hangzhou Yuanxing, Yachang Jiake and GQC Jialu completed the transfers of the equity interest in Shanghai UBJ to our Company pursuant to the UBJ Acquisition.

30. As of the Latest Practicable Date, Puyang Jinkong and Puyang Investment were both ultimately controlled by the Puyang State-owned Assets Supervision and Administration Commission.

31. In November 2022, Heze Dianjinyun transferred approximately 1.44 million Shares to Ms. Liu Wenhua (劉文華). As of the Latest Practicable Date, Ms. Liu Wenhua was the general partner Heze Dianjinyun and owned 98% of the partnership interest in Heze Dianjinyun.

32. As of the Latest Practicable Date, Liuzhou Government Investment Fund and Liuzhou Industrial Fund were both ultimately controlled by the Liuzhou State-owned Assets Supervision and Administration Commission.

33. The implied valuation for the Series A Financing increased significantly compared with that for the Series Pre-A Financing because we had successfully developed and produced our first small sized humanoid robot, Alpha Robot in 2014.

34. The implied valuation for the Series B Financing increased significantly compared with that for the Series A Financing because in 2016 (i) 540 units of our Alpha Robots performed simultaneously at the Spring Festival Gala substantially raising our brand awareness; and (ii) we launched our consumer-level robots and other hardware devices.

35. The implied valuation for the Series C Financing increased significantly compared with that for the Series B Financing because we launched our (i) education smart robotic products and services and (ii) general service smart robotic products and services in 2017.

Basis of Consideration

Save as otherwise indicated in the table above, the considerations for the [**REDACTED**] Investments were determined based on arm's length negotiation amongst the respective parties after taking into consideration, among other things, the timing of the investments, the estimated valuation of our Company, and the status and prospects of our business.

See "Principal terms of the [**REDACTED**] Investments" for the implied valuations of the [**REDACTED**] Investments. Based on the mid-point of the indicative [**REDACTED**] of [**REDACTED**] and total number of issued Shares upon [**REDACTED**] of [**REDACTED**] (assuming the [**REDACTED**] is not exercised), the valuation of our Company upon [**REDACTED**] will be approximately [**REDACTED**] (the "[**REDACTED**] **Valuation**"). The differences between the implied valuations of the [**REDACTED**] Investments and [**REDACTED**] Valuation are attributed to, among other things, (i) the investment risks assumed by the [**REDACTED**] Investors, as our Company was a private company with less visibility at the time of the [**REDACTED**] Investments and there was no guarantee that our Company would become publicly [**REDACTED**], and our Shares will have increased liquidity after [**REDACTED**]; (ii) changes in the development stages of our Company, competitive landscape in the industry in which our Group operates, capital market conditions and market sentiments from the time of the [**REDACTED**] Investments up to the [**REDACTED**]; and (iii) improved corporate governance and transparency of our Company after [**REDACTED**].

[REDACTED] from the [REDACTED] Investments

The [**REDACTED**] from the [**REDACTED**] Investments conducted up to the Latest Practicable Date which involved [**REDACTED**] of increased registered capital of our Company amounted to approximately RMB5.61 billion. We utilized the [**REDACTED**] for the development and operations of our business, including but not limited to, development of advanced AI and robotic technology, new product development, R&D, technology infrastructure, personnel recruitment and sales and marketing, as well as other general corporate purposes. As of Latest Practicable Date, approximately 90.25% of the [**REDACTED**] from the [**REDACTED**] Investments had been utilized.

Strategic or financial benefits of the [REDACTED] Investors brought to our Company

At the time of the [**REDACTED**] Investments, we were of the view that our Company would benefit from the strategic or financial value that the [**REDACTED**] Investors would bring to our business, the additional capital provided by the [**REDACTED**] Investors' investments in our Company and their knowledge relevant to our business. Our [**REDACTED**] Investors include (a) renowned professional investors, some of which are highly experienced in investing in the innovative technological industry and/or AI and robotic companies that can provide us with professional advice on our Group's strategies and improve our corporate governance, financial reporting and internal control; (b) companies engaged in high-technology industries that can provide us with industry insights and guidance on our Group's market expansion, operation and business acquisition opportunities; and (c) PRC government-owned funds that can provide us with advice on the policies concerning our operation in the PRC and the implementation of our local projects. By introducing our [**REDACTED**] Investors, we would not only benefit from the capital that they have brought in, but also leverage on their network, expertise and corporate management experience, to further develop our business.

Our Company is also of the view that the [**REDACTED**] Investors demonstrated their confidence in our Group's operations and served as an endorsement of our Company's performance, strengths and prospects, which can assist us in broadening our shareholders base.

Lock-up Period

Pursuant to the applicable PRC laws and regulations, within the 12 months following the [**REDACTED**], all our existing Shareholders immediately before the [**REDACTED**] could not dispose of any of the Shares held by them immediately before the [**REDACTED**].

Special Rights of the [REDACTED] Investors

Our Directors confirmed that there are no special rights granted by our Company to the [**REDACTED**] Investors under the relevant agreements that will survive the [**REDACTED**].

Information of Principal [REDACTED] Investors

To the best of our Directors' knowledge, the following sets forth information of the existing [**REDACTED**] Investors each holding, directly or indirectly, [**REDACTED**] or above of our total issued Shares immediately after the completion of the [**REDACTED**] (assuming the [**REDACTED**] is not exercised).

Shenzhen Zhineng Youxuan and Shenzhen Zhineng Jiaxuan

Shenzhen Zhineng Youxuan is a limited partnership established under the laws of the PRC, principally engaged in venture investment as a registered private equity fund. Shenzhen Zhineng Youxuan is one of our Controlling Shareholders. For further details, see "Relationship with our Controlling Shareholders".

The general partners of Shenzhen Zhineng Youxuan are Shenzhen Qianhai Honghao Asset Management Limited Company* (深圳市前海鴻灝資產管理有限公司) ("**Qianhai Honghao**") and Shenzhen Sunda Investment Management Co., Ltd.* (深圳市前海星達投資管理有限公司) ("**Shenzhen Sunda**"). Qianhai Honghao, a limited company established under the laws of the PRC and principally engaged in asset management and investment management, holds approximately 8.43% partnership interest in Shenzhen Zhineng Youxuan and is ultimately controlled by Ms. Hao Ting (郝婷), an Independent Third Party. Shenzhen Sunda, a limited company established under the laws of the PRC and principally engaged in investment management, holds approximately 8.27% partnership interest in Shenzhen Zhineng Youxuan and is ultimately controlled by Mr. Chen Jiehuai (陳捷淮), an Independent Third Party.

Golden Kapok Investment Management Ltd.* (深圳市金色木棉投資管理有限公司) ("**Golden Kapok**"), a limited company established under the laws of the PRC and principally engaged in investment management, holds approximately 62.47% partnership interest in Shenzhen Zhineng Youxuan, and the single largest ultimate shareholder of which is Ms. Gao Hui (高輝), an Independent Third Party. There is no other shareholder who is in a position to control Golden Kapok.

Shenzhen Qianhai Guangji Private Securities Investment Management Company Limited* (深圳前海廣稷私募證券投資管理有限公司) ("**Qianhai Guangji**"), a limited company established under the laws of the PRC and principally engaged in investment management, holds approximately 20.82% partnership interest in Shenzhen Zhineng Youxuan, and is held as to 90% by Mr. Luo Guoping (羅國平), an Independent Third Party.

Shenzhen Zhineng Jiaxuan is a limited partnership established under the laws of the PRC, principally engaged in venture investment as a registered private equity fund. Qianhai Honghao is the sole general partner of Shenzhen Zhineng Jiaxuan. All limited partners of Shenzhen Zhineng Jiaxuan are Independent Third Parties and none of them holds more than one-third of the partnership interest.

QM25

QM25 Limited is a company incorporated under the laws of Hong Kong principally engaged in venture investment, and is owned by Qiming Venture Partners IV, L.P. and Qiming Managing Directors Fund IV, L.P., which are Independent Third Parties, as to 96.94% and 3.06% respectively. Qiming Venture Partners IV, L.P. and Qiming Managing Directors Fund IV, L.P. are exempted limited partnerships registered under the laws of the Cayman Islands. Qiming GP IV, L.P. is the general partner of Qiming Venture Partners IV, L.P., whereas Qiming Corporate GP IV, Ltd. is the general partner of both Qiming GP IV, L.P. and Qiming Managing Directors Fund IV, L.P.. Qiming

Venture Partners IV, L.P. has 53 limited partners, and Qiming Managing Directors Fund IV, L.P. has 36 limited partners. No single limited partner of Qiming Venture Partners IV, L.P. or Qiming Managing Directors Fund IV, L.P. holds more than 30% of the partnership interest. Both Qiming Venture Partners IV, L.P. and Qiming Managing Directors Fund IV, L.P. are venture capital funds focusing on investments in companies in the Technology and Consumer (T&C) and healthcare sectors across China. QM25 is ultimately managed by Qiming Venture Partners, an institution principally engaged in providing venture capital and asset management services. Mr. Zhou Zhifeng, our Non-executive Director, currently serves as an investment partner in Qiming Venture Partners. For the avoidance of doubt, Mr. Zhou Zhifeng (i) does not own any direct or indirect interest in QM25, and (ii) is unable to exercise or control the exercise of the ultimate investment-related decision-making power of Qiming Venture Partners. As such, he does not have control or influence of the voting and investment power of the shares held by Qiming Venture Partners IV, L.P. and Qiming Managing Directors Fund IV, L.P. in QM25. See "Directors, Supervisors and Senior Management — Directors — Non-executive Directors" for further details of Mr. Zhou Zhifeng's roles and responsibilities in relation to Qiming Venture Partners.

Image Frame and Tencent SZ

Image Frame is a company incorporated under the laws of Hong Kong in January 2016, principally engaged in venture investment. As of the Latest Practicable Date, it was a wholly owned subsidiary of Tencent Holdings Limited, a company listed on the Stock Exchange (stock code: 700) ("**Tencent**") and an Independent Third Party.

Tencent SZ is a limited liability company established under the laws of the PRC in February 2000, and is a wholly owned subsidiary of Oriental Power Holdings Limited which is wholly owned by Tencent.

Hangzhou Youzhi

Hangzhou Youzhi is a limited partnership established under the laws of the PRC, principally engaged in venture investment. The sole general partner of Hangzhou Youzhi is Hangzhou Yuhang State-owned Capital Investment Operation Group Co., Ltd.* (杭州余杭國有資本投資運營集團有限公司), which holds approximately 2.68% partnership interest in Hangzhou Youzhi and is a state-owned enterprise established by the Yuhang District Government.

Hangzhou Yuhang Industrial Fund Co., Ltd.* (杭州余杭產業基金有限公司) holds approximately 43.75% partnership interest in Hangzhou Youzhi, and is ultimately controlled by Hangzhou Yuhang District Treasury, an Independent Third Party. The other limited partners of Hangzhou Youzhi are Independent Third Parties and none of them holds more than one-third of the partnership interest.

CDH

CDH is a limited partnership established under the laws of the PRC, principally engaged in venture investment as a registered private equity fund. The sole general partner of CDH is Shanghai Dinghui Bai Fu Wealth Management Co., Ltd.* (上海鼎暉百孚投資管理有限公司), which holds approximately 14.99% partnership interest in CDH and is ultimately controlled by Mr. Wu Shangzhi (吳尚志), an Independent Third Party.

Bosera Capital Management Co., Ltd.* (博時資本管理有限公司) holds approximately 61.69% partnership interest in CDH and is an Independent Third Party. The other limited partners of CDH are Independent Third Parties and none of them holds more than one-third of the partnership interest.

ICBC (Shenzhen)

ICBC (Shenzhen) is a limited partnership established under the laws of the PRC, principally engaged in venture investment as a registered private equity fund. The sole general partner of ICBC (Shenzhen) is Shenzhen Jinsheng Shuoye Venture Capital Management Co., Ltd.* (深圳金晟碩業創業投資管理有限公司), which holds 0.01% partnership interest in ICBC (Shenzhen) and is ultimately controlled by Mr. Li Ye (李曄), an Independent Third Party.

China Southern Capital Management Co., Ltd.* (南方資本管理有限公司) holds the remaining 99.99% partnership interest in ICBC (Shenzhen) and is an Independent Third Party.

Jiujiang Youxuan

Jiujiang Youxuan is a limited partnership established under the laws of the PRC, principally engaged in venture investment as a registered private equity fund. The sole general partner of Jiujiang Youxuan is Shenzhen Qianhai Zhongke Zhaoshang Start-up Investment Management Co., Ltd.* (深圳市前海中科招商創業投資管理有限公司), which holds 1% partnership interest in Jiujiang Youxuan and is ultimately controlled by Mr. Shan Xiangshuang (單祥雙), an Independent Third Party.

Jiujiang Industrial Investment Fund Limited Partnership* (九江市工業產業投資引導基金合夥企業(有限合夥)) and Jiujiang Pohu Xincheng Investment Construction Co., Ltd.* (九江鄱湖新城投資建設有限公司) hold 59% and 40% partnership interest respectively in Jiujiang Youxuan and are both ultimately controlled by Jiujiang City State-owned Assets Supervision Administration Commission.

Beijing Juran Investment

Beijing Juran Investment is a limited partnership established under the laws of the PRC, principally engaged in venture investment as a registered private equity fund. The sole general partner of Beijing Juran Investment is Zhongyuan Yiju (Beijing) Investment Fund Management Co., Ltd.* (中源怡居(北京)投資基金管理有限公司), which holds 1% partnership interest in Beijing Juran Investment and is ultimately controlled by Mr. Wang Linpeng (汪林朋), an Independent Third Party.

Beijing Juran Holding holds the remaining 99% partnership interest in Beijing Juran Investment and is ultimately controlled by Mr. Wang Linpeng. Beijing Juran Holding is the controlling shareholder of Easyhome New Retail Group Co., Ltd., a company listed on the Shenzhen Stock Exchange (stock number: 000785).

Huizhi Tongtai and Huizhi Tongying

Huizhi Tongtai is a limited partnership established under the laws of the PRC, principally engaged in venture investment as a registered private equity fund. The sole general partner of Huizhi Tongtai is Shenzhen MacLeod Fund Management Co., Ltd.* (深圳市麥高富達基金管理有限公司) ("**Maigao Fuda Fund Management**"), which holds 0.25% partnership interest in Huizhi Tongtai and is ultimately controlled by Ms. Wang Rong (王蓉), an Independent Third Party.

Tianjin Haili Fangzhou Investment Management Co., Ltd.* (天津海立方舟投資管理有限公司) holds the remaining 99.75% partnership interest in Huizhi Tongtai and is ultimately controlled by Haier Smart Home Co., Ltd., a company listed on the Shanghai Stock Exchange (stock code: 600690) and the Hong Kong Stock Exchange (stock code: 6690) and an Independent Third Party.

Huizhi Tongying is a limited partnership established under the laws of the PRC, principally engaged in venture investment as a registered private equity fund. The sole general partner of Huizhi Tongying is Maigao Fuda Fund Management, which holds 0.0186% partnership interest in Huizhi Tongying.

Horgos Meibao Youlian Equity Investment Limited Partnership* (霍爾果斯美寶優聯股權投資合夥企業(有限合夥)) holds 83.04% partnership interest in Huizhi Tongying and is ultimately controlled by Ms. Li Li (李俐), an Independent Third Party. The other limited partners of Huizhi Tongying are Independent Third Parties and none of them holds more than one-third of the partnership interest.

Liuzhou Industrial Fund and Liuzhou Government Investment Fund

Liuzhou Industrial Fund and Liuzhou Government Investment Fund are limited companies established under the laws of the PRC, principally engaged in venture investment and asset management, and are ultimately controlled by the Liuzhou State-owned Assets Supervision and Administration Commission.

Accounting treatment of the [REDACTED] Investments

In respect of the [**REDACTED**] Investments of Hangzhou Yuanxing, Yachang Jiake and GQC Jialu, our Company issued new Shares to them to facilitate our acquisition of equity interest in Shanghai UBJ. For further details, see "Material Acquisitions During the Track Record Period — Acquisition of Additional 47.80% Equity Interest in Shanghai UBJ" in this section. Before July 2022, our Group held 39.73% equity interests in Shanghai UBJ which is accounted for as a joint venture. In July 2022, our Company acquired additional 47.8% equity interest of Shanghai UBJ from other joint venture partners, at cash consideration of RMB117,760,000 and issue of a total of 1,166,319 Shares to three of the sellers, Hangzhou Yuanxing, Yachang Jiake and GQC Jialu, and the fair value of the Shares issued was RMB91,999,000 at the acquisition date. Upon completion the acquisition, our Group held 87.53% equity interest in Shanghai UBJ and obtained control on Shanghai UBJ and the transaction was treated as business combination. Our Directors consider the purpose of issuing 1,166,319 Shares to the three sellers is to facilitate the acquisition and is not to pay for the value of the business acquired. As a result, the fair value of these Shares issued of RMB91,999,000 was recognized as a share-based payments to facilitate acquisition of a subsidiary with corresponding increase in share capital of RMB1,166,000 and an increase in share premium of RMB90,833,000. For further details on accounting treatment regarding the issue of Shares in connection with the acquisition of Shanghai UBJ, see Note 30(b) and Note 36 to "Appendix I — Accountant's Report".

Compliance with Interim Guidance and Guidance Letters

The Sole Sponsor has confirmed that as of the Latest Practicable Date, the [**REDACTED**] Investments are in compliance with Guidance Letter HKEx-GL29-12 issued by the Hong Kong Stock Exchange in January 2012 and updated in March 2017, Guidance Letter HKEx-GL43-12 issued by the Hong Kong Stock Exchange in October 2012 and updated in July 2013 and March 2017 and Guidance Letter HKEx-GL44-12 issued by the Hong Kong Stock Exchange in October 2012 and updated in March 2017.

OUR MAJOR SUBSIDIARIES

As of the Latest Practicable Date, our Company has 2 branch companies and 84 subsidiaries. 76, 3 and 5 of our subsidiaries were established or incorporated in the PRC, United States and Hong Kong respectively. Among those, the following subsidiaries contributed materially to our sales, production or research during the Track Record Period:

Name of Subsidiary	Date of Establishment/ Incorporation	Place of Establishment/ Incorporation	Equity held by our Group as of the Latest Practicable Date	Principal Business Activities
UBTECH Software Technology (Shenzhen) Co., Ltd.* (優必選軟件技術(深圳)有限公司)	February 6, 2018	PRC	100%	R&D and sales of AI robotic software
UBTECH (Xiamen) Intelligent Technology Co., Ltd.* (優必選(廈門)智能科技有限公司)	April 24, 2020	PRC	100%	R&D, design, production and sales of AI and smart service robotic products and the provision of smart service robotic products and services
Wuxi Uqi Intelligent Technology Co., Ltd.* (無錫優奇智能科技有限公司) ("**Wuxi Uqi**")	September 7, 2020	PRC	36.22% *(note)*	R&D, production and sales of logistics smart robotic products and services

Name of Subsidiary	Date of Establishment/ Incorporation	Place of Establishment/ Incorporation	Equity held by our Group as of the Latest Practicable Date	Principal Business Activities
UBTECH (Hebei) Technology Co., Ltd.* (優必選(河北)科技有限公司)	September 13, 2021	PRC	100%	Production and sales of AI and smart service robotic products and provision of smart service robotic products and services

Note: Considering other shareholders of Wuxi Uqi agreed to act consistently with our Company in respect of matters of Wuxi Uqi's shareholders meeting, our Company held approximately 65.0% voting rights of Wuxi Uqi as of the Latest Practicable Date. According to the articles of Wuxi Uqi, approval of Wuxi Uqi's shareholders resolutions in general requires more than 50% of shareholders' votes. Thus, our Group has control over Wuxi Uqi. For further details, see "Our Major Subsidiaries – Wuxi Uqi".

For details of all of our subsidiaries as of the Latest Practicable Date, see "Appendix VII – Statutory and General Information – A. Further Information about our Company and our Subsidiaries".

Save for Wuxi Uqi, our major subsidiaries set out above have been our wholly-owned subsidiaries since their establishments.

Wuxi Uqi

Pursuant to a cooperation agreement dated July 30, 2020 entered into by our Company, Miracle Automation Engineering Co., Ltd.* (天奇自動化工程股份有限公司) ("**MAE**"), a company listed on the Shenzhen Stock Exchange (stock code: 002009.SZ), and Wuxi Tianjie Automated Logistics Equipment Co., Ltd.* (無錫天捷自動化物流設備有限公司) ("**Tianjie Logistics**"), a wholly owned subsidiary of MAE, the Company and MAE agreed to establish an entity with the business scope of R&D, manufacture and sales of industrial and service robots, intelligent industrial and intelligent logistics products and services, and Tianjie Logistics agreed to transfer its intellectual property to such entity for its development. For further details of the relationship between MAE and our Group, see "Business — Overlapping of Customers and Suppliers — Overlapping relationship with MAE Group".

On September 7, 2020, pursuant to the aforesaid cooperation agreement, Wuxi Uqi (formerly known as Wuxi Uqi Taike Technology Co., Ltd* (無錫市優奇泰克科技有限公司)) was established under the laws of PRC as a limited liability company with a registered capital of RMB10 million by our Company and MAE, holding respectively 51% and 49% equity interest. Upon its establishment, Wuxi Uqi has become our non-wholly owned subsidiary.

On March 9, 2021, Wuxi Uqi's registered capital increased to RMB20 million by contribution from our Company and MAE on a *pro rata* basis.

Pursuant to a capital increase and equity transfer agreement dated December 28, 2021, (i) Shenzhen Quantum Leap Investment Limited Partnership* (深圳量子躍遷投資合夥企業(有限合夥)) ("**Shenzhen Quantum Leap**") agreed to subscribe for the increased registered capital of RMB5 million of Wuxi Uqi at the consideration of RMB5 million; and (ii) MAE agreed to transfer 4.05%, 4.95% and 1% equity interest in Wuxi Uqi to Guangzhou Zhengxuan Qianzhan Ruiyuan Venture Capital Limited Partnership* (廣州市正軒前瞻睿遠創業投資合夥企業(有限合夥)) (formerly known as Shenzhen Zhengxuan Qianzhan Ruiyuan Venture Capital Limited Partnership* (深圳市正軒前瞻睿遠創業投資合夥企業(有限合夥))) ("**Guangzhou Zhengxuan**"), Suzhou Zhengxuan Qianzhan Zhihe Venture Capital (Limited Partnership)* (蘇州市正軒前瞻志合創業投資合夥企業(有限合夥)) ("**Suzhou Zhengxuan**") and Mr. Wan Qiuyang (萬秋陽) at the considerations of RMB8.1 million, RMB9.9 million and RMB2 million respectively.

Shenzhen Quantum Leap is an employee shareholding platform established for the employees of Wuxi Uqi. As of the Latest Practicable Date, Mr. Li Bei, the chairman of the board of directors of Wuxi Uqi, was the sole general partner of Shenzhen Quantum Leap. To the best of our Directors' knowledge, the consideration for the subscription by Shenzhen Quantum Leap was determined after arm's length negotiations between Shenzhen Quantum Leap and the then shareholders of Wuxi Uqi taking into account Shenzhen Quantum Leap is an employee shareholding platform established for the employees of Wuxi Uqi and with reference to the face value of the subscribed registered capital.

Mr. Wan Qiuyang is the brother-in-law of Mr. Xia Zuoquan, our Non-executive Director and one of our Controlling Shareholders. As of the Latest Practicable Date, (i) Suzhou Zhengxuan was owned by Mr. Xia Zuoquan, Mr. Zhou Jian, Mr. Wan Qiuyang and other limited partners who were Independent Third Parties as to approximately 18.37%, 4.55%, 0.95% and 76.13% respectively; and (ii) Guangzhou Zhengxuan was owned by Ms. Xia Youyou, Mr. Xia Zuoquan's daughter, Mr. Xia Zuoquan, Mr. Wan Qiuyang and other limited partners who were Independent Third Parties as to approximately 13.33%, 6.67%, 1.33% and 78.67% respectively. The general partners of Suzhou Zhengxuan and Guangzhou Zhengxuan are Shenzhen Zhengxuan Qianzhan Zhihe Investment Company Limited* (深圳市正軒前瞻志合投資有限公司) and Shenzhen Zhengxuan Lihang Venture Capital Limited Partnership* (深圳市正軒勵行創業投資合夥企業(有限合夥)) respectively, which are both ultimately controlled by Mr. Xia Zuoquan. To the best of our Directors' knowledge, the considerations for the transfers of equity interest in Wuxi Uqi from MAE to Guangzhou Zhengxuan, Suzhou Zhengxuan and Mr. Wan Qiuyang were determined after arm's length negotiations between the parties taking into account the business prospect of Wuxi Uqi.

Upon completion of the aforesaid equity transfers and capital increase ("**Dec-2021 Shareholding Changes**") on December 31, 2021, Wuxi Uqi's registered capital increased to RMB25 million and was owned by our Company, MAE, Shenzhen Quantum Leap, Suzhou Zhengxuan, Guangzhou Zhengxuan and Mr. Wan Qiuyang as to approximately 40.8%, 29.2%, 20%, 4.95%, 4.05% and 1% respectively. Pursuant to the Wuxi Uqi Shareholders Undertakings, our Company held 70.8% voting rights in Wuxi Uqi immediately after the Dec-2021 Shareholding Changes. For further details, see "Our Major Subsidiaries – Wuxi Uqi – Wuxi Uqi Shareholders Undertakings".

Pursuant to a capital increase agreement dated February 2022, Suzhou Zhengxuan, Guangzhou Zhengxuan and Ningbo Yuanhao Tianchun Enterprise Management Limited Partnership* (寧波沅灝天淳企業管理合夥企業(有限合夥)) ("**Ningbo Yuanhao**") agreed to subscribe for the increased registered capital of RMB2 millions of Wuxi Uqi in aggregate. The respective subscription amount and consideration paid by the subscribers were as follows:

Subscribers	**Registered capital subscribed for**	**Consideration**
	(RMB)	**(RMB)**
Suzhou Zhengxuan	756,250	12.1 million
Guangzhou Zhengxuan	618,750	9.9 million
Ningbo Yuanhao	625,000	10 million
Total	**2,000,000**	**32 million**

To the best of our Directors' knowledge, Ningbo Yuanhao was an Independent Third Party and the considerations of the subscriptions were determined after arm's length negotiations between the parties taking into account the business prospect of Wuxi Uqi. Upon completion of the aforesaid capital increases ("**May-2022 Capital Increases**") on May 27, 2022, Wuxi Uqi's registered capital increased to RMB27 million. The shareholding structure of Wuxi Uqi immediately after the subscriptions is set out below:

Shareholder	**Approximate shareholding percentage**
	(%)
Our Company	37.78
MAE	27.04
Shenzhen Quantum Leap	18.52
Suzhou Zhengxuan	7.38
Guangzhou Zhengxuan	6.04
Ningbo Yuanhao	2.31
Mr. Wan Qiuyang	0.93
Total	100

Pursuant to the Wuxi Uqi Shareholder Undertakings, our Company held approximately 70.6% voting rights in Wuxi Uqi immediately after the May-2022 Capital Increases.

In December 2022, our Company subscribed for RMB671,600 of the increased registered capital of Wuxi Uqi at the consideration of RMB20 million, which was determined after arm's negotiations between our Company and other shareholders of Wuxi Uqi taking into account the valuation and business prospect of Wuxi Uqi. Upon completion of the subscription on December 30, 2022 (the "**Dec-2022 Capital Increase I**"), Wuxi Uqi's registered capital increased to RMB27.67 million. The shareholding structure of Wuxi Uqi immediately after the subscriptions is set out below:

Shareholder	**Approximate shareholding percentage (%)**
Our Company	39.28
MAE	26.38
Shenzhen Quantum Leap	18.07
Suzhou Zhengxuan	7.21
Guangzhou Zhengxuan	5.90
Ningbo Yuanhao	2.26
Mr. Wan Qiuyang	0.9
Total	**100**

Pursuant to the Wuxi Uqi Shareholders Undertakings, our Company held approximately 70.5% voting rights in Wuxi Uqi immediately after the Dec-2022 Capital Increase I.

In December 2022, Wuxi Uqi, Jiangsu Tianqi Borui Zhineng Equipment Development Company Limited* (江蘇天奇博瑞智能裝備發展有限公司) ("**Jiangsu Tianqi**") and Mr. Cai Xuyu (蔡旭宇), among others, entered into an agreement, pursuant to which Wuxi Uqi acquired 85% equity interest and 15% equity interest in Jiangsu Tianhui Science and Technology Development Co., Ltd.* (江蘇天慧科技開發有限公司) ("**Jiangsu Tianhui**") from Jiangsu Tianqi and Mr. Cai Xuyu (the "**Jiangsu Tianhui Acquisition**") for the considerations of approximately RMB59.43 million and RMB10.49 million respectively, which were settled with the subscriptions by Jiangsu Tianqi and Mr. Cai Xuyu for RMB1,995,700 and RMB352,200 of the increased registered capital of Wuxi Uqi, representing 6.65% and 1.17% equity interest in Wuxi Uqi immediately after the subscriptions respectively. The considerations for the Jiangsu Tianhui Acquisition and the subscriptions by Jiangsu Tianqi and Mr. Cai Xuyu were determined after arm's length negotiations between the parties taking into account the valuation and business prospect of Jiangsu Tianhui and Wuxi Uqi respectively.

For further details of the Jiangsu Tianhui Acquisition, see "Material Acquisitions During the Track Record Period – Acquisition of the Entire Equity Interest in Jiangsu Tianhui" in this section. Upon completion of the subscriptions in December 2022 ("**Dec-2022 Capital Increase II**"), Wuxi Uqi's registered capital increased to approximately RMB30.02 million. The shareholding structure of Wuxi Uqi immediately after the subscriptions and as of the Latest Practicable Date is set out below:

Shareholder	Approximate shareholding percentage (%)
Our Company	36.22
MAE	24.32
Shenzhen Quantum Leap	16.66
Jiangsu Tianqi	6.65
Suzhou Zhengxuan	6.64
Guangzhou Zhengxuan	5.43
Ningbo Yuanhao	2.08
Mr. Cai Xuyu	1.17
Mr. Wan Qiuyang	0.83
Total	**100**

Pursuant to the Wuxi Uqi Shareholders Undertakings, our Company held approximately 65.0% voting rights in Wuxi Uqi immediately after the Dec-2022 Capital Increase II.

Wuxi Uqi Shareholders Undertakings

Pursuant to the shareholders agreement dated February 2022 (the "**Feb-2022 Shareholders Agreement**"), (i) each of Mr. Wan Qiuyang and Shenzhen Quantum Leap agreed that for the period they were holding equity interest in Wuxi Uqi; and (ii) each of Guangzhou Zhengxuan and Suzhou Zhengxuan agreed that for the period of six years since the date they started holding equity interest in Wuxi Uqi, being 31 December 2021, they would act consistently with our Company in respect of matters of the shareholders meeting. In December 2022, the shareholders of Wuxi Uqi entered into a shareholders agreement which replaced the Feb-2022 Shareholders Agreement, pursuant to which Shenzhen Quantum Leap, Guangzhou Zhengxuan and Suzhou Zhengxuan continued to agree to act consistently with our Company under the same terms as the Feb-2022 Shareholders Agreement. Mr. Wan Qiuyang, Shenzhen Quantum Leap, Guangzhou Zhengxuan and Suzhou Zhengxuan had agreed to make the aforementioned undertakings (the "**Wuxi Uqi Shareholders Undertakings**") under the respective shareholders agreements because Mr. Wan Qiuyang, Guangzhou Zhengxuan and Suzhou Zhengxuan were optimistic about the business prospect of Wuxi Uqi and confident in our Company's capability in leading Wuxi Uqi's business development, and Shenzhen Quantum Leap is an employee shareholding platform established for the employees of Wuxi Uqi.

As a result of the Wuxi Uqi Shareholders Undertakings, we have continued to hold more than 50% voting rights in Wuxi Uqi despite that our shareholding in Wuxi Uqi has decreased to below 50% since the Dec-2021 Shareholding Changes. According to the articles of Wuxi Uqi, approval of Wuxi Uqi's shareholders resolutions in general requires more than 50% of shareholders' votes. As such, we have continued to obtain control of Wuxi Uqi and it has continued to be regarded as our subsidiary since its establishment up to the Latest Practicable Date.

MATERIAL ACQUISITIONS DURING THE TRACK RECORD PERIOD

Acquisition of Additional 47.80% Equity Interest in Shanghai UBJ

In July 2022, our Company entered into equity interest transfer agreements with eight shareholders of Shanghai UBJ respectively to acquire an aggregate of approximately 47.80% equity interest in Shanghai UBJ at an aggregate consideration of approximately RMB209.76 million, of which (i) RMB117.76 million was settled by cash; and (ii) approximately RMB92.00 million was settled by the issue of 1,166,319 new Shares in aggregate to Hangzhou Yuanxing, Yachang Jiake and GQC Jialu (as to 507,082 Shares, 405,686 Shares and 253,551 Shares respectively). The cash considerations were fully settled as of July 14, 2022 and the Shares were issued on July 21, 2022.

The considerations for the UBJ Acquisition were determined by the parties after arm's length negotiations taking into considerations, among other things, the valuation and business prospect of Shanghai UBJ and the initial cost of investments of the transferors.

Save for being the shareholders of Shanghai UBJ, all the transferors were Independent Third Parties. To the best of our Directors' knowledge, as of the Latest Practicable Date, Yachang Jiake and GQC Jialu were ultimately controlled by Mr. Xiao Jian (肖健), an Independent Third Party.

As confirmed by our PRC Legal Adviser, transfers of the equity interest in Shanghai UBJ to our Company were completed on July 29, 2022. Immediately prior to the UBJ Acquisition, Shanghai UBJ was owned by our Company and its other shareholders as to 39.73% and 60.27%, respectively. Immediately after the UBJ Acquisition and as of the Latest Practicable Date, Shanghai UBJ was owned by our Company and the other shareholders as to approximately 87.53% and 12.47% respectively. As such, Shanghai UBJ has become our non-wholly owned subsidiary immediately upon completion of the UBJ Acquisition and its financial results have been consolidated into our Group's consolidated financial statements.

Shanghai UBJ is principally engaged in provision of technology and software services, development and consulting and sales of education equipment in the PRC. Our Directors believe the UBJ Acquisition could consolidate our control in Shanghai UBJ and further strengthen our pipelines and enhance our product development for education smart robotic products and services, and consider that the terms of the UBJ Acquisition were fair and reasonable and in the interests of our Company and our Shareholders as a whole.

Acquisition of the entire equity interest in Jiangsu Tianhui

In December 2022, Wuxi Uqi acquired 85% equity interest and 15% equity interest in Jiangsu Tianhui from Jiangsu Tianqi and Mr. Cai Xuyu at the considerations of approximately RMB59.43 million and RMB10.49 million respectively, which were settled with the subscriptions by Jiangsu Tianqi and Mr. Cai Xuyu for RMB1,995,700 and RMB352,200 of the increased registered capital of Wuxi Uqi, representing 6.65% and 1.17% equity interest in Wuxi Uqi immediately after the subscriptions respectively. Jiangsu Tianqi is a wholly-owned subsidiary of MAE and Mr. Cai Xuyu is an Independent Third Party.

The considerations for the Jiangsu Tianhui Acquisition were determined by the parties after arm's length negotiations with reference to, among other things, the business prospect and valuation of Jiangsu Tianhui. As confirmed by our PRC Legal Adviser, the above transfers of equity interest in Jiangsu Tianhui and subscription of increased registered capital of Wuxi Uqi were completed in December 2022. Immediately after the Jiangsu Tianhui Acquisition and as of the Latest Practicable Date, Jiangsu Tianhui was wholly owned by Wuxi Uqi. As such, Jiangsu Tianhui has become our non-wholly owned subsidiary immediately upon completion of the Jiangsu Tianhui Acquisition and its financial results have been consolidated into our Group's consolidated financial statements.

Jiangsu Tianhui is principally engaged in intelligent information system design, development, operation and maintenance. Our Directors believe the Jiangsu Tianhui Acquisition could further expand and strengthen the competitiveness of our logistics smart robotic products and services business, and consider that the terms of the Jiangsu Tianhui Acquisition were fair and reasonable and in the interests of our Company and our Shareholders as a whole.

CONFIRMATION BY OUR PRC LEGAL ADVISER

As advised by our PRC Legal Adviser, as of the Latest Practicable Date, (i) all the changes in the registered capital and shareholding of our Group, and any equity transfers in respect of our Group have been duly completed pursuant to the applicable PRC laws, regulations and rules and are legally valid under the applicable PRC laws, regulations and rules in all material respects; (ii) the [**REDACTED**] Investments were conducted in compliance with all applicable PRC laws and regulations; and (iii) the UBJ Acquisition and Jiangsu Tianhui Acquisition were duly and legally completed and settled and all necessary approvals were obtained pursuant to the applicable PRC laws, regulations and rules.

GUIDANCE RECEIVED FOR PREVIOUS POTENTIAL [REDACTED] IN [REDACTED] MARKET

To explore the opportunity of establishing a capital market platform in the [**REDACTED**] market, in April 2019, we entered into a guidance agreement (the "**1st Guidance Agreement**") to receive guidance from a qualified sponsor for a potential [**REDACTED**]. Another qualified sponsor joined into our guidance for a potential [**REDACTED**] as a co-sponsor in November 2020 (the "**2nd Guidance Agreement**"). In January 2021, we terminated both the 1st Guidance Agreement and the 2nd Guidance Agreement and entered into a guidance agreement for the potential [**REDACTED**] with one of the co-sponsors (the "**3rd Guidance Agreement**").

Along with the development of our business, we decided to explore opportunities in overseas markets. During this process, we realized that by increasing the international popularity of our brands and increasing our transparency can allow potential partners to better understand our business and development, further improve the governance structure of the Company, enable our Company to get familiar with and understand the operating rules of international companies, and make overseas partners more comfortable to cooperate with us. Pursuing a [**REDACTED**] on the Stock Exchange is a part of our overseas development plan and an important step to participate in the global market competition and become an international enterprise. As such, we decided to [**REDACTED**] with a [**REDACTED**] application on the Stock Exchange.

In January 2023, we terminated the 3rd Guidance Agreement. Prior to termination of the 3rd Guidance Agreement, our Company had not submitted any [**REDACTED**] application to the CSRC and had not received any comments or inquiries by the CSRC (including its local offices) regarding any potential [**REDACTED**] application, and we were not aware of any material adverse finding about our Company by the sponsors providing the guidance for the potential [**REDACTED**].

To the best of our Directors' knowledge and belief, our Directors are not aware of any material issues identified during the period of the three guidance agreements stated above that might potentially affect the suitability of the Company to be [**REDACTED**] on the Stock Exchange.

Our Directors confirm that:

- no formal [**REDACTED**] application was filed in relation to the potential [**REDACTED**] with the Stock Exchange or any regulatory authority in the PRC;
- the abortion of the potential [**REDACTED**] was based purely on commercial considerations of the Company; and
- they are not aware of any matter in connection with the potential [**REDACTED**] that may affect the suitability of our Company to be [**REDACTED**] on the Stock Exchange (or on the markets the Company previously attempted to list on) or any other matter that should be brought to the attention of the regulators and investors in Hong Kong in respect of the previous [**REDACTED**] attempts.

In addition, the Sole Sponsor has performed independent due diligence in relation to our Company's previous [**REDACTED**] attempts. Based on the independent due diligence performed, the Sole Sponsor confirms that they are not aware of any material issues relating to our Company's [**REDACTED**] attempts that might potentially affect the suitability of the Company to be [**REDACTED**] on the Stock Exchange. In addition, based on the Sole Sponsor's independent due diligence, nothing has come to the Sole Sponsor's attention that would otherwise cause them to disagree with our Directors' views mentioned above in relation to the previous [**REDACTED**] attempts.

CAPITALIZATION OF OUR COMPANY

Following the completion of the [**REDACTED**] and Conversion of Domestic Shares into H Shares, assuming the [**REDACTED**] is not exercised, our Domestic Shares and H Shares that will be held by each of our existing Shareholders are set forth as below:

	As at the Latest Practicable Date		Immediately following the completion of the [REDACTED] and Conversion of Domestic Shares into H Shares (assuming the [REDACTED] is not exercised)			
Name of Shareholders	Number of Domestic Shares	Percentage of number of Domestic Shares in the issued share capital of our Company	Number of Domestic Shares	Percentage of number of Domestic Shares in the total issued share capital of our Company	Number of H Shares	Percentage of number of H Shares in the total issued share capital of our Company
Existing Shareholders						
Mr. Zhou Jian	103,586,040	25.48%	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Shenzhen Evolution	39,599,280	9.74%	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
QM25	23,681,160	5.82%	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Mr. Xia Zuoquan	22,888,800	5.63%	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Image Frame	22,128,840	5.44%	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Shenzhen Sanciyuan	14,538,600	3.58%	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Hangzhou Youzhi	14,198,883	3.49%	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Liuzhou Industrial Fund	12,677,485	3.12%	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Mr. Xia Yongjun	11,039,400	2.72%	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Mr. Xiong Youjun	8,290,743	2.04%	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Ms. Wang Lin	8,201,880	2.02%	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
CDH	7,040,160	1.73%	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
ICBC (Shenzhen)	6,861,960	1.69%	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Ms. Zhou Jing	6,660,000	1.64%	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Jiujiang Youxuan	6,338,742	1.56%	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Beijing Juran Investment	5,802,120	1.43%	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Haikun Investment	5,689,081	1.40%	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Shenzhen Zhineng Jiaxuan	5,379,840	1.32%	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Huizhi Tongtai	5,139,000	1.26%	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Fuzhong Kangding	4,667,400	1.15%	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Ningjing Youxuan	3,889,375	0.96%	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Chongqing Chengwei	3,847,320	0.95%	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Tencent SZ	3,532,320	0.87%	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Shenzhen Zhineng Youxuan	3,220,200	0.79%	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Hangzhou Hushan	3,169,371	0.78%	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Chengdu Hongzhijia	2,708,640	0.67%	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Liuzhou Government Investment Fund	2,535,497	0.62%	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

	As at the Latest Practicable Date		Immediately following the completion of the [REDACTED] and Conversion of Domestic Shares into H Shares (assuming the [REDACTED] is not exercised)			
Name of Shareholders	Number of Domestic Shares	Percentage of number of Domestic Shares in the issued share capital of our Company	Number of Domestic Shares	Percentage of number of Domestic Shares in the total issued share capital of our Company	Number of H Shares	Percentage of number of H Shares in the total issued share capital of our Company
Huzhou Tianlangxing	2,516,760	0.62%	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Mr. Zhao Guoqun	2,469,657	0.61%	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Zhuhai Hengqin	2,447,640	0.60%	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Ningbo Jiuyou	2,423,880	0.60%	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Chia Tai	2,132,640	0.52%	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Puyang Jinkong	2,045,259	0.50%	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Beijing Langma	1,748,160	0.43%	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Yiwu Hongyuan	1,748,160	0.43%	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
YBX	1,748,160	0.43%	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Shanghai Yaosen	1,748,160	0.43%	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Chengdu Zhongrui	1,699,920	0.42%	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Beijing Tianlang Xingsu	1,514,880	0.37%	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Ms. Liu Wenhua	1,442,455	0.35%	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Huizhi Tongying	1,284,840	0.32%	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Lifu Tianda	1,281,600	0.32%	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Beijing SINOIF	1,271,879	0.31%	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Anqing Tongan	1,267,748	0.31%	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Xiamen Jinyaun	1,267,748	0.31%	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Xiamen Siming	1,267,748	0.31%	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Qingdao Jinshi	1,222,920	0.30%	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Leaguer Huarei	1,119,240	0.28%	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Zhuhai Kechuang	1,077,840	0.27%	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Zhuhai Huaying	1,077,840	0.27%	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Puyang Investment	890,588	0.22%	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
iFlytek Stock	889,560	0.22%	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Shenzhen Songhe	874,080	0.22%	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Zhonghui Jinjiu	874,080	0.22%	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Jinan Changqing	704,225	0.17%	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Lide Equity	652,320	0.16%	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Ningbo Haohong	651,960	0.16%	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Yangzhou Longtou	633,874	0.16%	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Shenzhen Quanmintong	604,440	0.15%	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Taian Taiying	561,600	0.14%	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Hangzhou Yuanxing	507,082	0.12%	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Shanghai Youjue	480,088	0.12%	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Yachang Jiake	405,686	0.10%	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Hangzhou Huaxia	389,914	0.10%	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Zhongtai VC	380,324	0.09%	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Zibo Zhouhan	305,890	0.08%	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
GQC Jialu	253,551	0.06%	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Pingyang Bangtuo	222,828	0.05%	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Name of Shareholders	As at the Latest Practicable Date		Immediately following the completion of the [REDACTED] and Conversion of Domestic Shares into H Shares (assuming the [REDACTED] is not exercised)			
	Number of Domestic Shares	Percentage of number of Domestic Shares in the issued share capital of our Company	Number of Domestic Shares	Percentage of number of Domestic Shares in the total issued share capital of our Company	Number of H Shares	Percentage of number of H Shares in the total issued share capital of our Company
Qingdao Anyu	219,460	0.05%	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Zibo Linrui	217,394	0.05%	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Hanying Youxiang	197,398	0.05%	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Telstra Fund	174,960	0.04%	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Ms. Peng Yahua	131,312	0.03%	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Foshan Hongtao	125,485	0.03%	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Pingyang Yuandao	83,304	0.02%	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Shareholders participating in the [REDACTED]	—	—	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Total Shares	406,568,674	100%	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Upon the completion of the [**REDACTED**] (assuming that the [**REDACTED**] is not exercised) and the Conversion of Domestic Shares into H Shares, the [**REDACTED**] H Shares held by Zhao Guoqun and Zhineng Youxuan, our Controlling Shareholders, will not be counted towards the public float.

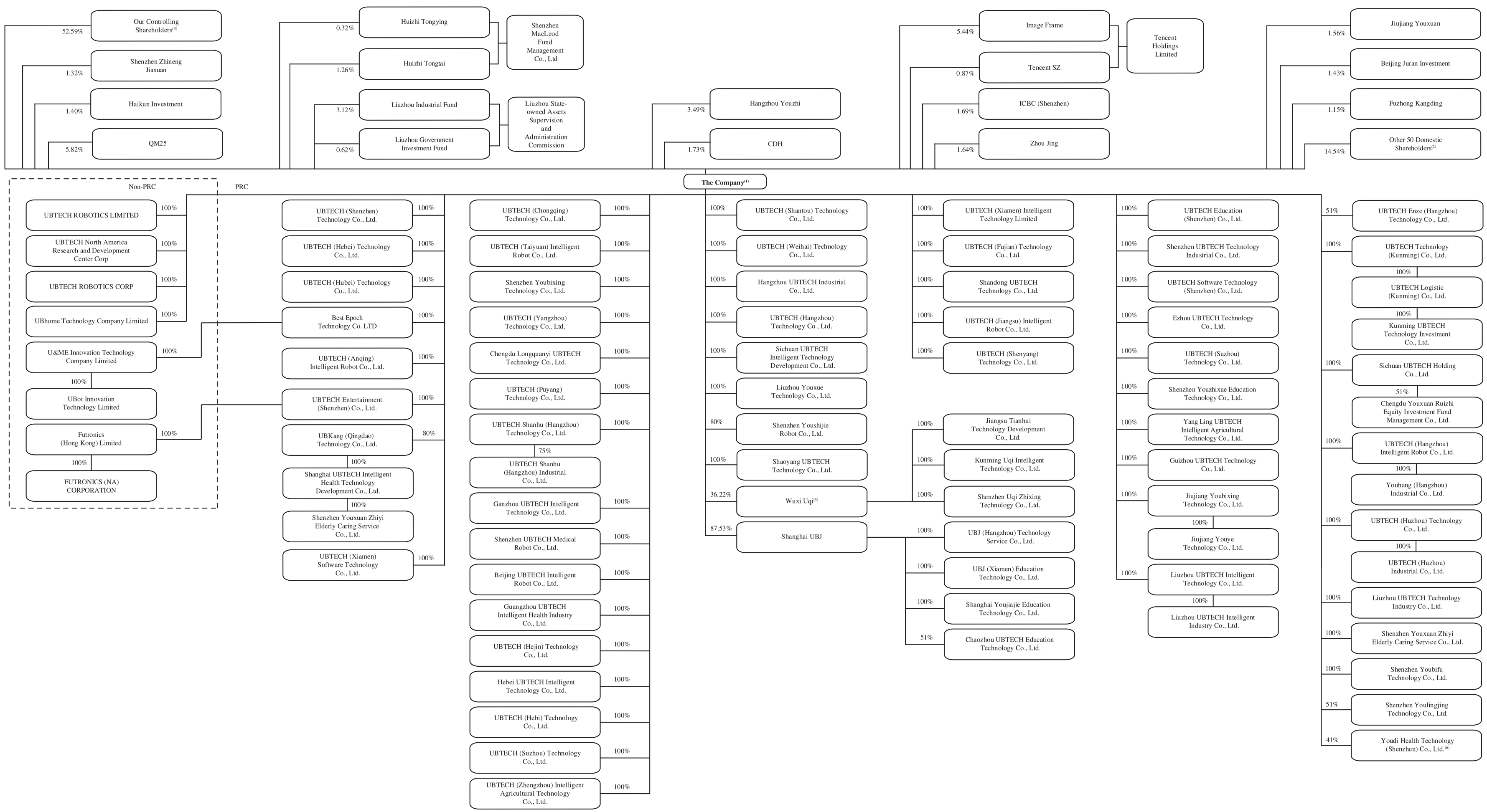
The [**REDACTED**] Domestic Shares held by our Shareholders as of the Latest Practicable Date, representing approximately [**REDACTED**] of our total issued Shares upon [**REDACTED**] (assuming the [**REDACTED**] is not exercised), will not be considered as part of the public float as the Shares are Domestic Shares which will not be converted into H Shares and [**REDACTED**] following the completion of the [**REDACTED**].

Other than Shenzhen Zhineng Youxuan and Mr. Zhao Guoqun, which are our Controlling Shareholders, no other Shareholder is expected to be our core connected person (as defined under the Listing Rules), any person whose acquisition of our Shares has been financed directly or indirectly by a core connected person, nor any person who is accustomed to take instructions from a core connected person in relation to the acquisition, disposal, voting or other disposition of our Shares registered in his name or otherwise held by him, hence, save as the H Shares held by Shenzhen Zhineng Youxuan and Mr. Zhao Guoqun, all the H Shares held by our Shareholders upon [**REDACTED**] will be counted towards public float, which is in compliance with the requirement under Rule 8.08 of the Listing Rules. Please see "Share Capital" for further details in relation to the public float.

Immediately upon completion of the [**REDACTED**], assuming the [**REDACTED**] is not exercised, save as (1) the [**REDACTED**] H Shares converted from Domestic Shares (representing approximately [**REDACTED**] of issued Shares) which shall not be transferred within one year from the date of the [**REDACTED**]; and (2) the [**REDACTED**] H shares (representing approximately [**REDACTED**] of issued Shares) held by the [**REDACTED**] Investors (based on the mid-point of the indicative [**REDACTED**] of [**REDACTED**]) which shall be subject to [6] months of lock-up period, all other H Shares (representing approximately [**REDACTED**] of the issued Shares) will not be subject to any lock-up undertaking or requirements and will be free float Shares of the Company.

OUR STRUCTURE IMMEDIATELY PRIOR TO THE [REDACTED]

The following chart illustrates the shareholding structure and simplified corporate structure of the Group immediately prior to the completion of the [**REDACTED**] and the Conversion of Domestic Shares into H Shares:



Notes:

(1) Our Company has two branches, namely, Beijing branch and Baoan branch.

(2) Each of the other Domestic Shareholders is holding less than 1% of our total issued and outstanding Shares.

(3) Our Controlling Shareholders comprise Mr. Zhou Jian, Shenzhen Sanciyuan, Mr. Xia Zuoquan, Mr. Xia Yongjun, Ms. Wang Lin, Shenzhen Evolution, Mr. Xiong Youjun, Shenzhen Zhineng Youxuan and Mr. Zhao Guoqun. The partnership interest in Shenzhen Sanciyuan is owned as to approximately 73.961%, 4.395%, 4.642% and 17.002% by Mr. Zhou Jian, Mr. Xiong Youjun, Ms. Wang Lin and Mr. Deng Peng, respectively. The partnership interest in Shenzhen Zhineng Youxuan is owned by Qianhai Honghao, Shenzhen Sunda, Golden Kapok and Qianhai Guangji as to 8.431%, 8.270%, 62.474% and 20.825% respectively. For further details of Shenzhen Evolution, which is an incentive shareholding platform, see "Incentive Shareholding Platforms" in this section.

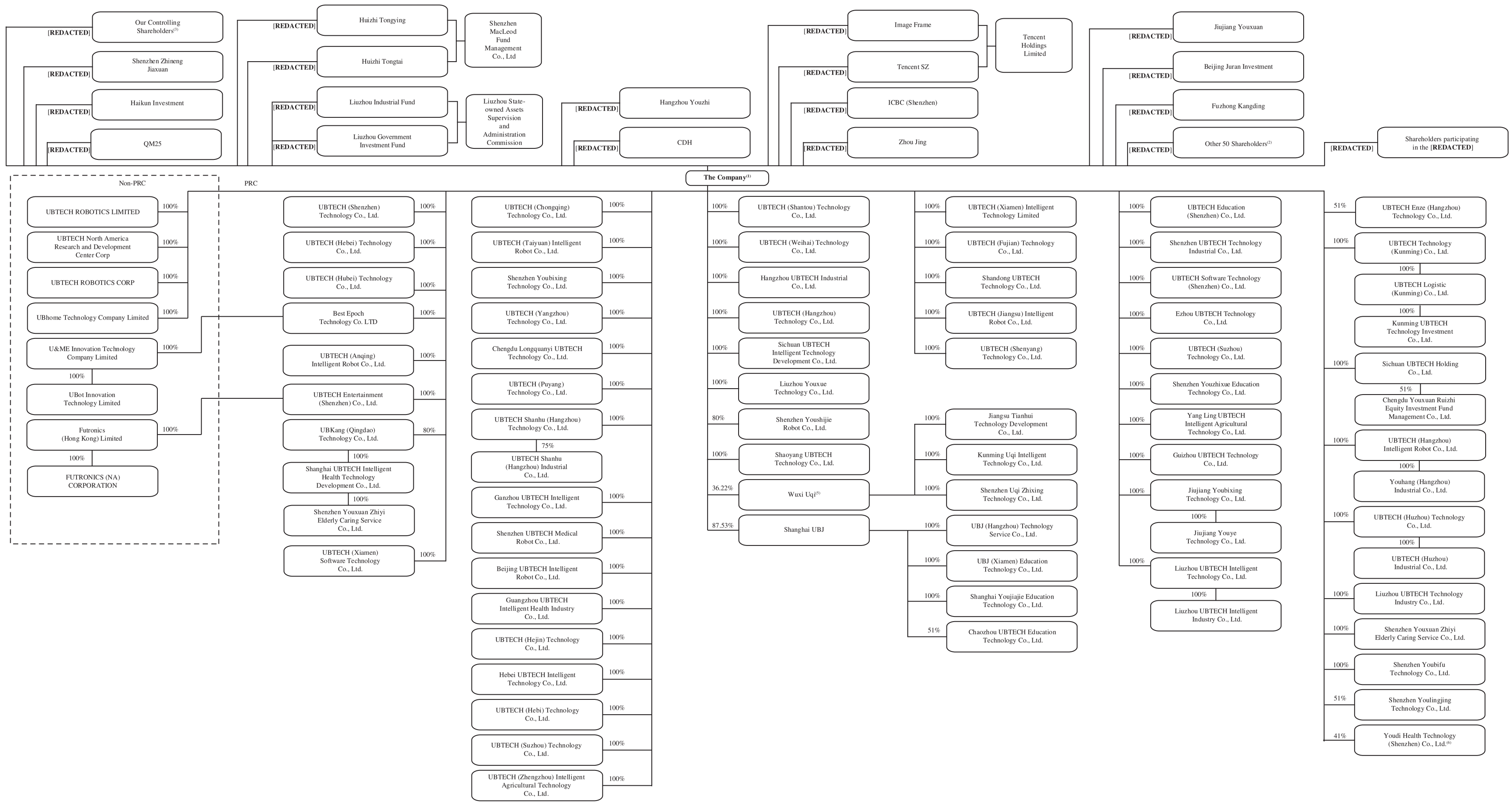
(4) For further details on the subsidiaries of our Company, please see "Accountant's Report — note 14".

(5) Wuxi Uqi is a subsidiary of our Company pursuant to the Wuxi Uqi Shareholders Undertakings.

(6) Youdi Health Technology (Shenzhen) Co., Ltd.* ("**Youdi Health**") is a subsidiary of our Company as another shareholder holding 19% voting rights in Youdi Health acts in concert with our Company and therefore our Company holds 60% of the voting rights in Youdi Health.

OUR STRUCTURE IMMEDIATELY FOLLOWING THE [REDACTED]

The following chart illustrates the shareholding structure and simplified corporate structure of the Group immediately following the completion of the [**REDACTED**] and the Conversion of Domestic Shares into H Shares (assuming the [**REDACTED**] is not exercised):



Notes:

(1) Our Company has two branches, namely, Beijing branch and Baoan branch.

(2) Such Shareholders are other existing Shareholders immediately prior to the [**REDACTED**] which will be holding less than [**REDACTED**] of our total issued and outstanding Shares immediately following the [**REDACTED**].

(3) Our Controlling Shareholders comprise Mr. Zhou Jian, Shenzhen Sanciyuan, Mr. Xia Zuoquan, Mr. Xia Yongjun, Ms. Wang Lin, Shenzhen Evolution, Mr. Xiong Youjun, Shenzhen Zhineng Youxuan and Mr. Zhao Guoqun. The partnership interest in Shenzhen Sanciyuan is owned as to approximately 73.961%, 4.395%, 4.642% and 17.002% by Mr. Zhou Jian, Mr. Xiong Youjun, Ms. Wang Lin and Mr. Deng Peng, respectively. The partnership interest in Shenzhen Zhineng Youxuan is owned by Qianhai Honghao, Shenzhen Sunda, Golden Kapok and Qianhai Guangji as to 8.431%, 8.270%, 62.474% and 20.825% respectively. For further details of Shenzhen Evolution, which is an incentive shareholding platform, see "Incentive Shareholding Platforms" in this section.

(4) For further details on the subsidiaries of our Company, please see "Accountant's Report — note 14".

(5) Wuxi Uqi is a subsidiary of our Company pursuant to the Wuxi Uqi Shareholders Undertakings.

(6) Youdi Health is a subsidiary of our Company as another shareholder holding 19% voting rights in Youdi Health acts in concert with our Company and therefore our Company holds 60% of the voting rights in Youdi Health.

BUSINESS OVERVIEW

UBTech is an established robotic company based in the PRC, dedicated to the design, production, commercialization, sales and marketing and research and development (R&D) of smart service robotic products and services *(Note)*. Our offerings, ranging from consumer-level robots and appliances, enterprise-level smart service robotic products and services tailored for education, logistics and other sectors, are equipped to different extent with smart features that sense, interact, analyze and process human instructions and external environment such as mapping, temperature measurement and facial recognition. According to Frost & Sullivan, we are the No. 3 in the smart service robotic products and services industry in China (in terms of revenue) in 2022 with a market share of 2.8%, and China's No. 1 provider of education smart robotic products and services (in terms of revenue) in 2022 with a market share of 22.5%.

During the Track Record Period, we generated revenue of RMB740.2 million, RMB817.2 million, RMB1,008.3 million, RMB283.5 million and RMB261.1 million in FY2020, FY2021, FY2022, 6M2022, and 6M2023, respectively, primarily from the sales of the following smart service robotic products and services:

(i) ***Education smart robotic products and services****:* During the Track Record Period, our education smart robotic products and services accounted for 82.7%, 56.5%, 51.2% and 29.0% of our total revenue in FY2020, FY2021, FY2022 and 6M2023, respectively. Our education smart robotic products and services are sold to government educational bureaus. They are used as teaching tools to assist students in STEAM curricula learning such as AI and programming learning, rather than just common hardware including computers and projectors, in the teaching process. For example, students can learn AI knowledge and apply programming skills learned from our AI education curriculum and command and control our smart robotic products such as uKit through our AI education software such as uCode and uPython to give them instructions to perform specific tasks. Our education smart robotic products and services mainly include (a) smart robotic products including humanoid Yanshee, Alpha Mini (education) and uKit and Jimu series (education), which are devices that can interact with students to perform certain functions on default or enhanced functions such as dancing based on the codes or commands written or designed by the students or end-users during their learning process; (b) software such as AI smart education platform for coding and programming learning; and (c) ancillary services such as providing support for teacher training and operation and utilization of our products and services;

(ii) ***Logistics smart robotic products and services****:* During the Track Record Period, our logistics smart robotic products and services accounted for 1.7%, 23.3%, 26.1% and 29.4% of our total revenue in FY2020, FY2021, FY2022 and 6M2023, respectively. Our logistics smart robotic products and services are designed for enterprises with large factories and warehouses, such as new energy vehicle manufacturers. Our major products include automated guided vehicles (AGVs) and automated mobile robots (AMRs) under our Wali (瓦力) Series which can deliver components, semi-finished products and finished products to designated places within the production facilities or warehouses. We also provide software and ancillary services to our customers, including WMS (Warehouse Management System) and MES (Manufacturing Execution System), which can also be connected to our customers' in-house system platforms to achieve more comprehensive products and services offerings;

Note: A smart service robot refers to a robotic system that is designed to perform various tasks and provide services to human autonomously, excluding industrial robots. These robots are equipped with technologies such as computer vision, voice interaction and SLAM (i.e., a technology which allows a robot to build a map of an unknown environment and localize itself in that map at the same time) and automation, allowing them to perceive and interact with external environment. Smart service robotic service is a service which integrates smart service robot with the necessary peripheral hardware and software products and services to perform intended tasks.

(iii) ***Other sector-tailored smart robotic products and services:*** During the Track Record Period, our other sector-tailored smart robotic products and services accounted for 5.2%, 11.0%, 8.2% and 8.5% of our total revenue in FY2020, FY2021, FY2022 and 6M2023, respectively. This segment comprises of smart robotic products and services covering various use scenarios including schools (e.g. for greeting and sanitisation purpose), hospitals, airports, train stations, shopping malls, banks and electrical substations to provide services such as guiding assistance, reception, sanitation, security patrol, safety inspection and monitoring of environmental conditions. Our major products offered mainly include Cruzr series, Walker series, and ADIBOT series; and

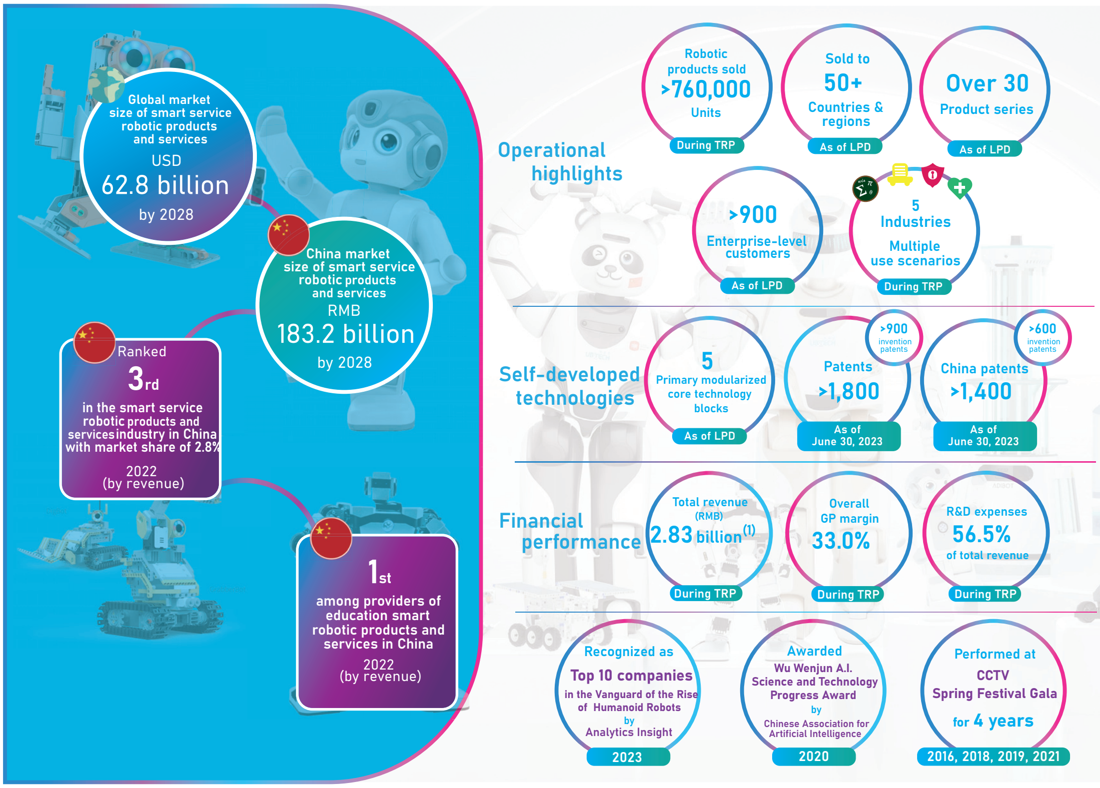
(iv) ***Consumer-level robots and other hardware devices:*** During the Track Record Period, our consumer-level robots and other hardware devices accounted for 8.4%, 8.3%, 13.1% and 32.6% of our total revenue in FY2020, FY2021, FY2022 and 6M2023, respectively. This segment refers to the sales of robotic products with AI-functions that are consumer grade and mass market level such as computer vision and voice interaction to consumers for household use. Our major products offered include AiRROBO vacuum cleaner, AiRROBO cat litter box and Alpha Mini (non-education) series.

For FY2020, FY2021, FY2022, 6M2022 and 6M2023, we incurred net losses of RMB707.0 million, RMB917.5 million, RMB987.4 million, RMB515.2 million and RMB547.9 million, respectively.

We are committed to R&D and delivery of smart service robotic products and services and we self-developed a full stack of (i) robotic, (ii) AI that are consumer grade and mass market level and (iii) integrated robotic and AI technologies for application in a range of enterprise-level and consumer-level use scenarios across various sectors.

Meanwhile, leveraging the technical knowledge gained in our R&D process, we are able to and have expanded our offerings to a diversity of other smart service robotic products, devices and services to end-users for use scenarios in different sectors in response to market conditions. For example, in 2017, driven by favorable government policy, we started offering education smart robotic products and services by providing interactive, programmable and/or codable smart robotic products in default scenarios, and further developed to offer comprehensive products and services offerings comprising AI education software (such as uCode — a graphical block-based visual programming tool for students aged 7 to 14 years old; and uPython — a programming tool for Python robot beginners) and teaching materials, curriculum design and other ancillary services. Since 2020, we further offered logistics smart robotic products and services, such as logistics smart robots capable of accurate goods transportation and automated storage and retrieval system, since 2020 in light of, among other factors, rising demand for new energy vehicles, the transformation of manufacturing industry in China and increasing labor costs and the fact that we managed to form a joint venture with a supplier of smart robotics products with a large customer base of automobile manufacturers, which allowed us to apply our technologies for warehousing logistics and delivery purposes.

The chart below showcases our operational achievements to-date:—



Note:

(1) Approximately 73% to 92% of the Group's total revenue during the Track Record Period were originated from the PRC.

Market opportunities and growth. According to Frost & Sullivan, although the penetration rate of smart service robotic products and services in the smart service robotic products and services industry in the PRC remained low in recent years, the market size of the global and PRC smart service robotic products and services market is estimated to grow from US$23.5 billion to US$62.8 billion at a CAGR of 17.8% between 2022 and 2028 and from RMB51.6 billion to RMB183.2 billion at a CAGR of 23.5% between 2022 and 2028, respectively.

We believe that our technological capabilities can be applied to various use scenarios while driven by market conditions and government policy support.

Education smart robotic products and services. Earlier in our business development history, we focused our R&D efforts and successfully applied and achieved commercialization of our robotic and AI technologies to the education sector in 2017, the demand of which has been driven by favorable government policy beginning with the New Generation of Artificial Intelligence Development Plan (《新一代人工智能發展規劃》) issued in 2017 which requires primary and secondary schools to gradually promote AI programming education and encourages the community to participate in developing and promoting educational and entertaining AI programming teaching software.

Further policies in support of robotics, AI and programming education have since been published during the Track Record Period, including but not limited to:

i. The 14th Five Year Plan for National Informatization (十四五國家信息化計劃) issued in 2021 which proposed to develop education and training related to digital skills by providing diversified digital skills training programs for the public and promoting and popularize digital skills education for all);

ii. Guidance on Accelerating Scene Innovation to Promote High-level Application of Artificial Intelligence for High-quality Economic Development (關於加快場景創新以人工智能高水平應用促進經濟高質量發展的指導意見) issued in 2022 which puts forward specific measures to improve innovation capabilities and strengthening the supply of innovation elements for AI scenarios in the field of education;

iii. Implementation Plan for "Robotics+" Application Action ("機器人+"應用行動實施方案) issued in 2023 which seeks to cultivate and introduce high end R&D talents and standardized talents for robot application, strengthen international exchange of talents, and build leading talents and innovation teams; and

iv. Opinions on Strengthening Scientific Education in Primary and Secondary Schools in the New Era (關於加強新時代中小學科學教育工作的意見) issued in 2023 which requires the improvement of school teaching and services through the opening of more science classes in accordance with the curriculum program and the revision and improvement of the curriculum standards and teaching materials, while incorporating teaching materials into the regulatory system.

Logistics smart robotic products and services. Our expansion into logistics smart robotic products and services in late 2020 was likewise driven by favorable market trend, which we believe was attributable to our robotic and AI technologies and reputation from the development of our humanoid robots. According to Frost & Sullivan, due to the need for manufacturers and logistic companies to automate their production and/or storage facilities to maximize their operational efficiency and the shortage of workers in and the rising labor cost of China's manufacturing industry, the demand for logistics and mobile smart robotic products and services will grow at a high speed with an expected market size of RMB58.9 billion by 2028 at a CAGR of 30.4% from 2022 to 2028. Against this backdrop, we expanded into logistics smart robotic products and services and began to supply logistics smart robots to our customers which are capable of accurate goods transportation, supplemented by our automated storage and retrieval system which can achieve automation and intellectualization of the sorting movement and/or storage functions of components, semi-finished products and finished products.

Other sector-tailored smart robotic products and services. During the Track Record Period, we developed and launched our wellness and elderly care smart robotic products and services in the second half of 2022, and quickly responded to the COVID-19 pandemic by rolling out sanitization and disinfection robots which have been purchased and/or used by SOEs, educational institutions, hospitals and business enterprises based in China and abroad.

As AI-empowered robotic products and services began to gain prominence in the smart service robotic products and services industry, we developed our first generation of Walker for general service purpose in 2018. Our Walkers can perform tasks and functions such as walking, voice interaction, guiding, greetings, and receptionist services or other repetitive tasks. With the advancement of technologies in the future, Walker has the potential to perform multi-tasks in various scenarios in particular in the fields of (i) general commercial (such as receptionist services in offices or exhibitions); (ii) industrial manufacturing; and in the long term, (iii) household (such as entertainment and companionship). According to Frost & Sullivan, with technological advancement in robotics and AI, the use of smart service robots is growing from repetitive task execution (such as logistics, packaging, assembly and sanitization) to tasks which require more interactive functions (such as education, logistics and wellness and elderly care). We believe that the transformation of robots from automation to autonomous intelligence offers us significant opportunities to expand into these more sophisticated segments based on our full-stack capabilities.

Our smart service robotic products and services

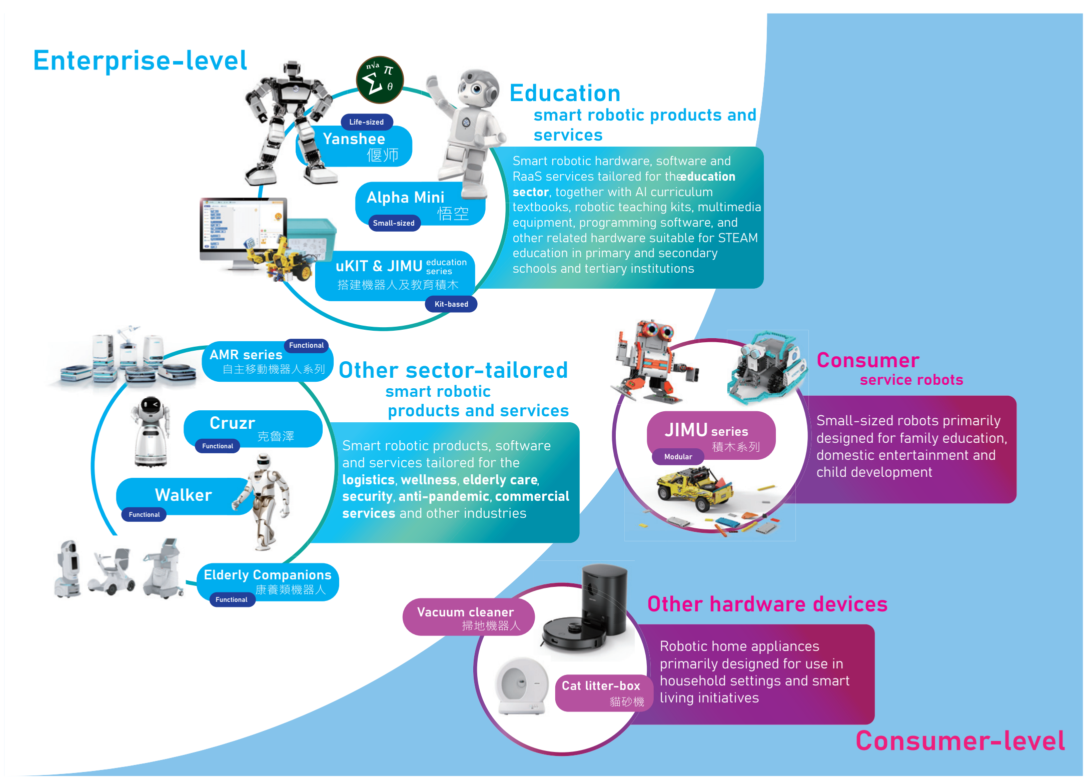
We have commercialized and rolled out a wide range of smart service robotic products and services in a range of enterprise-level and consumer-level use scenarios across various sectors in response to market trend throughout the years. The table below sets forth the key milestone of our products and services:

Year	Key milestone
2016	We launched our consumer-level robots and other hardware devices.
2017	We launched our (i) education smart robotic and (ii) general service smart robotic products and services.
Late 2020	We launched our logistics smart robotic products and services.
Second half of 2022	We launched our wellness and elderly care smart robotic products and services.

Our smart service robotic products and services form a broad range of offerings and offer to enterprise-level and cosumer-level customers.

For our enterprise-level smart service robotic products and services, we focus on offering technology-driven and industry-tailored offerings that perform complex tasks for our end-users. For our consumer-level robots and other hardware devices, we focus on consumer trends, customer preference and value-for-money.

We segment our products and services by their targeted use scenarios. The chart below highlights some of our core robotic products and services that we offered during the Track Record Period:—



During the Track Record Period, we served a broad customer base primarily in China and also over 50 other countries in the world, which covered over 900 enterprise-level group customers, including government educational bureaus and various business enterprises. We market and sell smart service robotic products and services primarily through our own direct sales force dedicated to optimizing the user experience of our customers and end-users of our smart service robotic products and services. Our direct sales force has attracted and retained large, national government educational bureaus and business enterprises in China and marketing our smart service robotic products and services overseas during the Track Record Period. Leveraging our strong reputation, we also cooperate with an extensive network of online and offline sales channels to penetrate into the consumer-level market and overseas customers.

Earlier in our business development history, we focused our R&D efforts and successfully applied and achieved commercialization of our robotic and AI technologies to the education sector in 2017, the demand of which has been driven by favorable government policies. As AI-empowered smart service robots become more prevalent in other sectors, we began to deploy our modularized technologies and successfully commercialized our product and service offerings for usage of scenarios across different industries. For instance, our general service smart robotic products and services, which cover a wide array of smart service robotic products and services such as inspection smart robots, can be deployed in transportation hubs, commercial and outdoor environment to perform various functions, including guiding assistance, security patrol and inspection, shelf inventory counting and malfunction detection. During the Track Record Period, we developed and launched our logistics smart robotic products and services in late FY2020 and wellness and elderly care purposes in the second half of 2022, and quickly responded to the COVID-19 pandemic by rolling out sanitization and disinfection smart robots which have been purchased and/or used by SOEs, government educational bureaus in China, hospitals and business enterprises based in China and abroad. Aside from enterprise-level smart service robotic products and services, which accounted for a majority of our revenue during the Track Record Period, we have also set foot in the consumer-level robots and other hardware devices segment in response to the growing popularity of smart service self-learning and smart home initiatives.

The chart below shows our revenue and sales volume during the Track Record Period by robotic products and services:—

	FY2020			FY2021			FY2022			6M2022			6M2023		
	Revenue		Sales volume[(1)]	Revenue		Sales volume[(1)]	Revenue		Sales volume[(1)]	Revenue (unaudited)		Sales volume[(1)]	Revenue		Sales volume[(1)]
	(RMB'000)	%	(Unit'000)	RMB'000	%	(Unit'000)	RMB'000	%	(Unit'000)	RMB'000	%	(Unit'000)	RMB'000	%	(Unit'000)
Enterprise-level smart service robotic products and services	663,537	89.6	N/A	742,874	90.9	N/A	862,543	85.5	N/A	228,392	80.6	N/A	174,715	66.9	N/A
Education smart robotic products and services	612,249	82.7	N/A	461,843	56.5	N/A	516,688	51.2	N/A	177,984	62.8	N/A	75,668	29.0	N/A
• Education hardware products and services, and software	403,702	54.5	128	254,654	31.2	68	279,874	27.8	60	100,601	35.5	22	16,504	6.3	13
• Others[(2)]	103,583	14.0	N/A	95,752	11.7	N/A	139,320	13.8	N/A	26,308	9.3	N/A	22,895	8.8	N/A
• Ancillary services[(3)]	104,964	14.2	N/A	111,437	13.6	N/A	97,494	9.7	N/A	51,076	18.0	N/A	36,269	13.9	N/A
Logistics smart robotic products and services[(4)]	12,690	1.7	N/A	190,786	23.3	N/A	263,437	26.1	N/A	41,129	14.5	N/A	76,801	29.4	N/A
Other sector-tailored smart robotic products and services	38,598	5.2	N/A	90,245	11.0	N/A	82,418	8.2	N/A	9,279	3.3	N/A	22,246	8.5	N/A
• General service smart robotic products and services[(5)]	36,297	4.9	0.4	77,440	9.5	0.6	30,569	3.0	1	9,021	3.2	0.1	15,003	5.7	0.2
• Walker series and others[(6)]	2,301	0.3	N/A	12,805	1.6	N/A	51,849	5.1	N/A	258	0.1	N/A	7,243	2.8	N/A
Consumer-level robots and other hardware devices	62,016	8.4	N/A	67,795	8.3	N/A	132,448	13.1	N/A	46,765	16.5	N/A	85,028	32.6	N/A
• Consumer-level robots and other hardware devices	59,372	8.0	63	65,575	8.0	99	131,900	13.1	206	45,847	16.2	72	83,185	31.9	126
• Others[(7)]	2,644	0.4	N/A	2,220	0.3	N/A	548	0.1	N/A	918	0.3	N/A	1,843	0.7	N/A
Others[(8)]	14,673	2.0	N/A	6,561	0.8	N/A	13,281	1.3	N/A	8,366	3.0	N/A	1,396	0.5	N/A
TOTAL	740,226	100.0	191	817,230	100.0	167	1,008,272	100.0	267	283,523	100.0	94	261,139	100.0	139

Notes:

(1) The sales volume by products and services segments constitute the sales volume of the core robotic products for each of our respective segments and disregards the sales volume of other accessories and ancillary products and/or services. See "Financial Information — Description of Selected Items in Consolidated Income Statements — Revenue" for details on our sales volume by products and services segments during the Track Record Period.

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

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

(4) Revenue derived from logistics smart robotic products and services are presented in terms of number of projects and average revenue per project and therefore there is no corresponding sales volume and average selling price. See "Financial Information — Description of Selected Items in Consolidated Income Statements — Revenue — By products and services — (ii) Logistics smart robotic products and services" for details.

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

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

The average selling price of general service smart robotic products and services decreased from RMB114,190 per unit in 6M2022 to RMB60,500 per unit in 6M2023, primarily due to the decrease in average selling price of ADIBOT from RMB97,040 per unit in 6M2022 to RMB27,850 per unit in 6M2023 because we implemented price reductions on these products to clear out our existing inventories in our U.S. subsidiary to facilitate the transition of our overseas sales channel to direct distributors and the increase in sales volume of our ADIBOT as a percentage to our total sales volume of general service smart robotic products and services from 41.8% in 6M2022 to 77.8% in 6M2023. See "Financial Information — Description of Selected Items in Consolidated Income Statements — Revenue — By products and services — (iii) Other sector-tailored smart robotic products and services" for details on the reasons for the price reductions on the ADIBOT series in relation to our U.S. subsidiary. The decrease in average selling price was partially offset by the sales of seven units of our new wellness and elderly care smart robotic products and services, such as walking assistance smart robot, wheelchair smart robot and companion smart robot which were of higher average selling price. Their aggregate revenue accounted for 44.0% of the total revenue of general service smart robotic products and services in 6M2023.

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

(7) "Others" under our consumer-level robots and other hardware devices segment mainly represented the sales of accessories and purchased parts. Average selling price is not meaningful as product types and specification vary significantly within this category.

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

During the Track Record Period, education remained as our sector focus and accounted for more than 59% of our total revenue throughout Track Record Period. Leveraging on the successful commercialization of our education smart robotic products and services, we expanded our presence in the smart service robotic products and services market into various use scenarios in different sectors, such as the logistics smart robotic products and services industry in late FY2020 and the wellness and elderly care smart robotic products and services industry in the second half of 2022.

The following sets forth the breakdown of revenue, gross profit, gross profit margin and sales volume of the Group by customer industries during the Track Record Period:

	FY2020					FY2021					FY2022					6M2023				
	Revenue		Gross profit/ (loss)	Gross profit/ (loss) margin	Sales volume[4]	Revenue		Gross profit/ (loss)	Gross profit/ (loss) margin	Sales volume[4]	Revenue		Gross profit/ (loss)	Gross profit/ (loss) margin	Sales volume[4]	Revenue		Gross profit/ (loss)	Gross profit/ (loss) margin	Sales volume[4]
	RMB'000	%[1]	RMB'000	%	Unit'000	RMB'000	%[1]	RMB'000	%	Unit'000	RMB'000	%[1]	RMB'000	%	Unit'000	RMB'000	%[1]	RMB'000	%	Unit'000
Education	580,163	78.4	304,615	52.5	111	473,458	58.6	231,904	49.0	63	565,073	56.2	357,934	63.3	55	54,072	20.7	26,687	49.4	1
Automobile and auto-parts	12,691	1.7	2,118	16.7	–[2]	185,797	22.7	26,863	14.5	–[2]	263,415	26.1	20,821	7.9	–[2]	76,231	29.2	9,681	12.7	–[2]
Others[3]	56,934	7.8	8,011	14.1	12	38,048	4.6	(25,723)	(67.6)	17	37,762	3.9	(12,901)	(34.2)	11	33,905	13.0	14,878	43.9	7.7

Notes:

(1) The percentage figures in this column represent the share of revenue generated from the respective customer industry to the total revenue of the Group in the relevant year/period.

(2) Sales to the automobile industry are on a project-by-project basis and therefore there is no corresponding sales volume data.

(3) "Others" include, among others, information technology, logistics and electronics industries.

(4) The sales volume figures in this table constitute the sales volume of the core smart service robotic products for each of the respective customer industry and disregards the sales volume of Walker series, other accessories and ancillary products and/or services.

(5) This table does not include sales data generated from our non-direct sales channels because the customer industries of the end-customers are unknown to our Group.

We market and sell smart service robotic products and services primarily through our own direct sales force comprising more than 450 employees dedicated to optimizing the user experience of our customers and end-users of our smart service robotic products and services. Our direct sales force has attracted and retained large, national government educational bureaus and business enterprises in China and marketing our products and services overseas during the Track Record Period. Leveraging our strong reputation, we also cooperate with an extensive network of online and offline sales channels to penetrate into the consumer-level market and overseas customers. The following set forth the breakdown of revenue, gross profit, gross profit margin and sales volume by sales channel during the Track Record Period.

	FY2020					FY2021					FY2022					6M2022					6M2023				
	Revenue		Gross profit/ (loss)	Gross profit margin	Sales volume(4)	Revenue		Gross profit/ (loss)	Gross profit margin	Sales volume(4)	Revenue		Gross profit/ (loss)	Gross profit margin	Sales volume(4)	Revenue		Gross profit/ (loss)	Gross profit margin	Sales volume(4)	Revenue		Gross profit/ (loss)	Gross profit margin	Sales volume(4)
	RMB'000	%	RMB'000	%	Unit'000	RMB'000	%	RMB'000	%	Unit'000	RMB'000	%	RMB'000	%	Unit'000	RMB'000 (Unaudited)	%	RMB'000 (Unaudited)	%	Unit'000	RMB'000	%	RMB'000	%	Unit'000
Direct sales	649,792	87.8	314,744	48.4	123	697,304	85.3	233,043	33.4	80	866,251	85.9	365,853	42.2	66	234,720	82.9	93,130	39.7	26.9	164,209	62.9	51,246	31.2	8.7
Distributors																									
– *Traditional distributors*(1)	87,048	11.8	27,665	31.8	68	97,958	12.0	18,705	19.1	58	55,653	5.5	(18,753)	(33.7)(5)	66	29,293	10.3	(21,144)	(114.1)	44.4	25,947	9.9	(9,528)	(27.2)(7)	35.8
– *Online/Offline hybrid distributors*(2)	698	0.1	(165)	(23.7)	(25)(3)	6,957	0.9	563	8.1	11	6,705	0.7	(2,464)	(36.7)(6)	25	1,238	0.4	(307)	(24.8)	2.2	11,720	4.5	(213)	(1.8)(8)	19.5
Sales through our self-operated online stores	2,688	0.4	1,073	39.9	25	15,011	1.7	4,846	32.3	18	79,663	7.9	20,026	25.1	110	18,271	6.4	6,008	32.9	20.0	59,263	22.7	13,132	22.2	75.2
Total	740,226	100.0	343,318	46.4	191	817,230	100.0	257,156	31.5	167	1,008,272	100.0	364,662	36.2	267	283,522	100.0	77,687	27.4	93.5	261,139	100.0	54,637	20.9	139.2

Notes:

(1) Revenue generated from traditional distributors also include an insignificant sales from consignees and retailers which accounted for not more than 2.0% of our total revenue each year/period during the Track Record Period.

(2) Online/offline hybrid distributors mainly include sales through online e-commerce platforms and third party online stores (who may also sell our products through their offline stores).

(3) The sales volume was negative as the volume of product return exceeded the volume of sales.

(4) The sales volume figures in this table constitute the sales volume of the core robotic products for each of the respective sales channel and disregards the sales volume of Walker series, other accessories and ancillary products and/or services.

(5) We recorded gross loss from traditional distributors in FY2022 primarily due to the gross loss attained from the sale of Alpha Mini (non-education) because we adjusted the selling price of our humanoid Alpha Mini (non-education) products downward to boost its sales in order to deal with the slow-moving inventory.

(6) We recorded gross loss from online/offline hybrid distributors in FY2022 primarily due to the gross loss attained from the sale of dictionary pens, because we adjusted the selling price downward in order to deal with the slow-moving inventory.

(7) We recorded gross loss from traditional distributors in 6M2023 primarily due to the gross loss incurred from the sales of uKit and Jimu (education) Series and ADIBOT Series robots because we implemented price reductions on these products to clear out our existing inventories in our U.S. subsidiary to facilitate the transition of our overseas sales channel to direct distributors.

(8) We recorded gross loss from online/offline hybrid distributors in 6M2023 primarily due to the gross loss incurred from the sales of AiRROBO cat litter box in order to develop the sales channels of such products through online/offline hybrid distributors.

The following table sets forth the breakdown of our revenue by geographical locations of our customers during the Track Record Period:

Countries of sales	FY2020 Revenue		FY2021 Revenue		FY2022 Revenue		6M2022 Revenue		6M2023 Revenue	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000 (Unaudited)	%	RMB'000	%
Mainland China	**682,825**	**92.2**	**753,853**	**92.2**	**877,267**	**87.0**	**235,081**	**82.9**	**191,365**	**73.3**
Overseas										
United States	30,825	4.2	33,540	4.1	51,273	5.1	17,145	6.0	20,991	8.0
Japan	2,022	0.3	5,006	0.6	13,915	1.4	5,486	1.9	6,673	2.6
Belgium	4,771	0.6	4,114	0.5	205	0.02	104	0.04	–	0.0
Thailand	3,766	0.5	3,378	0.4	10,989	1.1	10,980	3.9	685	0.3
Others[(1)]	16,017	2.2	17,339	2.1	54,623	5.4	14,727	5.2	41,424	15.9
Subtotal	**57,401**[(2)]	**7.8**	**63,377**[(3)]	**7.8**	**131,005**[(4)]	**13.0**	**48,442**[(4)]	**17.1**	**69,774**[(4)]	**26.7**
Total	**740,226**	**100.0**	**817,230**	**100.0**	**1,008,272**	**100.0**	**283,523**	**100.0**	**261,139**	**100.0**

Notes:

(1) Others include over 50 countries, each contributes insignificant revenue to our Group during the Track Record Period.

(2) In FY2020, our products sold overseas mainly included Jimu Series robots (both education and non-education versions), and Cruzr Series robots.

(3) In FY2021, our products sold overseas mainly included Jimu Series robots (both education and non-education versions), ADIBOT Series robots and AiRROBO vacuum cleaner.

(4) In FY2022, 6M2022 and 6M2023, our products sold overseas mainly included AiRROBO vacuum cleaner.

Our financial performance

We experienced a growth in revenue during the Track Record Period, and we recorded a revenue of RMB740.2 million, RMB817.2 million, RMB1,008.3 million, RMB283.5 million and RMB261.1 million in FY2020, FY2021, FY2022, 6M2022 and 6M2023, respectively. Our revenue grew by 10.4% between FY2020 and FY2021, by 23.4% between FY2021 and FY2022. Our revenue decreased by 7.9% between 6M2022 and 6M2023. For FY2020, FY2021 and FY2022, 6M2022 and 6M2023, our gross profit was RMB330.7 million, RMB256.0 million, RMB294.0 million, RMB38.8 million and RMB52.6 million, respectively. Our gross profit decreased by 22.6% between FY2020 and FY2021, increased by 14.8% between FY2021 and FY2022 and increased by 35.6% between 6M2022 and 6M2023.

Despite our revenue growth, we recorded net loss during the Track Record Period. See "Business Sustainability and Measures to Achieve Profitability" in this section below for a detailed discussion.

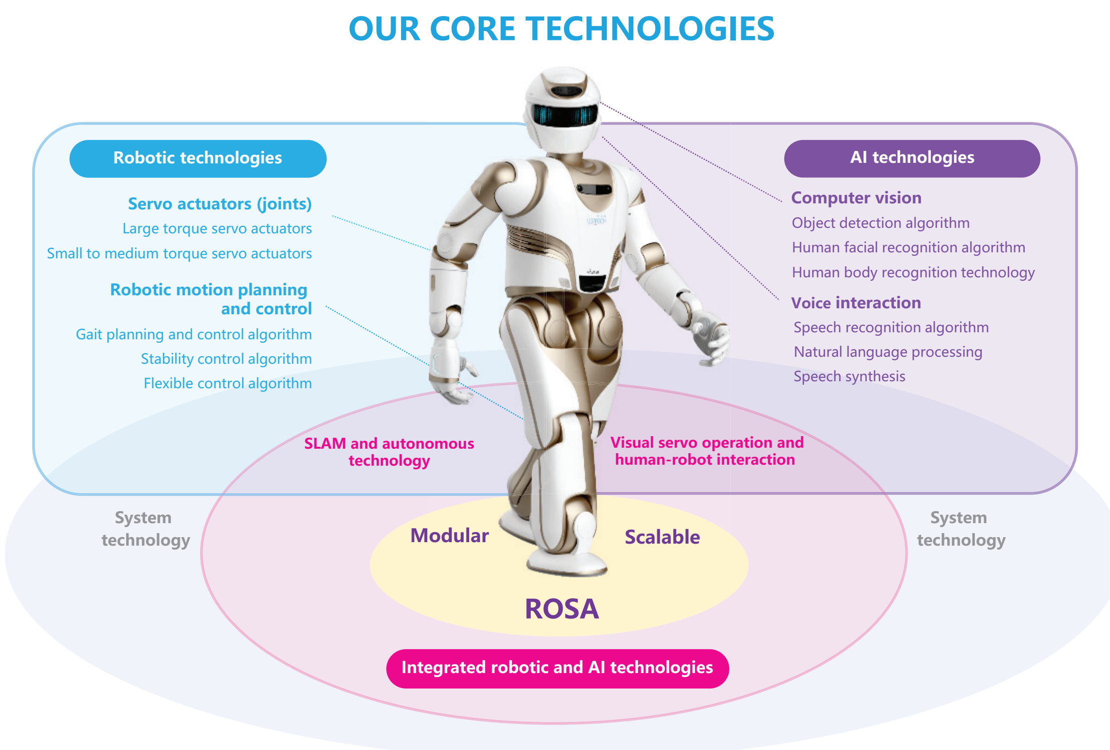
Our R&D focuses on core technologies for humanoid robots. We have been focusing our R&D efforts on advancing core technologies utilized in humanoid robots. Our goal is to not only improve the performance of our humanoid robots but also to induce a spill-over effect of R&D in relation to technologies utilized in smart service robotic products and services for use scenarios in different sectors as the development of biped life-sized humanoid robots involves the integration and combination of various core technologies such as computer vision, voice interaction, servo actuators, motion planning and control, and positioning navigation. It has always been our strategies to dedicate resources to concurrently conduct R&D projects across various robotic and AI technologies while primarily focusing R&D efforts on core technologies utilized in humanoid robots, which may inevitably increase our R&D expenses.

By striking a balance between continuous investments in core technologies utilized in humanoid robots and competing effectively in markets where customers prioritize other factors such as pricing and comparable functions, we believe we can deliver value to our customers and drive sustainable growth over the long term.

R&D technological capabilities

At the heart of our offering is our R&D capabilities and breakthroughs in relation to our core technologies and smart service robotic products and services. Our in-house R&D team, established since 2012 and comprising over 700 employees as of June 30, 2023, is headed by doctoral-degree holders with expertise in robotic and AI-related areas and supported by a number of in-house scientists, engineers and other employees who have obtained at least undergraduate robotic and/or AI-related degrees. Through close cooperation between our in-house R&D team and our other departments, we generate ideas, create new robotic concepts, develop new robotic products and services, and improve, redesign or reformulate existing robots and related software. Leveraging on our R&D efforts and capabilities during the Track Record Period, we have successfully developed new upgrades and/or functionalities, such as (i) servo actuators which function over a wider torque range, (ii) gait-planning and control, stability control and flexible control algorithms under our robotic motion planning and control technology, (iii) human face recognition/identification and body/hand tracking algorithms under our computer vision technology, (iv) automatic speech recognition and text-to-speech functions under our voice interaction technology, and (v) integrated light detection and ranging (LIDAR) and vision mapping and localization technologies under our SLAM and autonomous technology. Combined with our existing portfolio of core technologies, we were able to launch over 50 types of products during the Track Record Period for the fulfilment of various functions and tasks for application in different use scenarios. Such major products included, but are not limited to, (i) our upgraded Walker series life-sized humanoid robots (Walker 2 and Walker X models), (ii) upgraded versions of the uKit and Jimu series (education) and uCode and uPython programming tools under our education smart robotic products and services segment, (iii) our Automated Guided Vehicles (AGVs) and Automated Mobile Robots (AMRs) (Wali (瓦力) Series) under our logistics smart robotic products and services segment, and (iv) our AiRROBO cat litter box and AiRROBO vacuum cleaner under our consumer-level robots and other hardware devices segment.

During the Track Record Period, we incurred R&D expenses of RMB428.8 million, RMB517.1 million and RMB428.3 million, RMB205.0 million and RMB224.3 million, which accounted for 57.9%, 63.3%, 42.5%, 72.3% and 85.9% of our total revenue for the corresponding year/period. We have self-developed a full stack of modularized robotic and AI technologies that are consumer grade and mass market level which serve as building blocks for adaptation and application in a range of enterprise-level and consumer-level scenarios. Set out below is a summary of our core technologies as applied on Walker, our biped life-sized humanoid robot:



With our self-developed full-stack robotic and AI technologies, we have been able to develop and commercialize a wide range of smart service robotic products and services. During the Track Record Period, we were able to quickly adapt to customer needs and preferences with more than 50 types of products launched and sold over 760,000 units of robotic products.

Our full-stack technologies, backed by more than 1,800 registered robotic and AI-related patents as of June 30, 2023 of which more than 380 are overseas patents, is a combination of *robotic technologies* (robotic motion planning and control technology and servo actuators) and our *AI technologies* (computer vision and voice interaction technologies), which together power a number of *integrated robotic and AI technologies* (SLAM and autonomous technology, visual servo operation and human-robot interaction), rounded out with and controlled through Robot Operating System Application Framework (ROSA), our self-developed robotics application framework. We believe that our technological capabilities are in particular underpinned by our core strength of and dedication to robotic technologies. According to Frost & Sullivan, we were one of the few companies in the world to commercialize service robots integrated with multiple servo actuators as their joints in the consumer market, one of the few companies in the world to achieve the mass production and actual product application of multi-series servo actuators, and accomplished mass production of small torque to large torque servo actuators with a torque from 0.2Nm to 200Nm. During the Track Record Period, our self-developed technologies and patents have received two national-level awards and four provincial-level science & technology awards from the PRC government, and one international-level award.

Bringing UBTECH service robots to every home and industry

Led by Mr. Zhou Jian (chairman of our Board, an Executive Director and our chief executive officer), and our experienced management team, we strive to integrate **UBTECH** service robots into every home and industry. Riding on our dedication to R&D and technological capabilities, we plan to achieve this by (i) continuously developing robotic and AI technologies based on the latest industry demands and technological developments, (ii) continuously diversifying and broadening our product and service offerings across different sectors and consumer-level use scenarios by utilizing our full-stack technologies, (iii) inventing, creating and commercializing new enterprise-level and consumer-level use scenarios, and (iv) integrating our existing software and ancillary service offering with a "Robot-as-a-Service" (RaaS) market leveraging on our solid foundation in AI-robotics and sector knowledge on the industries we serve that match with our customers' needs and preferences.

OUR COMPETITIVE STRENGTHS

Established provider of smart service robotic products and services in the PRC

Since our inception in 2012, we have grown to become a major market participant in China's smart service robotic products and services industry providing smart service robotic products and services to enterprise-level and consumer-level customers. We were one of the few companies in the world to commercialize service robots with multiple servo actuators as their joints in the consumer market according to Frost & Sullivan. In addition, according to Frost & Sullivan, we are (i) ranked 3rd in the smart service robotic products and services industry in China (in terms of revenue in 2022) with a market share of 2.8%; and (ii) China's No. 1 provider of education smart robotic products and services (in terms of revenue in 2022) with a market share of 22.5%. As a testament to our capabilities, we generated a total revenue of approximately RMB2.83 billion and sold over 760,000 units of robotic products during the Track Record Period.

Our R&D efforts and technological breakthroughs have been evidenced by the following numerous national and global recognitions:

- In 2019, our Walker was named one of the Five Humanoid Robots to Watch in 2019 by the Robot Report and one of the most ground-breaking and innovative robotic inventions over the past century by 24/7 Tempo in 2021.
- We were selected by *Analytics Insight* as one of the top 10 companies in the vanguard of the rise of humanoid robots along with other robotics companies for offering a range of applications for humanoid robots which lead to the automation of tasks, cost-savings and productivity in January 2023 and were also the only PRC-based company to be selected as one of the "Top 10 Robotics Companies in the World that will Gain More Prominence in 2022" by *Analytics Insight* in November 2021 for our worldwide research in R&D, development and marketing capabilities to launch an entire portfolio of world-class robots.

Furthermore, we have received the following numerous awards as a result of our R&D efforts and technological breakthrough:

- In December 2020, the Chinese Association for Artificial Intelligence granted us the "Wu Wenjun Artificial Intelligence Science and Technology Progress Award (Enterprise Technology Innovation Engineering Project)" for our contribution to the technology innovation and application in the service robots field.
- In December 2020, the Leaderobot Expert Review Committee granted us the "Leaderobot 2020 China Robotics Science Leadership Award" for (i) our innovations in basic theories and academics in the discipline of robotics, (ii) our original innovations in R&D methods and approaches that have significant scientific value and (iii) our leading role in the latest technological advancements.
- We have also obtained the "First Prize of Science and Technology Progress of Guangdong Province in 2021" from the People's Government of Guangdong Province, China for our "Key technologies and applications of fully autonomous service robots" project in March 2022.

Self-developed full-stack technologies for smart robotics driven by our R&D efforts

We believe that our focus on the internal development of self-developed technologies for smart robotics through our R&D efforts has been a key contributing factor to our success in the smart service robotic products and services industry. Since our establishment in 2012, we have grown rapidly into a well established market player in the smart service robotic products and services industry and self-developed our own robotic and AI technologies that are consumer grade and mass market level, the highlights of which include (i) *servo actuators*: joints of robots that enable the performance of diverse, flexible and precise movements and perform safe, smooth, accurate and agile joint movements and carry out complex tasks; (ii) *robotic motion planning and control*: planning and control technologies to achieve movements on surfaces with different materials, adaptation to complex environments and quickly respond to changing environments. Our robotic motion planning and control which covers key technologies such as balance control algorithm which improves the overall robustness of the smart service robot and enables it to adjust its positioning in the event of impact by external forces and prevents falling over; (iii) *SLAM and autonomous technology*: our autonomous technology comprised of our SLAM and navigation technologies, which together enables our smart service robots to realize multi directional navigation and obstacle avoidance through real-time positioning and map generation; and (iv) *visual servo operation and human-robot interaction*: the software-hardware unified technological framework which integrates our smart robotic perception system with our robotic motion planning and control technologies, thus enabling our smart service robots to perceive the surrounding environment to adjust its operational functions accordingly, detect objects and obstacles to achieve motion planning and control, process the signals, capture and analyze various kinds of data and communicate and interact with people. Our *Walker X* life-sized humanoid robots, which is a culmination of our latest core robotic and AI technologies (including our aforementioned highlighted technologies), serves as a testament to our R&D capabilities and efforts. See "Our Core Technologies" below for details on our self-developed core technologies utilized in our smart robotics and smart service robotic products and services. According to Frost & Sullivan, we are one of the few companies in the world that simultaneously masters and fully integrates core technologies and algorithms such as robot servo drives, motion control, artificial intelligence perception, robot positioning and navigation.

According to Frost & Sullivan, the major entry barriers of China's smart service robotic products and services industry include (i) difficulty in accumulating technical reserves to achieve mature AI technology; (ii) lack of industry know-how which may lead to misunderstanding of customer's preference; and (iii) intensive and continuous R&D investment is required in order to provide an edge in the innovation of products and services. With our R&D process and experience in the commercialization of smart service robotic products and services, we believe that we are well-positioned to take advantage of the demand for customized and high-quality smart service robotic products and services in the market.

In order to align our core technologies with the latest technological advancements, we have expended significant resources on our R&D efforts during the Track Record Period. Our R&D philosophy strives to optimize the quality and functionality of our product and service offerings and typically involves (i) R&D on robotic and AI-related core technologies based on industry demands and technological developments, (ii) conceptualization of core technologies based on customer requirements and (iii) commercialization of our products and services. As at June 30, 2023, we employed a total of 717 R&D personnel, which include, but are not limited to, undergraduates, postgraduates and doctoral degrees holders. During the Track Record Period, we incurred R&D expenses of RMB428.8 million, RMB517.1 million, RMB428.3 million, RMB205.0 million and RMB224.3 million in FY2020, FY2021, FY2022, 6M2022 and 6M2023, respectively, accounted for approximately 57.9%, 63.3%, 42.5%, 72.3% and 85.9% of our total revenue during the respective years/periods.

During the Track Record Period, we have established a successful track record of commercialization of robotic technologies and have commercialized more than 20 types of self-developed robotic and AI technologies that are consumer grade and mass market level in our smart service robotic products and services. Moreover, major awards and recognitions we have received during the Track

Record Period in relation to our self-developed technologies and R&D efforts include, but are not limited to: (i) The 9th Annual Capek Award for Brand Excellence (第九屆恰佩克獎年度卓越品牌獎) by the China Mechatronics Technology Application Association in May 2023 for the Group's contribution to the promotion of the healthy and sustainable development of China's robotics industry; (ii) Bronze Award in the MedTech category in the "2023 Edison Awards" in April 2023 for the excellence in new product and service development, marketing, human-centered design and innovation in relation to our wellness and elderly care smart robotic products and services for nursery homes; (iii) First Prize for our "Autonomous navigation and operation of robots based on natural interaction" project from the China Association of Inventions in October 2022; (iv) "First Prize of Science and Technology Progress of Guangdong Province in 2021" from the People's Government of Guangdong Province, China for our "Key technologies and applications of fully autonomous service robots" project in March 2022; (v) "WAIC2021 — Pioneer Award" by the World Artificial Intelligence Conference in February 2022; (vi) "Outstanding Partner of World Robot Conference" by the Chinese Institute of Electronics in February 2022; (vii) "AI Tianma-Leadership" by the Shenzhen Artificial Intelligence Industry Association in December 2021; (viii) "Top 10 Robotics Companies in the World that will Gain More Prominence in 2022" according to Analytics Insight in November 2021; (ix) "Service Robotic Product Innovation Award" by the China Artificial Intelligence and Robotics Developers Conference (CAIRDC) in March 2021; (x) "Wu Wenjun Artificial Intelligence Science and Technology Progress Award (Enterprise Technology Innovation Engineering Project)" by the Chinese Association for Artificial Intelligence in December 2020; and (xi) the "Leaderobot 2020 China Robotics Science Leadership Award" by the Leaderobot Expert Review Committee in December 2020. As of June 30, 2023, our Group held more than 1,800 registered robotic and AI-related patents, of which more than 380 are overseas patents. During the Track Record Period, we have also participated in the formulation of national and international industry standards, including but not limited to General safety requirements for household and similar service robots (家用和類似用途服務機器人安全通用要求) (GB/T 41527-2022) and Service robot — Electrical safety requirements and test methods (服務機器人電氣安全要求及測試方法) (GB/T 40013-2021).

Although not all of our self-developed robotic and AI-related core technologies have been fully utilized in the commercialization of our products and services due to, according to the best information and knowledge of our Directors, the current standards of such core technologies exceeding the necessary requirements to satisfy current consumer preferences and demand in the smart service robotic products and services industry, we believe that we are well-positioned to leverage the scalability, adaptability and compatibility of our core technologies reserve in order to meet future changes in customer preferences and demand.

Successful commercialization of product and service offerings grounded in core technologies utilized in humanoid robots with multiple use scenarios

Our products and services portfolio consists of a wide range of smart service robotic products and services across various industries including education, logistics, general service such as guiding assistance and security patrol, and wellness and elderly care. Core products include Walker series, Alpha robot series, uKit series, humanoid Yanshee, Jimu series, Cruzr as well as AMRs. During the Track Record Period, we launched more than 50 types of products sold over 760,000 units of robotic products for different use scenarios in different sectors.

Education smart robotic products and services. We are an established provider in the smart service robotic products and services industry in the PRC which offer smart service robotic products and services in the education smart service robotic products and services industry where we have developed inspiring AI curriculum materials and smart robotic products throughout the K-12 education curriculum to encourage students to embrace robotic and AI technologies and equip them with comprehensive robotic and AI knowledge and programming skills since 2017. Our products and services aim to create an engaging learning environment for students and give them hands-on experience by providing well-structured course materials and a wide variety of smart robotic products combined with robot software. According to Frost & Sullivan, in 2022, we ranked first in China and accounted for approximately 22.5% of the education smart service robotic products and services industry by revenue. As of June 30, 2023, our product lines of education smart service robotic products and services industry consisted of more than 60 types of products and services (including humanoid products) and we had successfully built up business relationship with numerous government educational bureaus. See "Our Products and Services — Education Smart Robotic Products and Services" for further details.

Logistics smart robotic products and services. Since late FY2020, leveraging our R&D capabilities and commercialization capabilities in the education smart robotic products and services industry, we launched our smart robotic products and services for robotic warehouse automation such as (a) AGVs/AMRs and (b) automated storage and retrieval system (AS/RS). Such products and services are provided to customers in the logistics and manufacturing industries to streamline their operation flow and enable traditional logistics system to become more flexible and intelligent by helping enterprises automate and intellectualize the whole procedure of cargo movement and storage in the warehousing, manufacturing and distribution processes, thus reducing logistic costs and improving the quality and efficiency of logistics operations and create a safer working environment and more cost-effective productivity for businesses. See "Our Products and Services — Logistics Smart Robotic Products and Services" for further details. Since the launch in late FY2020, we recorded significant growth of revenue from the sales of our logistics smart robotic products and services from RMB12.7 million in FY2020 to RMB190.8 million in FY2021, representing an increase of 1,402.4%, from RMB190.8 million in FY2021 to RMB263.4 million in FY2022, representing an increase of 38.1%, and from RMB41.1 million in 6M2022 to RMB76.8 million in 6M2023, representing an increase of 86.7%.

General service smart robotic products and services. What differ us from our industry peers and competitors is our ability to bring our products to customers across a broad range of sectors and use scenarios. Thus, we offered general service smart robotic products and services which consisted a wide array of smart service robots, such as inspection smart robots, that can be deployed in transportation hubs, commercial buildings and outdoor environments to perform various functions, including guiding assistance, security patrol and inspection, shelf inventory counting and malfunction detection. See "Our Products and Services – General Service Smart Robotic Products and Services" for further details. In particular, our sale of general service smart robots increased from RMB36.3 million in FY2020 to RMB77.4 million in FY2021, representing an increase of 113.2%, primarily due to the increase in demand since 2020 resulting from our introduction of a new line of smart service robots, which are designed to assist our customers to implement anti-pandemic measures amidst the outbreak of COVID-19, such as, anti-pandemic model of Cruzr and anti-pandemic model of AIMBOT with additional functionalities, including body temperature measurement, QR code scanning and disinfection.

Wellness and elderly care smart robotic products and services. In order to further expand the use scenarios of our core technologies to other sectors and address the challenges faced by elderly care facilities, we debuted our wellness and elderly care smart robotic products and services in the second half of 2022, including (a) PathFynder, a wheelchair smart robot; (b) Welli, a companion smart robot; and (c) a wellness and elderly care smart cloud-based platform, a centralized system for overall management of operations and service provisions, to satisfy the needs of the elderly and improve the service quality in the institutional and community centres, including for mobility and traveling assistance, and elderly companion. See "Our Products and Services — Wellness and Elderly Care Smart Robotic Products and Services" for further details. As at the Latest Practicable Date, subsequent to the launch of our wellness and elderly care smart robotic products and services in the second half of 2022, we have received more than 40 enquires in relation to our products and services from potential customers.

Consumer-level robots and other hardware devices. We envisage to bring our smart service robotic products and services from education, logistics, general services, and wellness and elderly sectors to every home gradually. To this end we launched our consumer-level robots and other hardware devices, which include a range of user-friendly products that are suitable for household use, including user-friendly household devices such as humanoid Alpha Mini (non-education), AiRROBO cat litter box and AiRROBO vacuum cleaner that aim at bringing convenience to household users by saving their time and increasing efficiency when doing household chores. See "Our Products and Services – Consumer-level Robots and Other Hardware Devices" for further details.

China-based with overseas market presence and partnerships

We are a China-based robotics company with overseas footprint. Over the years, we have forged relationships with international companies across different industries.

We value compatibility and the impact brought by our partnerships to the world, especially against the global phenomenon of IoT. To this end, we constantly analyze the dynamics of our customers and trends in key sectors to determine where opportunities exist and look for strategic collaboration across industries such that we can enlarge our use scenarios and customer base. Over the years we have cooperated with various global industry leaders such as (i) one of the world's largest U.S.-based smartphone, tablets and computer manufacturer in terms of revenue, where we were its Chinese provider of certain robotic products in 2016; (ii) one of the largest e-commerce-retailers in the world based in the U.S., which sell wide-ranged products including books, software, video games, electronics and toys, the shares of its parent company are listed on the NASDAQ, where we cooperated and launched a smart robot with its voice recognition system; (iii) a U.S.-based multinational mass media and entertainment conglomerate who operates theme parks across the world, where we launched movies licensed robots in 2017; and (iv) a PRC multinational technology and entertainment conglomerate headquartered in Shenzhen where we utilized its intelligent voice assistant technology to develop humanoid robots. We value the importance of these cooperations not only because of its revenue source, but because we believe it can bring marketing and brand recognition. Most importantly, it is one of the major ways for us to better understand (i) the criteria and requirements of international recognized companies; and/or (ii) the latest international technologies such as voice recognition within the industry, which in turn contributed to our ongoing development and improvement of our products and services. Such strategic partnerships enable us to leverage our partners' brand and reputation and serves as a successful model for partnerships with other market leaders moving forward.

We also aspire to create synergy within the industry through participating in various major national events and industry events which allows us to benefit from word-of-mouth marketing and minimizes our sales and marketing costs. For instance, we were invited to participate four times on China's CCTV Spring Festival Gala in 2016, 2018, 2019 and 2021 which allowed us to reach a wide group of audience among the Chinese community. We believe this is an important step to increase our brand awareness as an established provider within China's smart service robotic products and services industry. As a reflection of our brand image, we were also (i) selected as the sole official intelligent robot partner of the Floriade China Pavilion at the World Horticultural Expo 2022 in the Netherlands in 2022 where our Cruzr was appointed as the Cultural Communication Ambassador of the China Pavilion to provide guided tours; (ii) invited to deploy nine of our humanoid Alpha Mini robots to participate in one of the opening ceremony performances of the Beijing Winter Olympic Games in 2022; and (iii) appointed as the sole official AI-robotics partner in the China Pavilion of Dubai World Expo in 2021 to 2022 where we demonstrated the functions of our latest biped life-sized humanoid robots, *Walker X*, to the public. Owing to our brand image, we believe we are well-poised to reach the rest of the world.

Experienced management team supported by dedicated industry professionals

We are led by an experienced management team with members who come from diverse backgrounds ranging from AI technology, electronics, mechanical engineering, to management consultancy and accountancy. Our founder, Mr. Zhou, who has more than 10 years of relevant experience and received numerous awards and titles from various government authorities, industry organizations and the media in the PRC, including being recognized as one of the Top 20 Leaders in AI Technology in 2021 by *Qubit*, a popular AI-focused online media in the PRC, as well as being chosen as one of the founding committee members of the Digital Economy Committee of APEC

China Business Council in 2020. Committed to realizing his vision of re-defining robots as our everyday companion, Mr. Zhou has led several key product launches of our Group, including the debut of the Alpha robot series in 2015, the humanoid Alpha Mini series jointly developed with Tencent in 2018, and most recently the Walker X series in 2021, all of which have helped popularized our brand both in the PRC and overseas.

Complementing Mr. Zhou's vision and entrepreneurial experience, our management team also consists of dedicated academics and professionals who are highly specialized in different technical areas of robotic and AI development. Dr. Xiong Youjun (PhD degree in Mechanical Design and Theory, with around 18 years of R&D experience mainly in robotic engineering for the design, operation and performance of robotic mechanism components or systems), who is our Director, vice general manager and chief technology officer, leads our future core technology research strategy. Under his leadership, he assembled and structured a knowledge-rich R&D workforce for our Group and also established the UBTECH Robotics Research Institute (our in-house R&D team) in 2015 to facilitate the R&D and commercialization of robotic and AI technologies for our future sustainable development. He (i) was also granted the status of "High-Level Professional in Shenzhen" for his continual dedication and contribution to the smart service robotic products and services industry in the PRC by the Shenzhen City government in 2018; (ii) presided over (a) the preparation of AI-related curriculum "AI on the Future Smart Mover" for primary and secondary schools as first editor-in-chief in 2018 and (b) the major project of AI innovation and development "Industrialization of High-end Intelligent Service Robotic Products" of the National Development and Reform Commission in 2018 as person-in-charge; and (iii) participated in the successful application of more than 700 robotic and AI-related patents with our Group. In 2021, our associate chief technology officer, Dr. Tan Huan was awarded with the Early Government or Industry Career Award in Robotics and Automation by the Institute of Electrical and Electronics Engineers Robotics & Automation Society (IEEE RAS) in 2021. Our in-house R&D team is also led by Dr. Xiong Youjun, Dr. Tan Huan (PhD degree in Electrical Engineering, with around 20 years of R&D experience mainly in AI technologies such as robotic cognition, learning and behaviour and core algorithms including visual servo, data dimensionality reduction and spatiotemporal data modeling), Dr. Pang Jianxin who holds a PhD degree in Signal and Information Processing, with around 15 years of R&D experience mainly in AI technologies such as computer vision and perception, integration of robots to Internet of Things (IoT), and human-computer interaction (our vice president and executive R&D director) and Dr. Huang Dongyan (PhD degree in Physics and Metrology, with around 26 years of R&D experience mainly in AI technologies such as signal and information processing, in particular in relation to effecting digital emotion and behaviour processing during human-computer interaction), all of which have expertise in robotic and AI-related areas such as method, equipment (including servo actuators), mediums and terminal settings for robotic motion planning and control as well as algorithm and devices for scene, facial, gestures, poses and obstacles detection and recognition and route planning. With an established track record in securing numerous patent registrations, delivering academic publications, and collaborating with governments in a variety of R&D projects, our specialists in the management team provide invaluable input to the development of our Group's products and services and business strategies. We believe the diverse, experienced and synergetic composition of our management team is critical to the success of our Group's products and services.

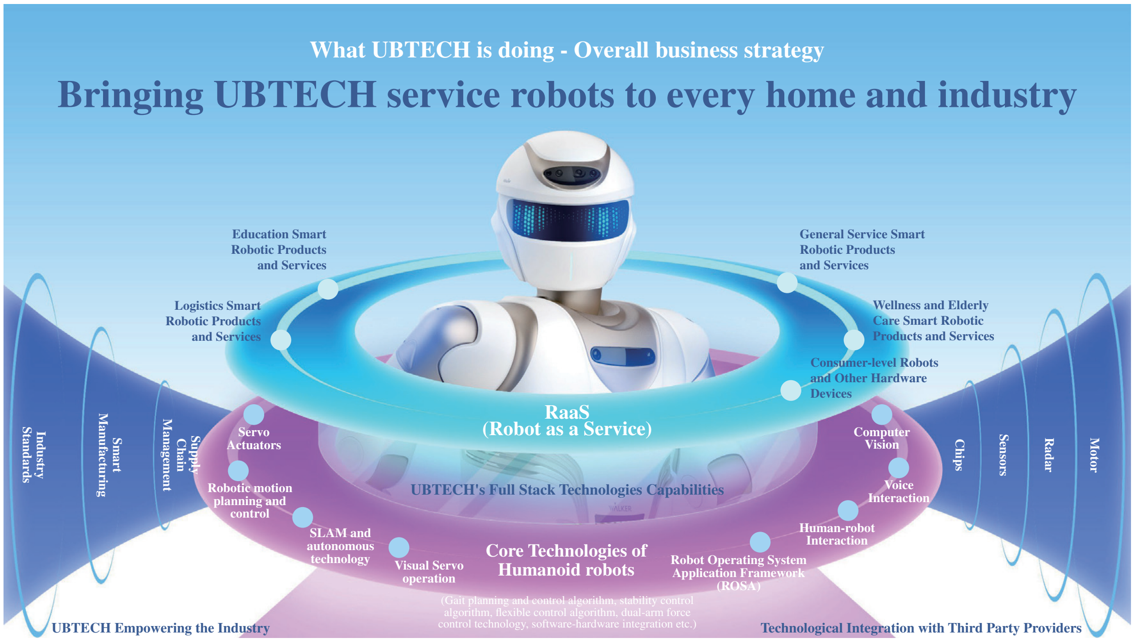
OUR BUSINESS STRATEGIES

To achieve bringing UBTECH service robots to every home and industry, we have, throughout our operational history, dedicated our efforts in:

(i) our long-term goal of the R&D and commercialization of life-sized humanoid robots, headlined by our iconic Walker X, which is a product which comprises of most of our core technologies, and

(ii) the gradual launching and sales of a range of enterprise-level and consumer-level robotic products and services for different use scenarios which utilize our core technologies, some of which were developed as a result of our continuous R&D commitment in relation to humanoid robots.

The following diagram illustrates our overall business strategy to commercialize core technologies of humanoid robots for application in different use scenarios of different sectors:



Looking forward, the strategies on our future development will focus on:

(i) the further advancement of our R&D capabilities to enhance our core technologies and products and services offerings,

(ii) the enhancement of our R&D infrastructure to improve our R&D capabilities and efficiencies,

(iii) the enhancement of our brand awareness and market penetration, and

(iv) the optimization of our management and operational efficiency.

We believe that the future strategies below will allow us to maximize our shareholders' and customer values.

Further advance our R&D capabilities to enhance our core technologies and products and services offerings

We will continue to invest in our R&D capabilities, particularly with respect to our core technologies, in order to enhance our technologies utilized under our products and services and reinforce our established position in the industry.

(i) Core technologies utilized in our humanoid robots

According to Frost & Sullivan, the global humanoid robotic products and services industry is still at an early stage with a few market players and limited use scenarios and the full potential of the humanoid robotic market is yet to be realized. With the continuous R&D focusing on humanoid robot technologies and systems, humanoid robots will be able to perform versatile tasks in the real world and interact with humans, thus increasing the application of humanoid robots in various fields, such as education and entertainment, wellness and elderly care, disinfection, and logistics to accomplish complex and human-like tasks in the forthcoming periods. According to Frost & Sullivan, technologies in relation to humanoid service robots mainly constitute of the application of existing robotic and AI technologies with upgrades and much more complex integration. Although the high cost of humanoid robots is attributed to the more complex application requirements and the limitations of robotic and AI technologies, technological breakthroughs will progressively reduce such costs and promote the commercialization of humanoid robots in the near future. This in turn requires the successful development and application of various robotic and AI technologies (including the abovementioned core technologies) across multiple disciplines that could enable different products and services to provide the human-like functionalities and features demanded by customers.

We have been focusing our R&D efforts on advancing core technologies utilized in humanoid robots. Our goal is to not only improve the performance of our humanoid robots but also to induce a spill-over effect of R&D in relation to technologies utilized in smart service robotic products and services for use scenarios in different sectors as the development of biped life-sized humanoid robots involves the integration and combination of various core technologies such as computer vision, voice interaction, servo actuators, motion planning and control, and positioning navigation. It has always been our strategies to dedicate resources to concurrently conduct R&D projects across various robotic and AI technologies while primarily focusing R&D efforts on core technologies utilized in humanoid robots, which may inevitably increase our R&D expenses. In addition, apart from the aforementioned spill-over effect, investing in R&D in humanoid robots can help our Group to stay ahead of the competition and create new market opportunities for long term growth as according to Frost & Sullivan, the global humanoid robotic products and services industry is still at an early stage with a few market players and limited use scenarios and the full potential of the humanoid robotic market is yet to be realized. Thus, there remains substantial areas of innovation and opportunities for disruption in the global humanoid robotic products and services industry.

According to Frost & Sullivan, a company who owns full-stack core technologies have more opportunities in the future competition over industry peers which are specialized in particular technologies in the smart service robotic products and services industry due to dynamic changes of customer demand and preferences. Our experience, technique and resources accumulated throughout our R&D in core technologies involved in humanoid robots strengthened our abilities to expand our products and services offerings across various industries and use scenarios, which differentiate us from other industry peers. Unlike our competitors which only specialise in a certain areas and technologies and may not be, our full-stack of technologies have put us in a better position to expand into new industries and use scenarios. For example, during the outbreak of COVID-19, we were well positioned to react to any sudden changes in market demand and we launched disinfection model of ADIBOT, a patrol smart robot that uses UV-C for disinfection and sterilization which contained our certain of our core technologies including SLAM and autonomy technology and can automatically perform disinfection tasks through automated mapping, smart calculation, and automatically generating disinfection path.

While we have launched a wide range of smart service robotic products and services across various use scenarios for different sectors during the Track Record Period, our Directors also recognize that not all of our robotic products such as AiRROBO vacuum cleaner, disinfection smart robotic products, reception smart robotic products, logistic smart robotic products require our full-stack core technologies, as the day-to-day use scenarios of customers for these robotic products do not require cutting-edge technologies and only part of our core technologies. These robotic products are therefore subject to risk of being replaced by competing robotic products. For example, unlike our education smart robotic products and Walker X which require the integration of full-stack of core technologies, robotic products such as sanitisation ADIBOT and AiRROBO vacuum robots only require certain technologies such as SLAM and autonomous technology. Our Directors are of the view that robotic products in these use scenarios are distinguished through other factors such as (i) products with comparative technologies at a competitive price, (ii) brand image and available sales channels; and (iii) reaction time to technological advancements and changes in customer preferences. Our Directors consider that as long as we can carry on launching new products and services with technologies that are comparable to our peers at a competitive price and obtain sufficient market recognition, we can gain market share in these industries.

By striking a balance between continuous investments in core technologies utilized in humanoid robots and competing effectively in markets where customers prioritize other factors such as pricing and comparable functions, we believe we can deliver value to our customers and drive sustainable growth over the long term.

In order to further enhance the functionalities and performance of our humanoid robots to launch humanoid robots with sufficient human-resemblance to meet future market demands, customer preferences and technology requirements, we intend to further upgrade our core technologies that can be applied in our humanoid robots. Examples of (i) upgrades to our existing core technologies/areas and (ii) new core technologies/areas in relation to our humanoid robots which we may develop and utilize upon the advancement of our R&D capabilities are as follows:

Name of technology/area	Applicable core technology/area	Description
Bipedal robot gait algorithm and control algorithm	Upgrade to robotic motion planning and control – Gait planning and control algorithm	We intend to improve the motion control capability, stability and speed of movement, ability to function in complex unstructured scenarios and self-adaptability to external disturbances and environmental changes of humanoid robots.
USLAM 4.0 system iteration and optimization	Upgrade to SLAM and autonomous technology	We intend to improve the deployment efficiency of USLAM system in the real-life application and reduce operational and maintenance costs of products equipped with USLAM system.
Next generation development of Walker	Humanoid robot application scenarios	We intend to research on new humanoid robot configurations to achieve better coordination between different technologies and algorithms.
Commercial use scenarios development for Walker	Humanoid robot application scenarios	We intend to explore the application of humanoid robots in more commercial scenarios.
Next generation large torque servo actuators	Upgrade to servo actuator	We intend to upgrade our large torque servo actuators with the latest technologies and achieve cost reduction by exploring new large torque servo control methods, expanding our servo control technology and improving our servo performance, anti-disturbance capabilities and robustness.

(ii) Our smart service robotic products and services for application in different sectors

(a) Education smart robotic products and services

We plan to invest in the R&D in our education smart robotic products and services with a view to maintain our leading position in the education smart robotic products and services industry and expand the application of humanoid robots in this sector. Examples of smart robotic products and services which we may develop and launch for our education smart robotic products and services industry are as follows:

Name of proposed product	Description
uSim	To further lower the entry barriers for AI and robotics education, we are in the course of developing *uSim*, an easy to use and accessible simulation creation platform designed for AI and robotics education which allow users to create, program, learn and interact our smart robotic products such as *uKit series* in virtual worlds. This allows users to apply their AI and robotic programming skills before purchasing our physical smart robotic products. It provides 3D modeling materials, a realistic virtual environment and interactive AI robot programming logic that maps real-life environments, allowing teachers and students to learn and experience AI and robotic knowledge in virtual worlds without hardware. In the world of *uSim*, the algorithmic programming of *uCode* can simulate and drive the virtual robots to exhibit AI recognition effects and logic, enabling virtualised hardware AI experiments to be taught. *uSim* supports virtualised programming and training, allowing students to practice and challenge the topics and tasks in *uSim* without hardware and venues.
Next generation education platform	We intend to upgrade our AI smart education platform to achieve digital teaching management. The upgraded platform can enhance teaching and learning efficiency.
uKit Explore 3	An upgrade to our *uKit Explore* series with enhanced AI computational power and multimodal configurations, which includes designing additional robotic models to be applied in the teaching of curriculums in relation to different scenarios.
Next generation humanoid robot for education	We intend to upgrade our humanoid Yanshee robot by increasing its AI and motor capabilities to be applied in various use scenarios in the education sector, which is expected to enhance its capabilities and lifespan and satisfy higher customer needs on humanoid robots.

(b) Logistics smart robotic products and services

We intend to enhance our existing products offerings of logistics smart robotic products and services upon the advancement of our R&D capabilities, in particular, we intend to upgrade our logistics smart robotic products and services with enhanced software platforms, information security, enriched application scenarios and intelligence which may include the following products:

Name of proposed product	**Description**
Next generation unmanned forklift AMR	We intend to develop our next generation unmanned forklift which integrates our technologies such as AMR technology and positioning, navigation and artificial intelligence technology. Such unmanned forklift can achieve point-to-point materials handling. It is expected that such unmanned forklift to have high loading capacity.
Outdoor driverless logistics vehicles	We intend to design an outdoor driverless logistics vehicle for outdoor transportation of components, semi-finished products and finished products in outdoor industrial parks and open road scenarios. Such outdoor driverless logistics vehicles is expected to be able to achieve point-to-point delivery of components, semi-finished products and finished products in different outdoor scenarios as instructed. It will consist of intelligent navigation and obstacle avoidance algorithms and multi-directional radar and computer vision technologies.
Next generation AMR robot	We intend to develop next generation AMR robots with improved performance, reliability and stability. Such improved AMR robot will also consist of various variations such as latent traction series, top lifting and light lifting series.

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

General service smart robotic products and services. Our general service smart robotic products refer to a wide array of smart robotic products that can be deployed in both indoor and outdoor environments for various commercial and professional uses. To further expand the use scenarios for our general service smart robotic products and services, we intend to enhance our existing offerings of them upon the advancement of our R&D capabilities which we believe can allow us to expand the scenarios of our general service smart robotic products and services.

Name of proposed product	**Description**
Next generation general service smart robotic products and services	We intend to develop next generation general service smart robotic products such as commercial cleaning robots series and delivery robots. The general service smart robotic products will consist of universal chassis that can be equipped with different upper bodies to perform different functions.
Next generation inspection smart robot	We intend to upgrade our inspection smart robots to enable unmanned operations and provide it with sufficient battery-life and other capabilities in order to meet indoor and outdoor inspection and security monitoring needs.

Wellness and elderly care smart robotic products and services. In order to address the challenges faced by elderly care facilities, we began to launch our wellness and elderly care smart robotic products and services in small batches and began to sell in the second half of 2022.

We intend to enhance our existing offerings of wellness and elderly care smart robotic products and services upon the advancement of our R&D capabilities, including:

Name of proposed product	Description
Next generation wellness and elderly care smart cloud-based platform	We intend to upgrade our wellness and elderly care smart cloud based platform, such as improving the speed of information feedback from the platform and management of emergency situations for the elderly.
Next generation walking assistance smart robot	We intend to upgrade the function of our walking assistance smart robot by providing more rehabilitation functions for walking assistance. We also intend to improve the hardware design and algorithms so as to enhance the efficiency of robot transitions between rehabilitation, walking and resting modes.
Next generation companion smart robot	We intend to further improve the responsiveness of our companion smart robot so that it can provide more interactions with users.
Next generation wheelchair smart robot	We intend to upgrade functions including navigation and mobility of our wheelchair smart robot so that it can navigate autonomously in specific areas and automatically avoid obstacles.

(d) Consumer-level robots and other hardware devices

We intend to enhance our existing offerings of consumer-level robots and other hardware devices upon the advancement of our R&D capabilities, including:

Name of proposed product	Description
Next generation vacuum cleaner	We intend to upgrade our vacuum cleaner to effectively and efficiently pick up debris, pet hair and food crumbs from hard floors and carpets through its increased strong suction capabilities and autonomously detect household settings, plan cleaning routes and navigate autonomously. With a mobile application, users may be able to remotely check and adjust cleaning routes, schedule cleaning in advance and customize cleaning speed and power.
Pool cleaning robot	Our pool cleaning robot is expected to be used in the cleaning and maintenance of domestic swimming pools to remove small-sized debris or trash. It will adopt a simple and easy-to-use wireless design and its AI algorithms (e.g. intelligent navigation and path planning algorithm) will improve its cleaning efficiency and quality.

Name of proposed product	Description
Lawn mower	Our lawn mower will be designed to allow effective hands-free outdoor lawn mowing and can autonomously navigate and plan routes outdoors and identify parameters of the lawn, detect grass and avoid obstacles and objects. It will be able to save costs and increase efficiency compared to traditional lawn mowers which require wired fences laid out around the edge of the lawn, while users can also remotely control and monitor our lawn mower.

Enhance our R&D infrastructure to improve our R&D capabilities and efficiencies

We believe that it is necessary to upgrade our R&D infrastructure to conduct more sophisticated R&D projects and tests in order to facilitate our technological development process and Integrated Product Development (IPD) model to enable our development of core technologies, products and services which are compatible with the latest technological developments and customer needs. We intend to upgrade our R&D infrastructure by (i) acquiring machinery, equipment and software, and (ii) recruiting R&D personnel in relation to our existing R&D laboratories located at our R&D institute in Shenzhen in order to enhance the R&D capabilities and efficiencies of such R&D laboratories, thus sustain the ongoing refinement of our core technologies algorithms, hardware and software platforms and maintain our established position in the smart service robotic products and services industry. Such R&D laboratories include (i) motion planning and control laboratory, (ii) servo actuator mechatronics technology laboratory, (iii) robot and AI R&D testing laboratory, (iv) autonomous location and navigation technology laboratory, (v) visual perception and cognition technology laboratory, and (vi) voice interaction technology laboratory.

Enhance brand awareness and market penetration

We intend to enhance our brand awareness and market penetration in the PRC and overseas by establishing more regional offices, branch offices and showrooms across the PRC and overseas to enhance our accessibility to end-users and receive feedback from potential customers.

Enhance PRC and overseas market presence. We intend to expand our sales network in the PRC to facilitate better communication with and experience of customers and end-users of our products and services by setting up regional offices and branch offices in various cities in the PRC. We believe such efforts will increase our local brand awareness and enable us to strengthen our market share in the smart service robotic products and services industry in the PRC. In particular, we plan to expand our market presence in the overseas markets of the smart service robotic products and services industry to further elevate our brand awareness and market penetration and establish ourselves as a domestic and overseas provider of smart service robotic products and services.

Through the setting up of local and overseas showrooms, we intend to offer our existing and potential customers opportunities to experience our smart service robotic products by participating in demonstrations. While we can divulge information of our products to our existing and potential customers through other channels such as social media, the showrooms allow our existing and potential customers to physically examine and experience our products. We believe this is the most direct way to promote the functions and capabilities of our products.

Future marketing endeavors. In addition, we intend to embark on future marketing endeavors which may include other forms of advertising, including digital, traditional advertising or participating in more AI or robotics-related events or seek collaboration with world renowned brands and labels in order to take advantage of their well-known brand recognition as well as their well-established customer base. During the Track Record Period, our sales team contributed to our business by leveraging their marketing abilities to promptly identify potential business opportunities in each sector and obtain up-to-date market intelligence and industry information, thus enabling us to make well-informed business decisions and capture nationwide and worldwide market in an efficient manner. Going forward, our sales and marketing team will continue to be an important part of our Group to explore different use scenario across different sectors. Leveraging on our commercialization capabilities in the smart service robotic products and services industry and track record in continuously developing smart service robotic products and services that can be used in various key industries, we believe that we will be able to continue to develop different use scenarios in other sectors for our smart service robotic products and services, such as use scenarios in relation to home service and medical surgery purposes.

As we expand our customer base and enhance exposure in the market, we also plan to promote the concept of Robot-as-a-Service, or RaaS, by offering smart service robots as a subscription service with content creation capabilities through human-robot interactions, to continuously increase customer stickiness, in particular enterprise-level customers, and the penetration rate in our existing markets. In particular, we strive to build a business ecosystem that encompass "hardware, software, services and operations" to create more contents for end users. As such, we believe this can help organizations resolve challenges in different use scenarios more efficiently and maintain continuous adaption and improvement in content creation through service-based activities using smart service robots. This in turn allows us to (i) understand the needs of our customers, (ii) to adapt to the fluctuating market demands and conditions and (iii) adopt technical changes to the systems based on the vast amount of user experience and feedbacks, in an adequate, effective and systemic way.

Further optimize our management and operational efficiency

We plan to improve our productivity and operational efficiency by upgrading our IT infrastructure information system of our headquarters in Shenzhen through the purchasing of various systems such as enterprise resource planning (ERP) system, product lifecycle management (PLM) system, human capital management (HCM) system, customer relationship management (CRM) system and warehouse management (WMS) system. Such upgrades cover various aspects of our key operational activities and include supplier relations management, customer relations management, inventory management, production management, human resources management, business intelligence management, e-commerce platform management and R&D cycle period. We believe that upgrading our information system can expedite our operational activities, increase the efficiency of our business operations and various aspects of our key operational activities, and also help to minimize mistakes caused by human error.

See "Future Plans and Use of [**REDACTED**]" for details of our future plans and use of [**REDACTED**].

OUR BUSINESS MODEL

Products and services offerings. We segment our products and services by their targeted use scenarios and we generate our revenue in the following segments, namely (i) **Enterprise-level smart service robotic products and services** which include (a) *education smart robotic products and services* (our smart robotic products such as humanoid Yanshee, uKit and Jimu series (education) and humanoid Alpha Mini (education), together with our AI education curriculum in the form of robotic teaching kits, programming software and multimedia equipment); (b) *logistics smart robotic products and services* (our logistics smart robotic products and services including AGVs/AMRs, and automated storage and retrieval system (AS/RS) to our customers); and (c) *other sector-tailored smart robotic products and services* (our Walker series, general service smart robotic products and services such as Cruzr series and AIMBOT series, and wellness and elderly care smart robotic products and services such as wheelchair smart robot (PathFynder)); and (ii) **Consumer-level robots and other hardware devices** (our smart robots such as Jimu series (non-education) and other hardware devices such as AiRROBO vacuum cleaner).

R&D. Our R&D strategy involves the following aspects (i) R&D on robotic and AI-related core technologies based on industry demands and technological developments — this involves incorporating robotic and AI technologies into our products and services to expand their functionalities and to allow our products and services to accommodate the specific needs of the different sectors; (ii) Conceptualization of core technologies based on customer requirements — the customization and incorporation of our core technologies into our products and services to satisfy the preferences and demands of our consumers; and (iii) Commercialization of our products and services — the rigorous quality control and testing of our products to ensure their viability and performance.

Core technologies. We built our success based on our full-stack robotic and AI technologies that are consumer grade and mass market level covering robotic motion planning and control technology, servo actuators, computer vision, voice interaction technologies, which together power a number of integrated robotic and AI technologies (SLAM and autonomous technology, visual servo operation and human-robot interaction), rounded out with and controlled through our Robot Operating System Application Framework (ROSA). See "Our Core Technologies" below for details on our core technologies.

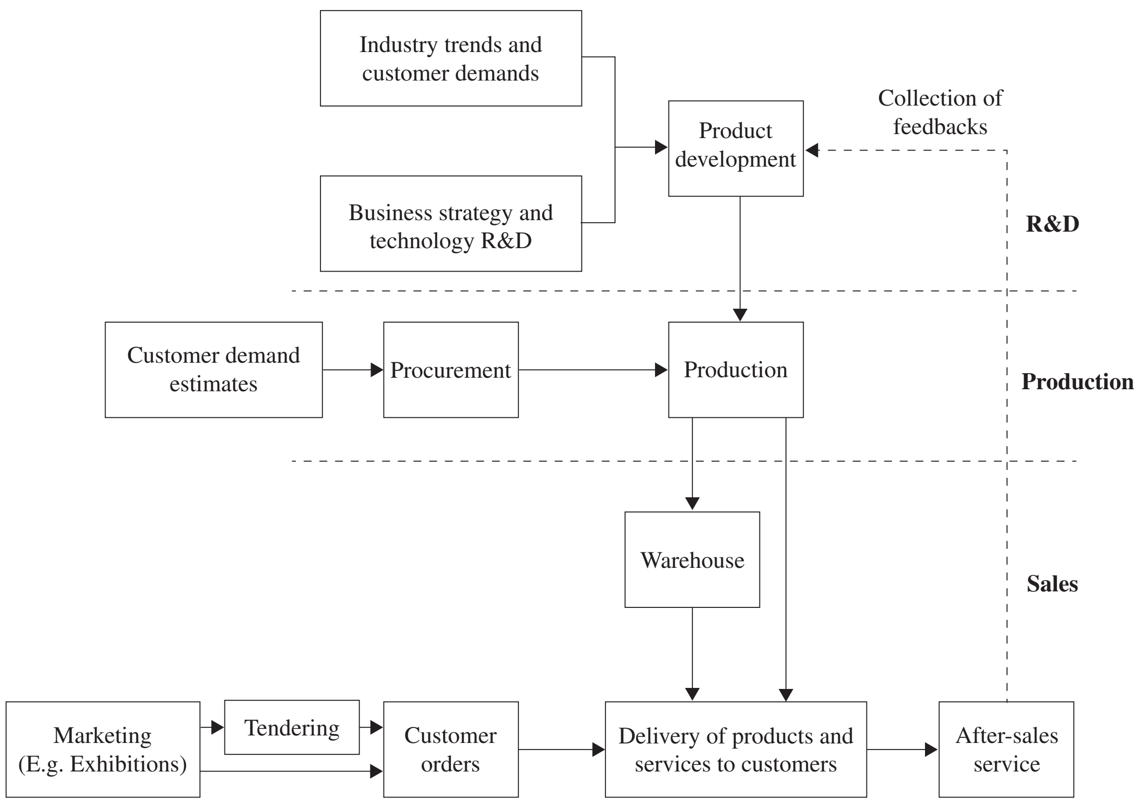
Marketing initiatives. We adopt multi-faceted marketing initiatives to maintain and build relationships with our existing and new partners and customers. Such marketing initiatives include (i) engagement with customers through online social media, (ii) participating in exhibitions and showrooms, (iii) participating in major national events and industry events; and (iv) sponsorships of robotic and/or AI-related competition events. See "Marketing" below for details on our marketing initiatives.

Tendering. For certain direct sales customers such as government educational bureaus, we source new businesses mainly through tendering based on opportunities which arise as a result from our marketing initiatives or publicly available information published by potential customers. See "Sales – Our sales networks – Direct sales" below for details of our tendering process.

Sales channel. We distribute our products through a multi-faceted sales network across the world including online and offline sales networks, which contribute to a broad customer coverage for consumer-level robots and other hardware devices. Our sales channels comprise of (i) direct sales; (ii) distributors which include (a) traditional distributors, and (b) online/offline hybrid distributors; and (iii) sales through our self-operated online stores. See "Sales — Our sales networks" below for details on our sales channel.

Production and our suppliers. Our R&D efforts are driven by our emphasis of the close collaboration between our in-house R&D team and production team. We maintain self-production process for some of our robotic and core components of our products that involve manufacturing technology or serve strategic purposes at our self-owned and operated facilities in China with an aim to achieve intelligent manufacturing. As of the Latest Practicable Date, we had seven production facilities in operation. We also leverage contract manufacturers to produce certain products, mainly including humanoid Alpha Mini and smart robotic appliances, to increase the flexibility of our production capacity and optimize our production network. Our suppliers primarily consist of (i) providers of raw materials and hardware, and (ii) subcontractors. See "Our Suppliers" and "Production" below for details on the manufacturing process of our smart service robotic products and services as well as our suppliers.

Our operational flow. Our business operations are driven by (i) customer demands of our products and services and (ii) our R&D projects. Our operations management center is primarily responsible for the overall operational planning as well as the informational flow across different business units including our supply-chain center, production center, quality control center, R&D institutes and our business sector departments. Under our operational structure, our operations management center formulates production plan base on customer demand forecast. The production plan and relevant information will be passed to our supply-chain unit for procurement planning based on the availability of raw materials, and to our production unit for production arrangement based on the available production capacity. Depending on the level of customer demand, finished products will then be placed into our inventory storage or delivered directly to customers. They will only be despatched for delivery to customers after passing our pre-despatch procedures. Our quality control unit conducts robust quality control not only at the procurement, production and delivery stage but also during the pre-production R&D and after-sales stages. The following diagram illustrates our operational flow by way of a summary:



RESEARCH AND DEVELOPMENT

Our R&D philosophy

Our R&D philosophy is to develop the necessary core technologies in order to create a life-sized humanoid robot with an aim to assist human-beings in performing every-day tasks. Our R&D-centric product development strategy involves the following aspects: (i) R&D on robotic and AI-related core technologies based on industry demands and technological developments: based on the latest industry demands, technological developments, and long-term development trends in the smart service robotic products and services industry, our in-house R&D team conducts R&D to expand the available functionalities and business environments which our products and services are compatible with to incorporate robotic and AI technologies into our products and services to accommodate the specific needs of the different sectors; (ii) Conceptualization of core technologies: based on customers' requirements provided during preliminary discussions with our customers from contract negotiations and feedback from the usage of our products and services, coupled with extensive research and analysis, we will have a better understanding of the industry sector-specific preferences and demands of the consumers of our products and services. Our in-house R&D team, together with the respective sector departments, customize our core technologies to incorporate our customized core technologies into our products and services to satisfy such requirements in a cost-efficient manner and to provide the desired user experience to consumers; and (iii) Commercialization of our products and services: throughout the deployment of the commercialized core technologies in our products and services, our in-house R&D team works together with our quality control team to conduct quality control and testing to ensure the viability and performance of our products and services prior to their delivery to our customers. See "Our Core Technologies" below for details on our core technologies which are deployed in our smart service robotic products and services.

Our in-house R&D team and R&D institutes

Established since 2012, our in-house R&D team currently includes, but are not limited to, in-house scientists, engineers and other employees who have obtained at least undergraduate robotic and/or AI-related degrees and been involved in our product and technology development during the Track Record Period, consisted of a total of 717 employees as at June 30, 2023, and is led by Dr. Xiong Youjun (PhD degree in Mechanical Design and Theory, with around 18 years of R&D experience mainly in robotic engineering for the design, operation and performance of robotic mechanism components or systems), Dr. Tan Huan (PhD degree in Electrical Engineering, with around 20 years of R&D experience mainly in AI technologies such as robotic cognition, learning and behaviour and core algorithms including visual servo, data dimensionality reduction and spatiotemporal data modeling), Dr. Pang Jianxin who holds a PhD degree in Signal and Information Processing, with around 15 years of R&D experience mainly in AI technologies such as computer vision and perception, integration of robots to Internet of Things (IoT), and human-computer interaction (our vice president and executive R&D director) and Dr. Huang Dongyan (PhD degree in Physics and Metrology, with around 26 years of R&D experience mainly in AI technologies such as signal and information processing, in particular in relation to effecting digital emotion and behaviour processing during human-computer interaction), all of which have expertise in robotic and AI-related areas such as method, equipment (including servo actuators), mediums and terminal settings for robotic motion planning and control as well as algorithm and devices for scene, facial, gestures, poses and obstacles detection and recognition and route planning. Through close cooperation between our in-house R&D team, our different sector departments and other teams such as supply-chain, quality control and intellectual property teams, we have been able to generate ideas, create new smart service robotic concepts, develop new smart service robotic products and services, and improve, redesign or reformulate existing robots and related software during the Track Record Period.

In addition, our in-house R&D institutes focus on conducting the most complex R&D on potential new technologies, in particular software algorithms in the robotic and AI-development fields. We have three in-house R&D institutes located in Shenzhen, Beijing, and Los Angeles for our R&D efforts in relation to the development of our smart service robotic products and services and smart service robots-related core technologies.

Our in-house R&D team also works with professors, researchers and inventors from established tertiary institutions in China through collaboration. They also have long-standing working relationships with several national educational facilities, which enhance our internal R&D capabilities. We have established two joint laboratories in Shenzhen by collaborating with Shenzhen University and South China University of Technology, respectively. During the Track Record Period, we collaborated with Southern University of Science and Technology and Shanghai Jiao Tong University in relation to certain robotic and/or AI-related R&D works.

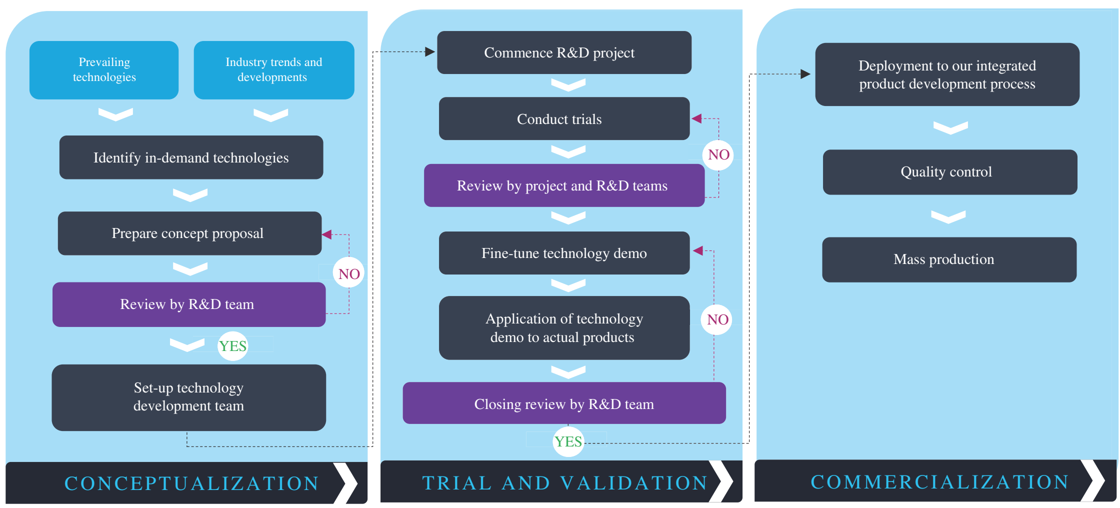
The salient terms of the four aforementioned collaboration agreements entered into between our Group and the relevant tertiary institutions during the Track Record Period are as follows:

Terms	Description
Duration	Laboratories: Three years to establish. R&D projects: One month to six months.
Scope of works	R&D in relation to (i) smart services robots or (ii) related robotic and/or AI technologies.
Responsibilities of parties	Based on the negotiations between the parties, the parties are generally required to: • participate in the R&D works; • provide employees and/or training; • provide R&D equipment and software; • provide technical support; and/or • provide financial support to R&D works.
Payment of fees	We are generally required to pay the R&D expenses in relation to our collaboration with educational institutes.
Ownership of intellectual property	Governed by contractual terms to protect our Group from potential competition and disputes on the R&D results co-developed, which are generally co-owned by the parties and with license to use result, except that both parties are generally allowed to further enhance or innovate the relevant intellectual property(ies) on its own and such new intellectual property(ies) will belong to the innovating party(ies). Both parties are also restricted from transferring the intellectual property(ies) to third parties without prior consent from the other party. Our Directors confirm that we did not have any potential competition, disputes or any other pending legal proceedings of intellectual properties with the relevant tertiary institutions during the Track Record Period and up to the Latest Practicable Date.
Confidentiality obligation	Parties generally undertake not to disclose or use confidential information of the other party.
Dispute resolution	Parties shall endeavor to resolve any issues arising from the agreement via negotiation, and will seek resolution at the PRC courts or Shenzhen International Arbitration Court if such issues remain unsolved.

Our technology development process

Our technology development process involves a development framework in which factors such as technology developments and possible use scenarios are taken into consideration.

The diagram below sets out the principal steps which we generally follow in our technology development process from initial R&D and conceptualization all the way to commercialization:-



- *R&D and Conceptualization* — We start our technology development process by first conducting *in-depth research* on the prevailing technologies, industry trends and technology developments. Upon identifying a potential R&D area, we then proceed to the *conceptualization* phase where, building on our research findings on the broader industry needs, we further analyze the preferences at the sector-specific and end-user levels for us to prepare a preliminary concept proposal. The proposal will then be reviewed and vetted by our in-house R&D team, which will then decide whether to proceed with the proposed R&D project.

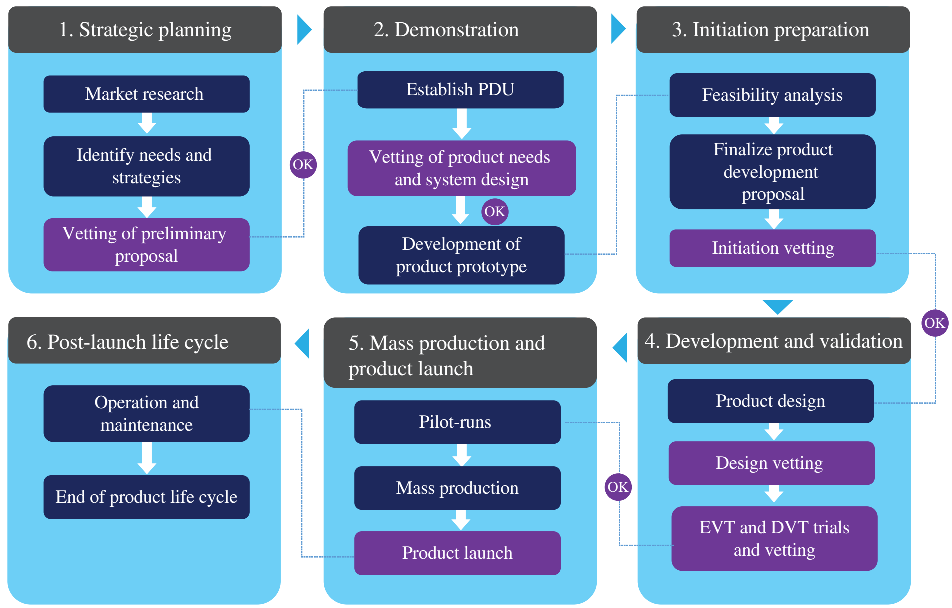
- *Trial and Validation* – Once the proposed R&D project has been approved, a dedicated technology development team will be established to implement the project, which will start conducting relevant trials to test and optimize the concept. The team leaders of the project departments and testers of our in-house R&D team will then review the trial results and decide whether further trials are necessary before proceeding. Upon completing the initial trials, the team will proceed to validate the concept by applying the technology demonstration to our actual products and services for testing, after which our in-house R&D team will conduct a closing review and decide whether the technology demonstration should be further fine-tuned or is ready to be deployed.

- *Commercialization* – After passing the trial and validation stage, the newly developed technologies will serve as a deployable resource of our Group, which will be utilized in our products during our integrated product development process. Our in-house R&D team will also work together with our quality control team to conduct quality control and testing to ensure that the products and services are suitable for mass production and delivery to customers.

Our integrated product development process

Our product development process follows the Integrated Product Development ("IPD") model which consists of six phases including (i) strategic planning, (ii) conceptualization, (iii) initiation preparation, (iv) design and testing, (v) mass production and product launch, and (vi) post-launch life cycle. We involve not only our in-house R&D team, but also relevant personnel from our finance, supply-chain, quality control, intellectual property and customer services teams throughout our product development process where necessary.

The following diagram illustrates the steps we generally follow in each of the development phases:-



- *Strategic planning* – Our product development exercises are also led by our in-house R&D team. We start the process by first conducting research on market demands, customer preferences, technology requirements and the competitive environment so as to identify the market needs and devise an overall product development strategy. A preliminary product development proposal will be prepared and submitted to our product decision committee for vetting based on its feasibility and marketability.

- *Demonstration* – If the proposal passes the preliminary vetting stage, a product development unit ("**PDU**") will be established to conceptualize the new product for demonstration to determine the needs which our product may seek to address together with its design, production process, assessment and specifications, and draw up a production system framework, which will be further vetted by our product decision committee before proceeding to develop the product prototype for demonstration.

- *Initiation preparation* – Once the product prototype is available, the PDU will proceed to conduct further feasibility analysis on the product prototype in order to finalize the product development proposal. The finalized product development proposal will then be approved for execution by the PDU.

- *Development and validation* – After the approval of the initiation, we will proceed to particularize the product design based on the prototype and conduct engineering verification tests ("**EVT**") in order to ensure that the hardware and software of a product are capable in enabling the product to fulfill the functional requirements from an engineering perspective as well as design verification tests ("**DVT**") to perfect tools and techniques necessary for consistent production and ensuring a product meets cosmetic and environmental requirements during mass production. The results from the EVT and DVT will also be reviewed by the product decision committee.

- *Mass production and product launch* – Following the EVT and DVT processes, a pilot run will take place where a small batch of the product will be produced in order for us to confirm the operational flow of the production including details such as production time and production capacity. The production verification results will also be signed off by the product decision committee. Afterwards, we will proceed to mass production and eventually launch the product to the market.

- *Post-launch life cycle* – Following the product launch, we continue to provide maintenance services for the end-users of our products in accordance with our terms and conditions. The feedbacks from customers and end-users as well as general market reception about the newly-launched products will serve as an important source of information for us to consider any further new product development exercises in the future.

Depending on the needs and requirements of specific projects under our technology development process and integrated product development process, we may also involve third parties such as testing agents, raw material suppliers and contract manufacturers throughout the different stages of our R&D process in order to achieve mutual benefits from the sharing of resources and know-how.

Our projects portfolio during the Track Record Period

As at the Latest Practicable Date, (i) our Group had 14, 18 and 77 smart service robotic products which were in the conceptual, R&D and commercialization stages, respectively, and (ii) 64 out of the 141 smart service robotic products which were in commercialization stage during the Track Record Period and up to the Latest Practicable Date have either passed their respective product lifecycle and/or were no longer manufactured. Among the aforementioned 64 smart service robotic products which have either passed their respective product lifecycle and/or were no longer manufactured, (i) the majority of them were consumer-level robots and other hardware devices or education smart robotic products and (ii) some of the products were replaced by either an upgraded version or a new version. Our Directors believe that this demonstrates that we have a stable pipeline of smart service robotic products and services to cater to the functionalities and performance requirements of our customers for use scenarios in different sectors. Based on our Directors' experience, (i) the estimated time range required to commence R&D from conceptual stage, (ii) the estimated time range required to achieve commercialization from R&D stage and (iii) the estimated product life cycle range of commercialized products generally range from one month to 16 months, two months to 12 months and one year to six years, respectively.

The following table sets forth a summary of the portfolio of our Group's products under the conceptual, R&D and commercialization stages for each of the business segments and humanoid service robots (Walker) of our Group during the Track Record Period and up to the Latest Practicable Date:

	Conceptual stage(1)	**R&D stage(2)**	**Commercialization stage(3)**
	(Estimated time range required to commence R&D from conceptual stage(4))	**(Estimated time range required to achieve commercialization from R&D stage(4))**	**(Estimated product life cycle range of commercialized products(4))**
Education smart robotic products and services	Four products, including (i) upgraded education smart robotic products and (ii) new education platforms **(three to 12 months)**	Two upgraded education smart robotic products **(two to 12 months)**	71 products, including education smart robotic products, education curriculums, education platforms, education software tools and others **(two to six years)**
Logistics smart robotic products and services	One new logistics smart robotic product **(approximately six months)**	Two upgraded logistics smart robotic products **(five to seven months)**	Three products, including logistics smart robotic products and logistics management system **(three to five years)**

	Conceptual stage(1)	**R&D stage(2)**	**Commercialization stage(3)**
	(Estimated time range required to commence R&D from conceptual stage(4))	**(Estimated time range required to achieve commercialization from R&D stage(4))**	**(Estimated product life cycle range of commercialized products(4))**
General service smart robotic products and services	One new general service smart robotic product **(approximately three months)**	Three new general service smart robotic products **(two to nine months)**	11 products, including general service smart robotic products and robotic management platform system **(three to six years)**
Wellness and elderly care smart robotic products and services	Six products, including (i) new and upgraded wellness and elderly care smart robotic products and (ii) upgraded smart cloud-based platform **(five to 16 months)**	Four new wellness and elderly care smart robotic products **(five to nine months)**	Four products, including wellness and elderly care smart robotic products and smart cloud-based platform **(approximately three years)**
Consumer-level robots and other hardware devices	—(5) **(two to six months)**	Five new and upgraded consumer-level robots and other hardware devices **(two to 10 months)**	48 consumer-level robots and other hardware devices **(one to six years)**
Humanoid service robots (Walker)	Two new models of Walker series robots **(one to four months)**	Two new models of Walker series robots **(three to 12 months)**	Four models of Walker series robots **(three to five years)**

Notes:

(1) "Conceptual stage" means the conducting of any preliminary works prior to the formal establishment of a specific R&D project, including but not limited to (i) market research and feasibility studies, (ii) identification of customer needs and preferences; and (iii) product specification and requirement exploration and discussions.

(2) "R&D stage" means the formal establishment, implementation and up until the completion of a specific R&D project in relation to a product.

(3) "Commercialization stage" means the completion of the specific R&D project and the commencement of mass production and launch of the relevant product.

(4) "Estimated time range required to commence R&D from conceptual stage", "Estimated time range required to achieve commercialization from R&D stage" and "Estimated product life cycle range of commercialized products" are for illustrative purpose only and are estimated based on our Directors' and our Group's R&D team experience and with reference to existing and historical products of our Group which are from the same business segment as, are similar in nature to and/or utilize similar core technologies as the relevant product of the R&D project.

(5) There are currently no products in the product portfolio in relation to the "Conceptual" stage of the relevant business segment of our Group as of the Latest Practicable Date.

Our R&D achievements and investments

We incurred R&D expenses of RMB428.8 million, RMB517.1 million, RMB428.3 million, RMB205.0 million and RMB224.3 million in FY2020, FY2021, FY2022, 6M2022 and 6M2023, respectively, accounting for 57.9%, 63.3%, 42.5%, 72.3% and 85.9% of our total revenue during the respective years/periods. Our R&D capabilities have been widely recognized by the smart service robotic products and services industry. During the Track Record Period, we have won more than 140 technology awards, honorary qualifications and recognitions, the highlights of which include (i) The 9th Annual Capek Award for Brand Excellence (第九屆恰佩克獎年度卓越品牌獎) by the China Mechatronics Technology Application Association in May 2023 for the Group's contribution to the promotion of the healthy and sustainable development of China's robotics industry; (ii) Bronze Award in the MedTech category in the "2023 Edison Awards" in April 2023 for the excellence in new product and service development, marketing, human-centered design and innovation in relation to our wellness and elderly care smart robotic products and services for nursery homes; (iii) First Prize for our "Autonomous navigation and operation of robots based on natural interaction" project from the China Association of Inventions in October 2022; (iv) First Prize of Science and Technology Progress of Guangdong Province in 2021 by the People's Government of Guangdong Province, China; and (v) the Leaderobot 2020 China Robotics Science Leadership Award (2020年度中國機器人科學引領獎) by the Leaderobot Expert Review Committee. See "Awards and Recognition" below for further details. We also believe that our participation in the formulation of national and international industry standards as well as our wealth of robotic and AI-related intellectual property rights demonstrate our established position in the industry, which can further enhance our reputation and brand image in the smart service robotic products and services industry. See "Research and Development — International and national industry standard formulation" and "Intellectual Property" below for further details. Furthermore, as a testament to our R&D efforts and results, we have also successfully developed and commercialized more than 150 robotic and AI technologies that are consumer grade and mass market level and utilized them in more than 140 different types of smart service robotic products, which can be used in a wide range of use scenarios. See "Our Products and Services" below for further details.

Circumstances leading to high R&D costs during the Track Record Period

Our R&D costs remained high throughout the Track Record Period because our R&D efforts are continuous and ongoing as our smart service robotic products and services are subject to enhancements and upgrades due to technological advancements and changes in customer preferences. The following R&D phases since our establishment in 2012 took place accumulatively and continuously. As such, the R&D expenses incurred in each of the following phases have experienced a significant increasing trend since our Group's establishment. The following sets forth a summary of the different phases which our Group experienced in relation to our commercialization of humanoid service robots:

1. **Early-stage mini-sized humanoid robots (2012 to 2015)**: According to Frost & Sullivan, AI technologies were at a formative stage at around 2012 and the underlying technologies and equipment in relation to AI technologies, such as AI-empowered deep learning, have yet to be fully developed sufficiently to display measurable results. During this period, our Group mainly focused on the R&D of robotic technologies, such as servo actuators, and their utilization in early-stage robotic products of our Group for the purpose of building up our stack of robotic technologies for our Group to facilitate the future development of humanoid service robots. The total R&D expenses incurred during this period were approximately RMB20.6 million, and we launched several products such as Alpha 1.

2. **Smart service robotic products for various use scenarios (2016 to 2019)**: As AI-empowered smart service robotic products and services began to gain prominence in the smart service robotic products and services industry and experienced an increase in consumer demand at around 2017 according to Frost & Sullivan, apart from continuously developing our robotic technologies, our Group also commenced R&D on and development of our stack of AI technologies, such as computer vision, to complement our robotic technologies and to further enhance the quality and functionalities of the smart service robotic products and services of our Group, which resulted in the development of various humanoid service robots such as (i) humanoid Yanshee for educational purposes in 2018 and (ii) the first generation Walker for general services purpose in 2018. The total R&D expenses incurred during this period were approximately RMB745.6 million.

3. **Deployment and commercialization of humanoid robots in smart service robotic products and services (2020 to 6M2023)**: Leveraging on the accumulation of full-stack robotic and AI technologies and experience mentioned above, our Group further expended significant resources to develop and commercialize humanoid robot models and successfully incorporated our humanoid service robots into our smart service robotic products and services offerings in order to be used in different use scenarios in existing and new sectors to enhance the value-adding proposition of the products and services offerings of our Group, such as (i) combining AI education curriculums and AI smart education platform with humanoid Yanshee and humanoid Alpha Mini (education) for educational purposes and (ii) incorporating our

Group's Walker series humanoid robots into our Group's smart service robotic products and services offerings. R&D expenses incurred also increased significantly during the Track Record Period since our Group conducted R&D in relation to each of our four major business segments during the Track Record Period, as opposed to conducting R&D for fewer business segments prior to the Track Record Period. The total R&D expenses incurred during this period were approximately RMB1.6 billion.

Furthermore, due to current robotic and AI technologies in the industry being unable to fulfil all consumer demands in terms of functionalities and performance requirements in relation to smart service robots and have yet to achieve complete human-resembling motor capabilities and perceptual and cognitive intelligence according to Frost & Sullivan, our Directors are of the view that it is necessary to expend continuous significant R&D efforts in relation to the enhancement, upgrade and development of core technologies, smart service robotic products and services of our Group to keep abreast of the latest technological advancements in order to meet consumer demand and maintain the competitiveness of our Group's smart service robotic products and services (in particular for technologies in relation to humanoid service robots due to their higher technological requirements) in terms of technological standards, functionalities, customer experience, and cost effectiveness to compete for and maintain a strong market position in the smart service robotic products and services industry in the PRC.

Governmental recognition of our R&D capabilities

As recognition of our R&D capabilities in robotics and AI technologies and the development and commercialization of the related products and services, we have applied and obtained approval for 14 government-supported R&D projects during the Track Record Period. The assignment of such R&D projects by the relevant government entities generally involves a selection process based on criteria such as (i) scale of operations, (ii) technological and R&D capabilities, (iii) functionalities, specifications and use scenarios of products and services, and (iv) market reputation of participants. The participating entity will be incentivized to conduct R&D in the relevant field by the financial support granted by the relevant government entity in the form of monetary grants.

The following table summarizes the key government-supported R&D projects that we have undertaken as the responsible party during the Track Record Period:

No.	Term	Project name	Description	Cooperation institution /authority
1.	January 2021 to December 2024	Research on and demonstration application of key technologies for bionic perception, learning, operation and multi-robot intelligent collaboration (仿生感知、學習、作業及多機器人智能協同關鍵技術研究及示范應用)	National Natural Science Foundation's project (國家自然科學基金項目) aiming to enhance practical applications of multi-robot intelligent coordination	National Natural Science Foundation of the PRC (國家自然科學基金委員會)
2.	2017 to 2020	Industrialization of high-end intelligent robotic products (高端智能機器人產品產業化)	National Development and Reform Commission's key pilot project of AI innovation and development in 2018 (國家發改委2018年人工智能創新發展試點重大工程)	National Development and Reform Commission of the PRC (國家發改委)

No.	Term	Project name	Description	Cooperation institution /authority
3.	November 1, 2019 to October 31, 2022	Research on and application of the key technology of human-robot interaction in cross-media perception (基於跨媒體感知的人機交互關鍵技術研究與應用)	Key Area Research and Development Program of Guangdong Province (廣東省重點領域研發計畫項目) aiming to enhance the interaction between humans, robots and the surrounding environment	Department of Science and Technology of Guangdong Province (廣東省科學技術廳)

During the Track Record Period, we have also established and/or operated seven R&D laboratories with the support of local institutions and authorities in order to pool our R&D capabilities and efforts together to achieve developments in the smart service robotic products and services industry as a common goal. Depending on the terms of the agreements, the government bureaus may allocate funds to us for the establishing and operating of and/or grant official approval in relation to our R&D laboratories. With more resources from the government bureaus and/or their official approvals in relation to our R&D laboratories, our R&D capabilities are recognized by the relevant government bureaus and we can also enhance the quality and scale of our R&D efforts with the additional resources while we expand our R&D capabilities and develop a wider range of technology applications and tools.

The following table sets out the key R&D laboratories that we have established and/or operated with the support of local institutions or authorities during the Track Record Period:

No.	Date of approval	Platform name	Description	Cooperation institution /authority
1.	15 December 2021	Intelligent Robot Research Institute of UBTECH Robotics Corp Ltd (深圳市優必選科技股份有限公司智能機器人研究院)	To research and develop core technologies and their applications, enhance algorithm of servo actuators and improve the design of humanoid robots, and nurture technology talents and enhance our overall innovative skills	Shenzhen Science and Technology Innovation Commission (深圳市科創委)
2.	3 November 2021	UBTECH Robot Industrial Design Center (優必選機器人工業設計中心)	To improve our overall product design abilities with an aim to promote the standard in the industry	Ministry of Industry and Information Technology of China (中國工信部)

No.	Date of approval	Platform name	Description	Cooperation institution /authority
3.	8 January 2021	Shenzhen Research Institute of Engineering Technology of Human-robot Interaction for Service Robot (深圳市服務機器人智能機交互工程技術研究中心)	To promote the technological progress of our Company and improve our overall technological innovation ability and enhance our ability to transform R&D projects into commercial products	Shenzhen Science and Technology Innovation Commission (深圳市科創委)
4.	1 January 2020	Guangdong Provincial Key Laboratory of Robot Positioning and Navigation Technology (廣東省機器人定位導航技術企業重點實驗室)	To improve the navigation technology including its precision and capability	Department of Science and Technology of Guangdong Province (廣東省科學技術廳)

International and national industry standard formulation

As an established provider in the smart service robotic products and services industry in the PRC, we have participated in the formulation of national and international industry standards during the Track Record Period. The following table sets out some of the key industry standards that we have been involved in the formulation of and which are still in effect during the Track Record Period:

No.	Standard code	Standard name	Date of issuance	Date of implementation	Issuing authority
1	GB/T 41527-2022	General safety requirements for household and similar service robots (家用和類似用途服務機器人安全通用要求)	July 11, 2022	July 11, 2022	State Administration for Market Regulation of the PRC, Standardization Administration of the PRC (國家市場監督管理總局、中國國家標準化管理委員會)
2	GB/T 40013-2021	Service robot – Electrical safety requirements and test methods (服務機器人電氣安全要求及測試方法)	April 30, 2021	November 1, 2021	State Administration for Market Regulation of the PRC, Standardization Administration of the PRC (國家市場監督管理總局、中國國家標準化管理委員會)

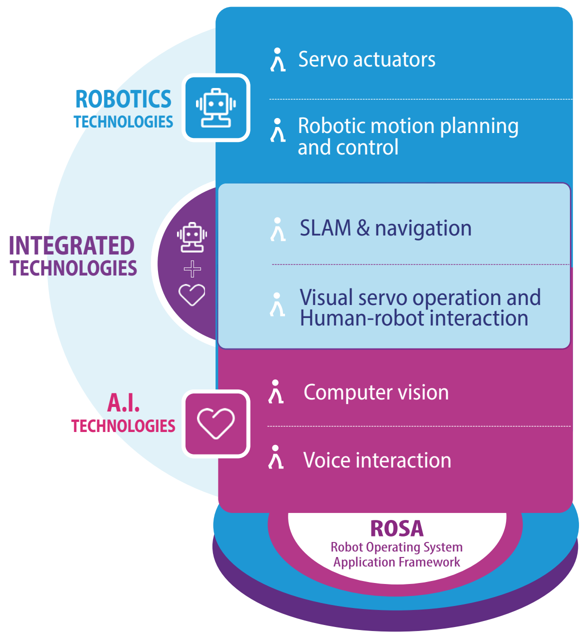
No.	Standard code	Standard name	Date of issuance	Date of implementation	Issuing authority
3	GB/T 39785-2021	Service robot – Mechanical safety assessment and test method (服務機器人機械安全評估與測試方法)	March 9, 2021	August 1, 2021	State Administration for Market Regulation of the PRC, Standardization Administration of the PRC (國家市場監督管理總局、中國國家標準化管理委員會)
4	GB/T 38124-2019	Performance test methods for service robots (服務機器人性能測試方法)	October 18, 2019	March 1, 2020	State Administration for Market Regulation of the PRC, Standardization Administration of the PRC (國家市場監督管理總局、中國國家標準化管理委員會)
5	GB/T 38244-2019	General principles of robot safety (機器人安全總則)	October 18, 2019	May 1, 2020	State Administration for Market Regulation of the PRC, Standardization Administration of the PRC (國家市場監督管理總局、中國國家標準化管理委員會)

OUR CORE TECHNOLOGIES

Our R&D engine, comprised of our (i) robotic technologies; (ii) AI technologies that are consumer grade and mass market level; and (iii) integrated robotic and AI technologies enables us to introduce robots with three major characteristics that correspond to the functions of a human being's body (joint movement), brain (perception) and cerebellum (motion planning and control). Our technology advancement is utilized in our products and services through our self-developed ROSA robotic application framework.

Our self-developed full stack of modularized robotic and AI technologies that are consumer grade and mass market level function as building blocks for adaptation and application in a range of enterprise-level and consumer-level scenarios, which lead to a wide range of product portfolio across various industries including education, logistics, wellness and elderly care.

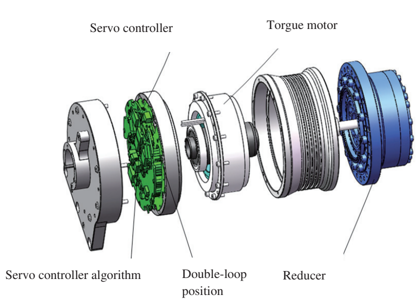
According to Frost & Sullivan, we are one of the few companies in the world that simultaneously masters and fully integrates core technologies and algorithms. In particular, in relation to our humanoid robots, we will continue to strive to enhance our smart service robots in order to achieve human-resembling motor capabilities and perceptual and cognitive intelligence. The following chart illustrates the details of our internally developed (i) robotic technologies, (ii) AI technologies that are consumer grade and mass market level, (iii) integrated robotic and AI technologies, and (iv) ROSA:



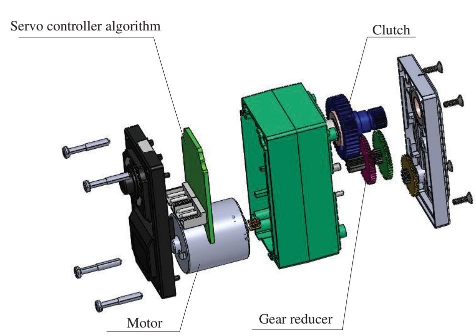
Robotics technologies

Our core robotic technologies include our servo actuators (functioning as joints of our smart service robots) and motion planning and control. These robotic technologies are essential and fundamental to smart service robots in support of the mobility and performance of our smart service robotic products.

Servo actuators



Large torque servo actuators



Small and medium torque servo actuators

Overview. Our self-developed servo actuators, the joints of robots, are key hardware to the development of control and motion capabilities of our robots. Servo actuator consists of motor, servo controller, servo control algorithm, reducer, sensor and other components. Servo control algorithm, as the built-in core control software of servo actuator, calculates and controls the electric current, speed, position and other variables of the motor according to the various real-time motion commands transmitted by the motion control module, and simultaneously feeds back relevant parameters and information to the motion control module, hence closed-loop control of servo actuators can be achieved. We design and manufacture our servo actuators with different torques so that they can be applied to our smart service robots of various shapes and sizes for application in different industries. With our servo actuators, our smart service robots can perform diverse and precise movements including human-like movements, having up to 41 degrees-of-freedom through 41 servo actuators and grasping objects in different shapes and sizes. We are proud of our ability in developing servo actuators ranging from small torque of 0.2Nm to large torque of 200Nm, which enable smart service robots of different sizes, specification and functionalities to perform joint movements for the purpose of different use scenarios. According to Frost & Sullivan, we have achieved the capabilities to mass produce small torque to large torque servo actuators with a torque ranging from 0.2Nm to 200Nm. With a wide range of servo actuators, our humanoid robots are capable of performing a variety of movements and can manipulate objects, such as drawing, shaking hands and opening doors.

Related technologies. Our servo actuators are classified into (i) small to medium torque servo actuators with a torque of 0.2Nm to 8Nm and are used in motion joints (e.g. legs, arms, hands and necks) of our small and medium-sized smart service robots; and (ii) large torque servo actuators with a torque of 15Nm to 200Nm and are used in our large-sized robots such as Walker. The key technologies embedded in our servo actuators include technologies such as (i) for small torque servo actuators: brush and brush-less servo control algorithms; and (ii) for large servo actuators: high-density frameless torque motor, dual position encoder, harmonic reducer and high-performance processing controller. In addition, to support the high-level performance of our servo actuators and enhance the reliability of our smart service robots, we have designed and developed Serial Elastic Actuator to reduce the damage to the servo actuators caused by external force, as well as to uplift the precision of control of robots.

Robotic motion planning and control

Overview. Robotic motion planning and control is the core key technology in humanoid robots, which refers to the real-time control and management of the position, speed and force of mechanical moving parts to facilitate movement in accordance with the expected motion trajectory and the specified motion parameters.

Related technologies. The following are the key related technologies of our robotic motion planning and control technology:

1. Gait planning and control algorithm: The gait planning and control algorithm facilitates walking by footed robots by enabling gait planning and balance control. Gait planning is based on a virtual robot model and realizes the planning of robot walking, going up and down stairs, jumping and other functions through both online and offline means; whereas balance control allows robots to walk on complex surfaces against potential disturbances, while improving the stability, robustness and environmental self-adaptability of the robot in the walking process.

Walking up and down stairs

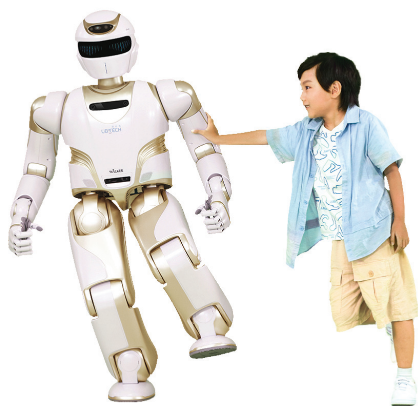
Kicking ball

Stable walking

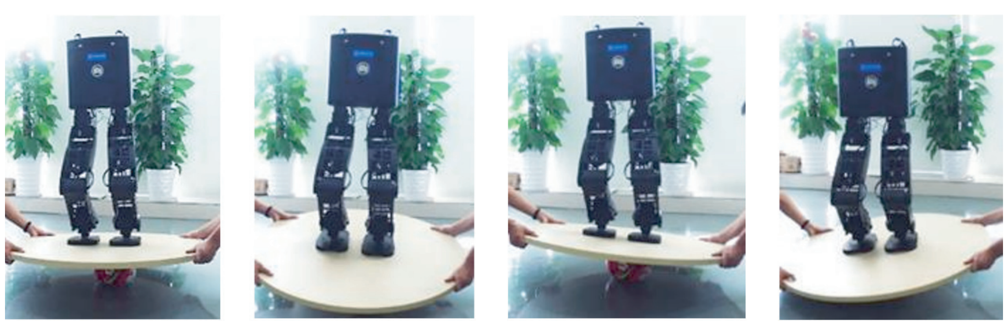
2. Stability control algorithm

In order to improve motion stability of our humanoid robots, we have incorporated our stability control algorithm into our humanoid robots and have enabled them to achieve the following stability control capabilities:

- Push-recovery ability: In the event of impact by external forces our smart service robots are capable of correcting its step frequency and landing point during its motion, so that our smart service robots maintain equilibrium when disturbed by external forces and their walking stability is enhanced.



- Single-leg balancing ability: By realizing the ability of single-leg balancing, our smart service robots will not be easily pushed down despite standing on a single leg, have very strong stability and can perform series of different movements.
- Dynamic balance ability: Based on our force control scheme, we adopted force and position hybrid control algorithm that enable our robots to keep balance on unstable earth slope and surface.



3. Flexible control algorithm

We have developed our own flexible control algorithm which combines teleoperation with dual-arm force control technology to enable flexible and safe human-robot interaction.

Safe interaction between smart service robots and human-beings

According to Frost & Sullivan, (i) robotic motion planning and control (including gait planning, stability control and flexibility control) is essential to the realization of motion intelligence and has been a major challenge for market participants to surmount in the commercialization of large-scale humanoid service robots; and (ii) we are one of the few companies in the world that simultaneously masters and fully integrates core technologies and algorithms such as robot servo drives, motion control, artificial intelligence perception, robot positioning and navigation.

AI technologies

Our core AI technologies that are consumer grade and mass market level include computer vision and voice interaction technologies. These AI technologies enable our smart service robots to perceive its surrounding environment through seeing, observing, hearing, understanding and reacting accordingly.

Computer vision

Our computer vision technology allows our smart service robots to detect, identify and recognize its surroundings, objects, facial images and human body gestures while they serve and interact with human beings. Fed with data through our independent computer vision algorithms, our smart service robots can carry out complex computer vision tasks by processing the data input, teaching themselves to differentiate one image from another, and then take active and dynamic actions. While the robots are moving and operating, the video signal obtained by the vision sensor may suffer from varying degrees of quality degradation, such as jitter, blurring and flickering, resulting in difficulties in image recognition and detection. In the meantime, the workload of robots is limited if the power of the hardware is low. Therefore, the computer vision algorithms we developed are with a high degree of complexity and optimization to address the quality degradation issues.

Voice interaction

Apart from using third-party voice interaction technology in our smart service robotic products and services, we have also developed our own voice interaction algorithms, including those relating to speech recognition, natural language processing and speech synthesis in order to enable our smart service robots to simulate human-interaction experience and address the problems specific to their application in different use scenarios. Through our own-developed voice conversion technology, we have successfully realized personalized voice conversion to achieve simple human-like speech upon the recording of approximately 20 sentences by the user.

Integrated robotic and AI technologies

We develop our integrated robotic and AI technologies, including SLAM and autonomous technology and visual servo operation and human-robot interaction to strengthen the perception and movement co-ordination of our smart service robots. The smart service robots with enhanced movement, operation and integrated abilities provide a smoother user experience by offering greater mobility and task adaptation. These integrated robotic and AI technologies allow our smart service robots to perform more complex tasks and maximize the possibility for our smart service robots to be used in a range of enterprise-level and consumer-level use scenarios.

SLAM and autonomous technology

We have developed our autonomous technology and SLAM technology, which allow our smart service robots to achieve point-to-point navigation in real-time environments through autonomous localization of surroundings, route planning, direction navigation and obstacle avoidance.

Our autonomous technology includes SLAM as a core component with core technologies such as mapping, localization, navigation and obstacle avoidance. For mapping and localization, we have developed integrated light detection and ranging ("**LIDAR**") and vision technologies such as vision mapping and localization technology, LIDAR mapping and localization technology and integrated LIDAR and vision technology. Our smart service robots can map an unfamiliar area while, at the same time, determine where within that area the robots themselves are located. They can realize navigation through real-time positioning and map generation.

Visual servo operation and human-robot interaction

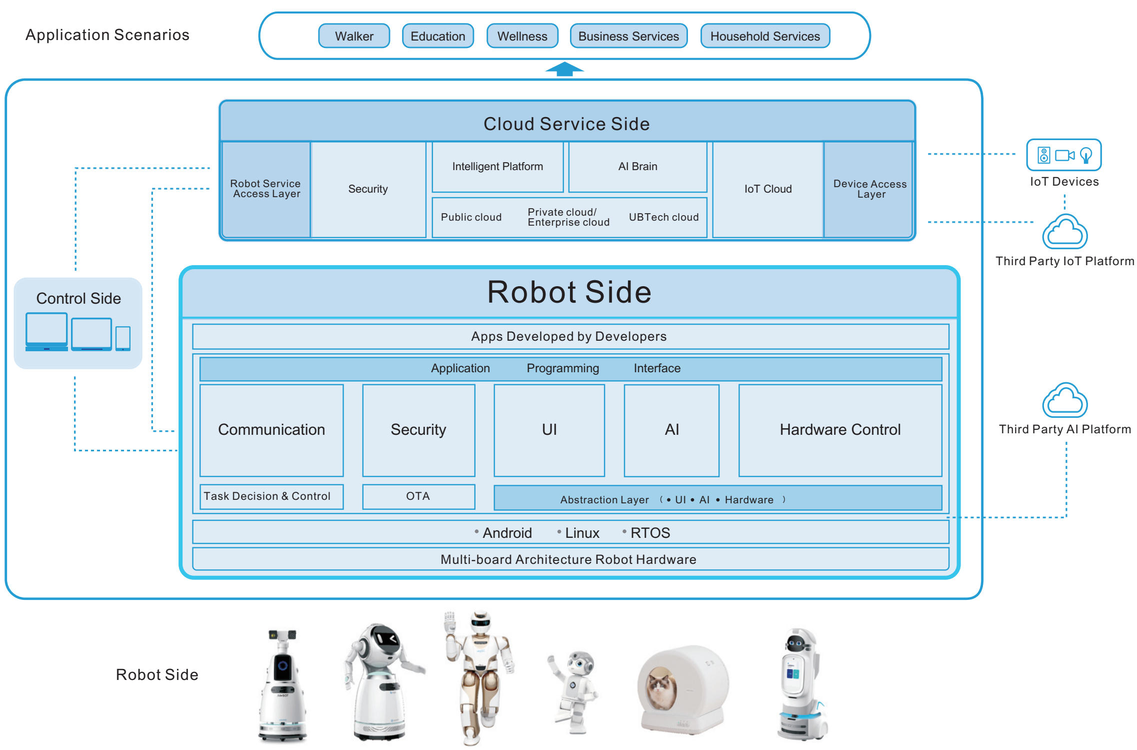
Our visual servo operation and human-robot interaction technologies aim at allowing our smart service robots to have physical interaction with humans and objects by moving safely, perceiving changes in and adapting to the dynamic environment and understanding and interpreting a human's actions and verbal communication.

Our robotic visual servo control is the integration of computer vision technologies and robotic motion planning and control technologies which allows our smart service robots to process information relating to shapes, positions and orientations of items. With our algorithms, our smart service robots are able to perceive the surrounding environment, detect objects and obstacles, process signals, capture and analyze various kinds of data and communicate and interact with people. Our voice interaction technology further contribute to the realization of human-robot interaction. Our hand-eye coordination algorithm is a core technology that maximises the ability of our smart service robots to perform complex manipulation tasks.

Robot Operating System Application Framework (ROSA)

ROSA is a robotics application framework that we developed as an operating system middleware for our smart service robots, allowing us to easily adapt robotics applications to the different robotics hardware we produce. It is modular, standardized and scalable, allowing us to take known applications from our smart service robotic products and services and modify them for new tasks, functions or use scenarios. For each service module, ROSA standardizes the deployment interface and technical interface of the system and provides a mechanism to centralize system information management, resource deployment, module execution behavior and system security, so that different modules can operate together according to a unified command. ROSA can also access mainstream IOT platforms to realize the interconnection between robots and IOT devices. Our extensive use of ROSA in intelligent robot systems and smart service robots has enabled us to adapt to specific domain requirements faster, thus improving the overall development efficiency of our products.

The diagram illustrates the operational flow of our ROSA operating system middleware when applied in conjunction with our smart service robotic products and services:



OUR PRODUCTS AND SERVICES

We create and apply our robotic and AI technologies to drive the development of our smart service robotic products and services. Since our inception, we have launched a variety of product lines and related services in response to needs of customers in different industries and brought diversified user experience to our end users. We offer robotic products and services in a broad range of segments, including education, logistics, general service such as guiding assistance and security patrol, and wellness and elderly care.

At enterprise level

Education smart robotic products and services

Objectives. Education smart robotic products and supplementary software and services are used as teaching tools to assist students in STEAM curricula learning, such as AI and programming learning. Students and end users are able to input instructions into our education smart robotic products through our software and coding languages to facilitate performances of tasks by our smart robotic products through AI-functions (such as facial recognition, object detection and natural language processing) to accumulate AI and programming experience.

Use scenarios and key features. Our education smart robotic products and services are adopted in various schools at different levels and training centres (i) for the cultivation of the understanding and interest of K-12 students in robotics and AI disciplines; and (ii) for the training of skilled talents at post-secondary vocational programmes and universities. Our education smart robotic products (e.g. humanoid Yanshee, uKit and Jimu (education) series and humanoid Alpha Mini (education)) can interact with students to perform certain functions on default such as basic communication and identifying surrounding objects through our built-in voice interaction and computer vision technologies without the need to input codes or programmes. However, students can also customize the functions of our education smart robotic products by coding and programming their own instructions and commands through software or tool on a computer so that they can perform more complex actions such as customizing the sequence of steps and moves for a dance performance. Through this process, students can learn and experience AI and programming. Coupled with our AI education curriculum in the form of robotic teaching kits, programming software and multimedia equipment, this enables end users to gain an understanding of comprehensive robotic and AI knowledge and programming skills.

Core technologies utilized. The core technologies which our education smart robotic products and services utilize include:

- **Servo actuators**: Our servo actuators function as joints of our education smart robotic products and enable them to make a wide range of movements to different parts of the smart robotic product with varying degrees of scale, such as walking, dancing, waving and nodding. This facilitates the smart robotic products to perform a variety of tasks which students and end users can instruct smart robotic products to perform on default or through coding and programming, thus learn and experience AI and programming in a more interactive and diverse manner.

- **Robotic motion planning and control**: Our robotic motion planning and control technology further enhances the accuracy and stability control of the movements of our education smart robotic products such as our humanoid Yanshee and humanoid Alpha Mini (education), which provides them with better balancing and recovery abilities. This enhances the user experience of students and end users by reducing the scope of error of such movements and allowing them to visualize their coding and programming efforts in real-life.

- **Computer vision**: Our computer vision technology enables our education smart robotic products under our such as our humanoid Yanshee and humanoid Alpha Mini (education) to independently gather real-time information in relation to its surroundings through functions such as facial recognition and object detection, thus allow students and end users to interact with smart robotic products which are receptive and react to its surroundings based on their coding and programming.

- **Voice interaction**: Our voice interaction technology enables our education smart robotic products such as our humanoid Yanshee and humanoid Alpha Mini (education) to perform tasks such as speech recognition and voice conversion, which students and end users can instruct smart robotic products to respond to voice command and perform complete tasks that involve answering questions, thus allow students and end-users to learn AI coding and programming in an interactive way.

Software and ancillary services. Complementing our education smart robotic products and services and as part of our comprehensive offering, we also provide various software and ancillary services to our customers, including (i) AI education curriculums; (ii) an AI smart education platform which enables teachers to teach and monitor learning progress through the ongoing customization of the AI education curriculum based on the abilities of the students and the latest applicable curriculums; and (iii) AI education software tools including (a) uCode — a graphical block-based visual programming tool for students aged 7 to 14 years old; and (b) uPython — a programming tool for Python robot beginners.

We offer education smart robotic products and software and ancillary services which mainly include (i) education smart robots (e.g. humanoid Yanshee, uKit and Jimu series (education) and humanoid Alpha Mini (education)) for different stages of the education curriculum, (ii) AI education curriculum, (iii) AI smart education platform; and (iv) AI education software tools (such as uCode — a graphical block-based visual programming tool for students aged 7 to 14 years old; and uPython — a programming tool for Python robot beginners) to schools and institutes throughout different stages of the education curriculum (i.e. from K-12 education curriculum through to post-secondary vocational programmes and universities).

Set forth below are the details of our core education smart robots:

1. Humanoid Yanshee

Yanshee is a humanoid education smart robot which is capable of executing tasks on command, testing environmental conditions, listening to voice command and answering questions and processing data. It is designed to facilitate AI education courses and laboratories in secondary schools, vocational institutions and universities.

2. uKit and Jimu (education) Series

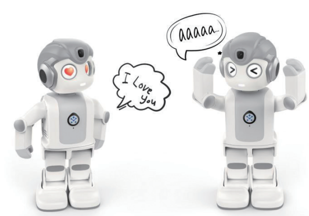
(A) uKit

uKit is a block-based programmable education smart robot developed for primary and secondary students' robotic and AI courses. Students can build various shapes of robots and use uCode to programme them to carry out functions and tasks through the combination of parts, components and sensors. Parts and components of uKit originate from our block parts system which uses our snap-on and pin-and-clip design.

(B) Jimu series (education)

Our Jimu series (education) are buildable and codable robots for consumers above age 8. They are used in schools, family education, STEAM training, science and technology competitions and other settings. Jimu series (education) allow students to learn basic coding and robotic movement theories while playing in a simple way, through the 3D dynamic visual drawing, action programming, modular logic programming and built-in courses or supporting textbook in our mobile application.

3. Humanoid Alpha Mini (education)



Humanoid Alpha Mini (education) is a small-sized humanoid robot mainly applied in the education segment and other segments such as wellness and elderly care. Humanoid Alpha Mini (education), which supports UCode, AI programming and teaching mode, can provide robotic, programming and AI education services to students on-and-off campus, together with our AI curriculum designed for students of different stages and groups.

Set forth below are the details of our core AI education software and ancillary services which are intended to complement our education smart robots to form our comprehensive education smart robotic products and services:

1. AI education curriculums

Our AI education curriculums follow the national AI education policy of the PRC as well as national and international curriculum standards. Through our AI education curriculums, students can learn coding and programming and apply them to our education smart robotic products, such as humanoid Yanshee, to give them instructions to perform specific tasks.

As advised by the PRC Legal Adviser, based on the Curriculum Scheme for Compulsory Education* (義務教育課程方案) issued by the Ministry of Education of the PRC in 2022, the AI-education related curriculums provided by the Group during the Track Record Period and up to the Latest Practicable Date are considered as school curriculums. Consequently, the Group is not required to obtain any regulatory approvals, licenses, or permits for the sales of teaching and learning resources such as textbooks, teachers' manuals and training modules.

2. AI smart education platform

Our AI smart education platform provides K-12 teachers and students with AI training materials as well as a range of programming tools and robotics simulation tools. We also offer a number of algorithms and model training services, courses and training resources, assessments, data analysis and account systems through our AI smart education platform. Through our platform, teachers can monitor the learning progress and outcomes of students and analyze their results so that they can modify course and training materials in the future.

3. AI education software tools

We have developed two core AI education software tools including (i) visual programming tool uCode, and (ii) Python programming tool uPython:

(i) uCode

uCode is a graphical block-based visual programming learning tool designed for students to learn the basics of programming language and develop a programming mindset.

(ii) uPython

uPython is a programming tool designed for learners who focus on coding and programming of Python, with features such as interactive modulation and support for rich text format.

4. Vocational skills certifications

We provide training in relation to robotic servicing and maintenance and are also authorized by Shenzhen Vocational Skill Appraisal Guidance Office to provide enterprise vocational skills level recognition services for vocational trainers, computer programmers and service robot application technicians.

5. Talent training programs

Apart from K-12 students, we also participate in the development of teaching standards for AI education-related courses in secondary and higher education programs. We have developed curriculum resources for talent training programs, such as (i) the "Service Robotics Assembly and Maintenance" (服務機器人裝備與維護) for secondary school students, and (ii) "Intelligent Robotics" (智能機器人技術) and the "Artificial Intelligence Technology Service" (人工智能技術服務) for higher vocational students.

6. Ancillary platforms and services

We have developed three ancillary platforms which support our other education smart robotic products and services, namely (i) AI teaching and training platform, (ii) intelligent robotics virtual simulation platform and (iii) online teaching platform. We have also designed a variety of ancillary services to complement our AI education curriculums, namely (i) humanoid robotics teaching services, (ii) chassis robotics teaching services, (iii) edge computing teaching services, (iv) intelligent commercial robotics training application services and (v) intelligent manufacturing production line training application services.

Logistics smart robotic products and services

Objectives. Our logistics smart robotic products and services can assist or replace the traditional workforce in relation to inventory and materials handling, sorting and transportation during warehousing, manufacturing and distribution processes, thus providing enterprises with large factories and warehouses with a more automated, flexible and reliable logistics smart robotic products and services with reduced logistics costs and improved operational quality and efficiency.

Use scenarios and key features. Our logistics smart robotic products are utilized in our indoor logistics smart robotic products and services for factories and warehouses of enterprises such as new energy vehicle manufacturers and logistics companies to achieve the automation and intellectualization of the storage and movement of goods and materials during the processes of warehousing, production and distribution.

Core technologies utilized. The core technologies which our logistics smart robotic products and services utilize include:

- **Computer vision**: Our computer vision technology enables our logistics smart robotic products under our Wali (瓦力) Series to gather real-time information in relation to its surroundings through functions such as object detection and recognition, thus enable our smart robotic products to react to its surroundings in real-time in factories and warehouses.
- **SLAM and autonomous technology**: Our SLAM and autonomous technology enables our logistics smart robotic products to navigate around factories/warehouses through route planning, direction navigation and obstacle avoidance functions. This facilitates the efficient and reliable movement and delivery of objects within factories and warehouses during warehousing, manufacturing or distribution processes.

Software and ancillary services. We also provide various software and ancillary services to our customers, including WMS (Warehouse Management System) and MES (Manufacturing Execution System). The software systems developed by us can also be connected to our customers' in-house system platforms to achieve more comprehensive offerings.

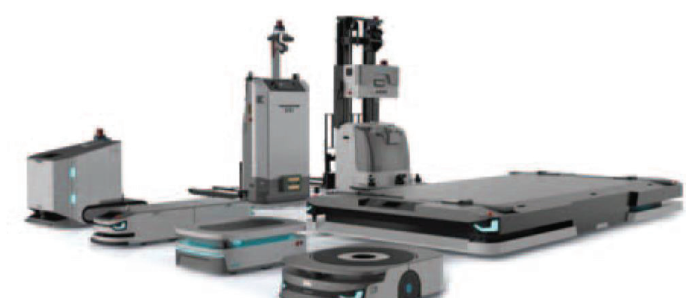
We offer logistics smart robotic products and services, the core products of which include (i) AGVs/AMRs, under our Wali (瓦力) Series and (ii) automated storage and retrieval system (AS/RS) to our customers.

During the Track Record Period, our AGVs/AMRs and systems are primarily used for materials handling and transportation in factories and warehouses. We provide a platform and support flexible interface with the existing system of our end users. Staff of our end users will be able to place operational instructions including accessing, moving, picking and the management of goods and materials, in the cloud-based platform to the robot operating system, which will thereafter place robotic instructions to the AGVs/AMRs and equipment to fulfill the instructions. Where the equipment requires human-robot coordination, such staff can also place simple instructions on the operating panel of the logistics smart robots directly or in the cloud-based platform remotely to complete the intended tasks. Our AS/RS System also works in conjunction with and takes advantage of the algorithms and technologies of our AGVs/AMRs robots, thus enabling the enhancement of the operational efficiency of their end-users.

We have successfully applied our logistics smart robotic products and services in factories and warehouses during the Track Record Period. For example, during the Track Record Period, we provided our logistics smart robotic products and services to a new energy vehicle manufacturer, which has adopted our manufacturing logistics smart robotic products and services in certain of its automobile production facilities and warehouses in order to achieve automation and intellectualization of the sorting, movement and storage functions of components, semi-finished products and finished products throughout its installation and assembly processes.

Set forth below are the details of our core logistics smart robotic products:

1. *Automated Guided Vehicles (AGVs) and Automated Mobile Robots (AMRs) (Wali (瓦力) Series)*



Our Wali (瓦力) Series, includes our automated guided vehicles (AGVs) and automated mobile robots (AMRs), which can deliver components, semi-finished products and finished products to designated places within the production facilities or warehouses for manufacturing and e-commerce/third-party logistics companies.

2. *Automated Storage and Retrieval System (AS/RS)*

Our automated storage and retrieval system (AS/RS) is an automated system consisting of stacker cranes, conveying system, information identification system, computer control system, communication system, monitoring system and management system. It is primarily applied in production facilities, typically production workshops of tyre and vehicle manufacturers and can maximize the use of the storage space through control of various equipment and handle components, semi-finished products and finished products on the warehouse management system.

Other sector-tailored smart robotic products and services

We provide other sector-tailored smart robotic products and services covering general service smart robotic products and services and wellness and elderly care smart robotic products and services, to fulfill the various business needs of our enterprise-level customers in different use scenarios.

General service smart robotic products and services

Objectives. Our general service smart robotic products include a wide array of smart robotic products that can be deployed in both indoor and outdoor environments for various commercial and professional uses.

Use scenarios and key features. Our general service smart robotic products are able to provide various commercial and professional services including guiding assistance, reception, sanitation, security patrol, safety inspection and monitoring of environmental conditions. They can be utilized in a wide range of scenarios, including but not limited to in schools, hospitals, airports, train stations, shopping malls, banks and electrical substations.

Core technologies utilized. The core technologies which our general service smart robotic products and services utilize include:

- **Servo actuators:** Our servo actuators allow our general service smart robotic products to make a wide range of movements to different parts of the robotic products with varying degrees of scale, such as waving and nodding.
- **Robotic motion control and planning:** Our robotic motion control and planning technology allows our general service smart robotic products such as Cruzr to accurately execute the given motion instructions and move on complex surfaces against potential disturbances in environments such as shopping malls, train stations and museums.
- **Computer vision:** Our computer vision technology allows our general service smart robotic products such as Cruzr to gather real-time information, through functions such as facial recognition or object detection, in public places such as schools or government buildings so as to possess reception capabilities.
- **Voice interaction:** Our voice interaction technology allows users to interact with our general service smart robotic products by voice command, enabling them to perform certain functions such as answering to enquiries, guiding and providing entertainment in public places, such as shopping malls or banks.
- **SLAM and autonomous:** Our SLAM and autonomous technology allows our general service smart robotic products to navigate the environment through autonomous localization of surroundings, route planning, direction navigation and obstacle avoidance. This allows our general service smart robotic products such as AIMBOT to navigate and monitor equipment status by navigating around indoor environments.

Software and ancillary services. We provide various software including an integrated management platform which consists of a terminal layer, a network layer, a platform layer, an application layer and an interaction layer.

Set forth below are the details of our core general services smart robotic products during the Track Record Period:

1. *Cruzr Series*

Cruzr is designed for public and commercial use which can be installed with different devices such as infrared thermal imaging sensor camera, QR code reader, identity card identification device to cater to different use scenarios. Cruzr provides services such as reception, business inquiry, navigation, non-contact body temperature measurement, facial recognition and entertainment interactions, to meet different needs in a variety of scenarios. It is primarily deployed in public places such as schools, hospitals, exhibition areas, government buildings, shopping malls, banks, airports, train stations and museums.

2. AIMBOT series

AIMBOT is an automatic indoor monitoring robot which integrates image recognition algorithm and various sensors. It is designed to be used by telecom operators, cloud service providers, financial institutions and electronic power companies to conduct the collection, identification and reporting of indoor equipment status and environmental safety status.

3. ADIBOT Series

ADIBOT is a patrol smart robot that uses UV-C for disinfection and sterilization which can be used in hospitals, schools, restaurants, hotels, public transportation and government buildings to perform disinfection tasks through automated mapping, smart calculation, and automatically generating disinfection path.

4. ATRIS Series

ATRIS is an inspection smart robot launched which can perform various inspection missions such as safety and security patrol, monitoring environmental conditions, and equipment inspection. It can be used in various outdoor environments, such as squares, business and industrial parks, as well as dangerous environments such as electrical substations to inspect various small devices and equipment such as industrial meters, valves and switches.

Walker series

Walker 2, our earlier generation of the Walker series

Walker X, our latest generation of the Walker series

Walker is a biped life-sized humanoid robot which is equipped with our full spectrum core AI and robotic technologies and is adaptable to household and business scenarios. The latest version of Walker, Walker X, is equipped with 41 servo actuators and enjoys 41 degrees-of-freedom and possesses basic human-like movement capabilities. It is capable of walking at a speed of up to 3.5 kilometers per hour and can carry weights of up to 1.5 kilograms with a single arm while in motion. During the Track Record Period, we have sold (i) a life-sized humanoid robot Walker-2 for educational purposes in FY2021, (ii) (a) a Walker, a Walker-1, a Walker-2 and two units of Walker X for educational purposes, (b) a Walker-2 for general commercial purposes such as greeting and display and (c) two units of Walker X for general commercial purposes such as greeting and guiding in FY2022 and (iii) a Walker-2 for educational purposes in 6M2023, and have recognized revenue of RMB8.8 million, RMB48.7 million and RMB2.3 million in FY2021, FY2022 and 6M2023 from the Walker series, respectively.

We intend to further advance our R&D capabilities to continually develop our Walker series for application in different use scenarios in various sectors, including but not limited to (i) as an alternative to manpower in the manufacturing industries, (ii) commercial scenarios such as reception and touring services, and (iii) as a companion in household scenario or teacher in the education sector.

Wellness and elderly care smart robotic products and services

We launched and began to sell our wellness and elderly care smart robotic products and services in the second half of 2022. The following table summarizes the objectives, key features and offerings of our wellness and elderly care smart robotic products and services:

Objectives. Our wellness and elderly care smart robotic products and services aim at improving the quality of wellness and elderly care services to be delivered at the institutional and community levels in order to enhance the user experience from our products and services.

Use scenarios and key features. Our wellness and elderly care smart robotic products and services are created to satisfy the needs of the elderly and improve the service quality in institutional and community centres. We assist both large-scale wellness and elderly care institutions and community-focused service providers in streamlining and coordinating their operations, improving the process of rehabilitation, cognitive care, mental recovery and medical care services to the elderly and patients with a variety of wellness needs, and maintaining overall security and safety at their facilities.

Core technologies utilized. The core technologies which we utilize in our wellness and elderly care smart robotic products and services include:

- **Servo actuators:** Our servo actuators are utilized in the robotic arm of our containerized delivery smart robots (VerCARI) to enable its wide range of movements in order to facilitate grabbing, releasing, reaching and delivering capabilities.
- **Robotic motion control and planning:** Our robotic motion control and planning technology allows our wellness and elderly care smart robotic products such as VerCARI, a containerized delivery smart robot, to accurately execute the given motion instructions such as delivering medications while moving in indoor environments in a stable manner.
- **SLAM and autonomous:** Our SLAM and autonomous technology allows our wellness and elderly care smart robotic products to navigate the environment through autonomous localization of surroundings, route planning, direction navigation and obstacle avoidance. This allows our robots such as Welli, a companion smart robot, to navigate around the indoor environment and provide monitoring functions.
- **Computer vision:** Our computer vision technology allows our Welli to detect, identify and recognize its surroundings, objects, facial images and human body gestures thereby interacting with users.
- **Voice interaction:** Our voice interaction technology allows users to interact with our wellness and elderly care smart robotic products such as Welli by voice command, enabling it to perform certain functions such as answering to enquiries, guiding and providing emotional comfort and companionship.

Software and ancillary services. We also provide software and ancillary services which include (i) space and layout planning services, in which we help institutions and community centres redesign their facilities to make them more suitable for providing wellness and elderly care services; (ii) hardware installation services, in which we help install robots, smart devices and sensors to facilitate autonomous robotic and AI-based service delivery; and (iii) third-party platform integration services, in which we help integrate the software and systems developed by third parties into our software platform.

Set forth below are the details of our core wellness and elderly care smart robotic products and software:

1. Wheelchair smart robot (PathFynder)

PathFynder, our wheelchair smart robot is an autonomous-driving tool. It can be used in institutional and community centres and linked to control systems of elevators and door helping users with certain levels of disability or special needs to be transported to their destinations safely and autonomously.

2. *Companion smart robot (Welli)*

Our companion smart robot Welli can provide emotional comfort and companionship to the elderly. Welli can be used in institutional and community centres to (i) interact and communicate with users; (ii) navigate and guide users and follow physical movement of users; and (iii) provide monitoring functions.

3. *Walking assistance smart robot (Wassi)*

Wassi is a walking assistance and rehabilitation smart service robot designed for the elderly and patients with limited physical ability in lower limbs. It can be used in institutional and community centres to record users' movement, completion status and health statistics through IoT sensor(s) according to users' demand during exercise and training programmes, and generate training reports through cloud data processing.

4. *Containerized delivery smart robot (VerCARI)*

VerCARI, our containerized delivery smart robot, is a delivery smart robot with a robotic arm. It can grab and deliver objects in hospitals, assisted living facilities and nursing facilities.

5. Wellness and elderly care smart cloud-based platform

Our smart cloud-based platform is the centralized system of our wellness and elderly care smart robotic products and services which connects all our wellness and elderly care smart robotic products to facilitate medical care and promote the well-being of our elderly users. We integrate elderly care information into a channel that connects individuals to service terminals, where elderly users can select and confirm services based on their needs. With the ability to record, track, process and analyze information collected by our smart robotic products and devices, our smart cloud-based platform can make decisions for efficient elderly care services.

Consumer-level robots and other hardware devices

Objectives. Our consumer-level robots and other hardware devices, which we sell directly to consumers through our sales channels, are a range of products that are suitable for application in different use scenarios for household use. We also sell household devices that aim at bringing convenience to household users by saving their time and increasing efficiency when doing household chores.

User scenarios and key features. Our consumer-level robots and other hardware devices are designed to be simple and are equipped with our robotic technologies which makes them safe and easy to use in domestic settings.

Core technologies utilized. The core technologies which our consumer-level robots and other hardware devices utilize include computer vision, servo actuators, robotic motion control and planning and/or SLAM and autonomous technology.

Software and ancillary services. We have designed compatible mobile application software, cloud service software and robot system software for our consumer-level robots, indoor and outdoor home robots and hardware devices, which integrate with our core technologies.

Set forth below are the details of our consumer-level robots and other hardware devices:

1. Humanoid Alpha Mini (non-education)

Humanoid Alpha Mini (non-education) is designed for household entertainment purposes. Similar to Alpha Mini (education), Alpha Mini (non-education) is capable of photographing, video monitoring, making phone calls, singing and dancing, etc., and possesses the ability to sense its surroundings and human-beings and to react accordingly. In addition to the functions of our humanoid Alpha Mini (non-education), our humanoid Alpha Mini (education) can also access AI-curriculums and uCode programming, while also being supported by formal teaching materials. Some of the functions such as idle actions, active interactions and facial tracking can be temporarily switched off in standby mode for our humanoid Alpha Mini (education). The price of humanoid Alpha Mini (non-education) is generally lower than humanoid Alpha Mini (education). See "Product price" in this section for details.

2. *Jimu Series (non-education)*

Our Jimu series (non-education) are buildable and codable robots for children to have early access to robotics and AI and are designed for household entertainment purposes. Jimu series (non-education) allow children to learn basic coding and robotic motion control. In addition to the functions of our Jimu series (non-education), our Jimu series (education) can also access to AI-curriculums and uCode programming, while also being supported by a multi-themed model design for AI teaching and learning as opposed to a single-themed model design and basic coding through graphical software in APP for our Jimu series (non-education). The price of Jimu series (non-education) is generally lower than Jimu series (education). See "Product price" in this section for details.

3. *AiRROBO cat litter box*

Our AiRROBO cat litter box is equipped with various sensors such as gravity sensor, microwave radar and camera, which can clean up cat excrement.

4. *AiRROBO vacuum cleaner*

Our AiRROBO vacuum cleaner can clear out debris and dust from hard surfaces and carpets. It can perform real-time mapping to efficiently complete cleaning tasks.

Product price

We believe we have accumulated an extensive amount of industry know-how to develop our product/service line and marketing strategy by leveraging our strong R&D capabilities. We have successfully realized commercialization of a large portfolio of our smart service robotic products and services during the Track Record Period. We have self-developed various core robotic and AI technologies, full-stack smart robotic products and services which possess user-oriented features and price accessibility. See "Financial Information — Description of selected items in consolidated income statements — Revenue — By products and services" for details of the average selling price of our products and services.

The following table sets forth the average selling price of each category of products generally sold by the Company during the Track Record Period:

Products	Average selling price(Note 1)	Industry price range(Note 2)
	(RMB)	**(RMB)**
Education smart robotic products		
Yanshee	13,135	N/A
Alpha Mini series (education)	4,864	N/A
uKit and Jimu series (education)	2,966	N/A
General services robotic products		
ADIBOT series	73,091	N/A
ATRIS series	479,283	N/A
AIMBOT series	422,073	N/A
Cruzr series	46,926	N/A
Walker series	5,988,156	N/A
Consumer-level robots and other hardware devices		
Alpha Mini (non-education) series	1,258	100 – 6,000
Jimu series (non-education)	432	100 – 6,000
AiRROBO vacuum cleaner	892	600 – 6,000
AiRROBO cat litter box	804	600 – 8,000

Notes:

(1) Our selling price may vary depending on the different functionalities and specifications of each type of product. As such, certain products have a broader price range as compared to others.

(2) As our education smart robotic products and general services robotic products are generally tailored to address customer needs and may be equipped with specific functionalities and specifications that vary across different customers and industries, there is no direct and meaningful comparison for the industry price range of those products according to Frost & Sullivan.

The following table sets forth the revenue contribution and average selling price of each category of products generally sold by the Company during the Track Record Period:

	FY2020			FY2021			FY2022			6M2023		
	Revenue		ASP(Note 2)	Revenue		ASP(Note 2)	Revenue		ASP(Note 2)	Revenue		ASP(Note 2)
	RMB'000	%	RMB/unit	RMB'000	%	RMB/unit	RMB'000	%	RMB/unit	RMB'000	%	RMB/unit
Education smart robotic products												
Yanshee	64,903	8.8	11,786	29,835	3.7	13,680	37,706	3.7	15,950	2,142	0.8	10,986
Alpha Mini series (education)	42,716	5.8	5,008	44,046	5.4	4,605	28,083	2.8	5,190	1,059	0.4	3,268
uKit and Jimu series (education)	286,978	38.8	2,609	169,405	20.7	3,101	204,860	20.3	4,079	10,491	4.0	902
General services smart robotic products												
ADIBOT series	–	–	–	16,821	2.1	92,931	10,330	1.0	145,490	5,375	2.1	27,850
ATRIS series	2,535	0.3	422,580	6,250	0.8	568,222	1,715	0.2	571,675	43	0.02	21,639
AIMBOT series	4,752	0.6	279,547	21,565	2.6	525,981	1,681	0.2	336,176	280	0.1	70,115
Cruzr series	29,009	3.9	73,071	32,754	4.0	96,906	16,145	1.6	17,121	2,710	1.0	67,740
Walker series	–(Note 1)	–(Note 1)	–(Note 1)	8,850	1.1	8,850,000	48,731	4.8	6,091,389	2,301	0.9	2,300,885
Consumer-level robots and other hardware devices(Note 3)												
Alpha Mini (non-education) series	22,462	3.0	4,757	22,952	2.8	2,751	21,326	2.1	1,041	12,223	4.7	418
Jimu series (non-education)	30,783	4.2	596	19,571	2.4	383	12,597	1.2	329	2,078	0.8	219
AiRROBO vacuum cleaner	–	–	–	12,805	1.6	716	73,579	7.3	921	40,507	15.5	910
AiRROBO cat litter box	–	–	–	–	–	–	7,143	0.7	912	14,642	5.6	760

Note: 1. We recognized revenue of RMB0.4 million in FY2020 for the sale of certain accessories for our Walker robots.

2. According to Frost & Sullivan, it is not feasible to compare the ASP of our education smart robotic products and general services smart robotic products with the industry price range as those products are generally tailored with products and/or services to address customer needs and there is no direct and meaningful comparison with the industry price range of those products. As to the ASP of our consumer-level robots and other hardware devices, our Directors and Frost & Sullivan are of the view that they are within industry price range of comparable products in relation to our consumer-level robots and other hardware devices.

3. Our consumer-level robots and other hardware devices also include other products such as previous versions of humanoid robots, smart speakers and dictionary pens which are not considered to be products generally sold by the Company during the Track Record Period.

SALES

Our sales regions

Over the years, we have built up a broad and geographically diversified customer base, primarily in China while spreading across over 50 overseas countries around the globe as at June 30, 2023. Our overseas sales mainly includes the United States, Japan, Belgium and Thailand. The following table sets forth the breakdown of our revenue derived by geographical locations of our customers during the Track Record Period:

	FY2020		FY2021		FY2022		6M2022		6M2023	
Countries of sales	**Revenue**		**Revenue**		**Revenue**		**Revenue**		**Revenue**	
	RMB'000	**%**	**RMB'000**	**%**	**RMB'000**	**%**	**RMB'000 (Unaudited)**	**%**	**RMB'000**	**%**
Mainland China	**682,825**	**92.2**	**753,853**	**92.2**	**877,267**	**87.0**	**235,081**	**82.9**	**191,365**	**73.3**
Overseas										
United States	30,825	4.2	33,540	4.1	51,273	5.1	17,145	6.0	20,991	8.0
Japan	2,022	0.3	5,006	0.6	13,915	1.4	5,486	1.9	6,673	2.6
Belgium	4,771	0.6	4,114	0.5	205	0.02	104	0.04	–	0.0
Thailand	3,766	0.5	3,378	0.4	10,989	1.1	10,980	3.9	685	0.3
Others(1)	16,017	2.2	17,339	2.1	54,623	5.4	14,727	5.2	41,424	15.9
Subtotal	**57,401**(2)	**7.8**	**63,377**(3)	**7.8**	**131,005**(4)	**13.0**	**48,442**(4)	**17.1**	**69,774**(4)	**26.7**
Total	**740,226**	**100.0**	**817,230**	**100.0**	**1,008,272**	**100.0**	**283,523**	**100.0**	**261,139**	**100.0**

Notes:

(1) Others include over 50 countries, each contributes insignificant revenue to our Group during the Track Record Period.

(2) In FY2020, our products sold overseas mainly included Jimu Series robots (both education and non-education versions) and Cruzr Series robots.

(3) In FY2021, our products sold overseas mainly included Jimu Series robots (both education and non-education versions, ADIBOT Series robots and AiRROBO vacuum cleaner.

(4) In FY2022, 6M2022 and 6M2023, our products sold overseas mainly included AiRROBO vacuum cleaner.

Our Directors believe that our smart robotic products and services sold to overseas customers during the Track Record Period can compete in overseas markets (i) for our enterprise-level smart service robotic products and services, primarily since some of our smart service robots (e.g. our Cruzr series and ADIBOT series) possess numerous functions hence can be customized for application in a wide variety of different use scenarios, such as commercial services, exhibitions, public services and anti-pandemic-related use scenarios, and (ii) for consumer-level robots and other hardware devices, since our products are charged at a competitive price despite having comparable functions with our competitors and we have established overseas sales channels and relationships with overseas distributors to expand the market reach of our products.

During the Track Record Period, we sold consumer-level robotic products to customers located in Belarus, Egypt, Hong Kong, Iraq, Russia, Serbia, Turkey and Ukraine (excluding Crimea, Luhansk, Donetsk, Zaporizhzhia and Kherson regions) and purchased certain promotional services from a service provider in Turkey, of which these countries are subject to certain forms of International Sanctions programmes administered by the Relevant Sanctions Authorities. See "Business activities in respect of countries with international sanctions exposure" in this section for further details.

Our sales networks

We distribute our products through a multi-faceted sales channel across the world including online and offline sales networks, which contribute to a broad customer coverage. As of June 30, 2023, our sales networks consisted of the following:

Sales channel	Descriptions	Key products sold through the channel
Direct sales	Direct sales to government educational bureaus, and enterprises such as manufacturing companies.	Education smart robotic products and services such as uKit, Jimu series (education) and humanoid Yanshee for education and learning purposes. Logistics smart robotic products and services. Other sector-tailored smart robotic products and services such as Cruzr.
Distributors		
— *Traditional distributors*	Sales of our products to offline distributors who then on-sell our products to their customers within a specified territory or provinces.	Consumer-level robots and other hardware devices such as uKit series, Jimu series (non-education) and humanoid Alpha Mini (non-education) which can serve the purposes of companionship, entertainment and education.
— *Online/Offline hybrid distributors*	Sales of our products to distributors who then on-sell our products to their customers primarily through online platform but also through their offline stores. These distributors are mainly online e-commerce platforms and third-party online stores.	Consumer-level robots and other hardware devices such as Jimu series (non-education) and humanoid Alpha Mini (non-education) which can serve the purposes of companionship, entertainment and education.
Sales through our self-operated online stores	Online sales to consumers through our self-operated online stores.	Consumer-level robots and other hardware devices such as AiRROBO cat litter box, AiRROBO vacuum cleaner, Jimu series (non-education) and humanoid Alpha Mini (non-education) which can serve the purposes of companionship, entertainment and education.

The following table sets forth the breakdown of revenue, gross profit, gross profit margin and sales volume by our sales channels during the Track Record Period:

	FY2020					FY2021				
	Revenue		Gross profit/ (loss)	Gross profit margin	Sales volume[(4)]	Revenue		Gross profit/ (loss)	Gross profit margin	Sales volume[(4)]
	RMB'000	%	RMB'000	%	Unit'000	RMB'000	%	RMB'000	%	Unit'000
Direct sales	649,792	87.8	314,744	48.4	123	697,304	85.3	233,043	33.4	80
Distributors										
– *Traditional distributors*[(1)]	87,048	11.8	27,665	31.8	68	97,959	12.0	18,705	19.1	58
– *Online/Offline hybrid distributors*[(2)]	698	0.1	(165)	(23.7)	(25)[(3)]	6,957	0.9	563	8.1	11
Sales through our self-operated online stores	2,688	0.4	1,073	39.9	25	15,011	1.7	4,846	32.3	18
Total	740,226	100.0	343,317	46.4	191	817,231	100.0	257,157	31.5	167

	FY2022					6M2022					6M2023				
	Revenue		Gross profit/ (loss)	Gross profit margin	Sales volume[(4)]	Revenue		Gross profit/ (loss)	Gross profit margin	Sales volume[(4)]	Revenue		Gross profit/ (loss)	Gross profit margin	Sales volume[(4)]
	RMB'000	%	RMB'000	%	Unit'000	RMB'000 (Unaudited)	%	RMB'000 (Unaudited)	%	Unit'000	RMB'000	%	RMB'000	%	Unit'000
Direct sales	866,251	85.9	365,853	42.2	66	234,720	82.9	93,130	39.7	26.9	164,209	62.9	51,246	31.2	8.7
Distributors															
– *Traditional distributors*[(1)]	55,653	5.5	(18,753)	(33.7)[(5)]	66	29,293	10.3	(21,144)	(114.1)	44.4	25,947	9.9	(9,528)	(27.2)[(7)]	35.8
– *Online/Offline hybrid distributors*[(2)]	6,705	0.7	(2,464)	(36.7)[(6)]	25	1,238	0.4	(307)	(24.8)	2.2	11,720	4.5	(213)	(1.8)[(8)]	19.5
Sales through our self-operated online stores	79,663	7.9	20,026	25.1	110	18,271	6.4	6,008	32.9	20.0	59,263	22.7	13,132	22.2	75.2
Total	1,008,272	100.0	364,662	36.2	267	283,522	100.0	77,687	27.4	93.5	261,139	100.0	54,637	20.9	139.2

Notes:

(1) Revenue generated from traditional distributors also include an insignificant number of consignees and retailers which accounted for less than 2.0% of our total revenue each year/period during the Track Record Period.

(2) Online/offline hybrid distributors mainly include sales through online e-commerce platforms and third party online stores (who may also sell our products through their offline stores).

(3) The sales volume was negative as the volume of product return exceeded the volume of sales.

(4) The sales volume figures in this table constitute the sales volume of the core robotic products for each of the respective sales channel and disregards the sales volume of Walker series, other accessories and ancillary products and/or services.

(5) We recorded gross loss from traditional distributors in FY2022 primarily due to the gross loss attained from the sale of Alpha Mini (non-education) because we adjusted the selling price of our humanoid Alpha Mini (non-education) products downward to boost its sales in order to deal with the slow-moving inventory.

(6) We recorded gross loss from online/offline hybrid distributors in FY2022 primarily due to the gross loss attained from the sale of dictionary pens, because we adjusted the selling price downward in order to deal with the slow-moving inventory.

(7) We recorded gross loss from traditional distributors in 6M2023 primarily due to the gross loss incurred from the sales of uKit and Jimu (education) Series and ADIBOT Series robots because we implemented price reductions on these products to clear out our existing inventories in our U.S. subsidiary to facilitate the transition of our overseas sales channel to direct distributors.

(8) We recorded gross loss from online/offline hybrid distributors in 6M2023 primarily due to the gross loss incurred from the sales of AiRROBO cat litter box in order to develop the sales channels of such products through online/offline hybrid distributors.

We generally sell smart service robotic products (e.g. education, logistics, general service and wellness and elderly care smart robotic products) which (i) are sold to government educational bureaus and/or require participation in a tendering process, (ii) can be used in conjunction with other accessories, software and/or ancillary equipment and services as a robotic offering, (iii) are tailor-made, customizable and relatively more technologically advanced and complex in nature, and (iv) we consider strategically important to us and require our sales team to communicate, negotiate, interact, introduce and demonstrate their features directly and independently to our customers, through direct sales to our customers. For consumer-level robots and other hardware devices which are comparatively standardized and less complex in nature, we generally sell them through our distributors and self-operated online stores.

Direct sales

We have established an extensive sales network during the Track Record Period and owed our success to our direct sales force for the sales of our smart service robotic products and services in terms of revenue contribution. With our own direct sales force comprising more than 450 employees, we have acquired 193, 236, 169, and 50 new direct sales customers in FY2020, FY2021, FY2022 and 6M2023, respectively.

Our direct sales customers mainly comprise (i) government educational bureaus and enterprises which purchase our education smart robotic products and services such as uKit and Jimu series (education), humanoid Yanshee for education and learning purposes, (ii) SOEs which purchase our education and/or other sector-tailored smart robotic products and services, and (iii) enterprises such as manufacturing companies which purchase our logistics smart robotic products and services such as AGVs/AMRs (Wali Series), as well as enterprises purchased our other sector-tailored smart robotic products and services such as general service smart robots.

We directly manage our direct sales networks of these customers that we consider strategically important to us and we value the importance of direct sales which contributed to the majority of our revenue during the Track Record Period. Direct sales is also our key way to build our brand image by interacting, introducing and demonstrating the features of our products directly and independently to our customers. The major products sold directly to our customers are generally products and services that are relatively more technologically advanced and complex in nature since their sales require a sales team with more expertise and experience. Our sales team is equipped with knowledge of the smart service robotic products and services industry and is primarily responsible for, including but not limited to, frequently communicating with our customers and understanding their feedback on the quality, preferences, improvements and market demand of our products. They play an important part in the planning, development and implementation of the planned marketing strategies of our Group. To encourage and incentivize our in-house sales team, we have implemented a compensation structure that includes a fixed component as well as a performance-based component and also set performance targets for our sales team. We evaluate the performance of our sales team every year and pay out performance-based compensation accordingly.

For certain direct sales customers, we enter into sales contracts with them without tendering. Enquiries and requests for quotations are handled by our sales personnel, who then prepares the quotation and relevant information with regard to the product type and product price. Once we have prepared the quotation, we will send it to the potential customer who will then confirm the order with us.

For certain direct sales customers such as government educational bureaus, we source new businesses mainly through tendering based on opportunities which we acquired through our marketing initiatives (such as industry exhibition participations) or publicly available information published by potential customers. Upon becoming aware of the tender, we make a preliminary assessment of a potential tender. In considering whether to bid for the tender, we generally take into account the following factors, namely (i) the profitability of the order including the cost of raw materials and labours and potential revenue derived; (ii) the feasibility of undertaking such project with reference to the technical specifications, our capacity and expertise, our then available labor and financial resources; and (iii) the delivery schedule.

Set forth below is a summary of the key terms that are common to most of our direct sales agreement:

Terms	Description
Duration of agreement	Products: N/A Services: Generally 12 to 36 months.
Delivery of products	Generally, we arrange delivery services with a third party logistics company and the relevant costs are borne by us.
Product return and repair policies	We generally allow direct sales customers to return or exchange products with defects specified in the agreement and incur the labor and material costs in relation to repairs during the warranty period.
Training	We may be required to provide training and operational support to customers.
Minimum purchase amounts	We do not set out minimum purchase amounts for direct sales customers.
Payment and credit terms	Payment is generally settled in stages upon achieving milestones of the agreement.
Retention money	For certain contracts, retention money may be retained by our customers in order to secure our due performance under the contract. The amount of retention money usually accounts for 5.0% of the contract value. It will be released to our Group after the end of the defect liability period (i.e. typically lasts for 12 months).
Termination	In the event of default (such as either parties failing to perform the obligations as agreed), either party may terminate the agreement and/or charge the defaulting party a percentage of the contact value as liquidated damages.

Distributors

We also sell our products through (i) traditional distributors; and (ii) online/offline hybrid distributors. Through the adoption of a multi-layer sales network, our Directors believe that we could (i) diversify our sources of income without over-reliance on markets in any region or a particular type of sales channel; (ii) customize our sales and marketing strategies in respect of different customer types in different regions and sales channels; and (iii) strengthen our presence in markets which allows our products and services to penetrate markets more quickly and effectively. As of June 30, 2023, we sold our products to over 130 distributors which allowed us to increase our market penetration.

Traditional distributors

We sell our products to traditional distributors who on-sell our products, some of which are limited within a specified territory. We believe that by engaging traditional distributors, we are able to leverage their experience and knowledge of the target local markets as well as their existing sales networks and resources, which may help us expand our market reach over a wider geographical area and to achieve deeper market penetration than if we were to proceed with direct sales and marketing alone, without incurring substantial sales and marketing costs.

We generally enter into distribution agreements with our traditional distributors and may conduct regular checks on their sales performances. We primarily govern the conducts of our traditional distributors through distributorships agreements and our Directors confirm that we have no ownership or management control over any of our traditional distributors and they operate independently from our Group. Distributors are sometimes restricted from engaging sub-distributors and are required to obtain our prior approval before doing so. Our Directors consider that all our traditional distributors are our direct customers of our Group, primarily because (i) these customers generally purchase our products on a purchase order basis and we have established a seller-buyer relationship with them; and (ii) the title and risks of damage of these products are generally passed to the traditional distributors once we have delivered the products to their designated locations.

Set forth below is a summary of the key terms that are common to most of our agreements with traditional distributors and online/offline hybrid distributors:

Terms	Description
Duration of agreement	The distribution agreement typically has a term of one year.
Geographic or other exclusivity	We generally designate the geographical area (for traditional distributors) and distribution channel(s) (mainly for online/offline hybrid distributors) within which our distributors are allowed to market and sell our products and services. A distributor is generally prohibited from marketing and selling our products and services outside its designated geographic area.
Sales and pricing policies	We generally provide price guidance on our products and services to our distributors based on market conditions. We generally do not allow our distributors to sell our products below our minimum retail price.
Product return and exchange	We generally accept return and exchange within seven and 15 days, respectively after receipt of products that (a) are defective and (b) do not conform to agreed specifications or to samples. We also allow product return upon the termination of cooperation with distributors. For certain traditional distributors and online/offline hybrid distributors (mainly including e-commerce platforms, overseas distributors and overseas retailers): our Group also allows the return and exchange of products that are (i) overstocked; and/or (ii) returned by retail customers to our distributors in accordance with the unconditional right to return within a certain period of time granted by our distributors.

Terms	Description
Minimum purchase amounts or sales target	We require some of our distributors to meet the minimum purchase amount and/or sales target during the term of their engagement. Our Directors confirmed that none of the distribution agreements were terminated due to their failure to achieve the minimum purchase amounts or sales targets.
Payment	Traditional distributors are generally required to make full upfront payment to us before we deliver our products and services. For online/offline hybrid distributors (e.g. online e-commerce platforms), we generally receive monthly payments based on the volume of products purchased in a given month and may sometimes require the payment of an initial deposit. We generally allow our distributors to settle their balance by bank transfer.
Termination	The distributorship agreement is generally subject to early termination by us if the distributor breaches its obligations under the agreement.

Online/offline hybrid distributors

Our online/offline hybrid distributors are mainly online e-commerce platforms and third-party online stores who primarily on-sell our products online but also, in some occasions, through their offline stores. By contracting with these third party distributors, we are able to quickly expand the coverage of our products across various sales channels and platforms, which have contributed to our online sales and brand awareness. Similar to our traditional distributors, our relationship with our online/offline hybrid distributors is that of seller/buyer rather than to principal/agent.

Movement of distributors

The following table sets forth the total number of our distributors (including both traditional distributors and online/offline hybrid distributors), the number of new distributors and the number of distributors whose distributorship relationships were ended during the year/period indicated:

	For the financial year ended December 31,			For the six months ended June 30
	2020	**2021**	**2022**	**2023**
Number of distributors as at the beginning of year/period	232	177	163	171
Addition of new distributors *(Note)*	79	52	83	31
Decrease in number of distributors	(134)	(66)	(75)	(68)
Number of distributors as at the end of year/period	177	163	171	134

Note: The addition of new distributors refers to distributors whom we had generated revenue from for the corresponding year/period.

During the Track Record Period, our business relationship with distributors are generally terminated (i) upon the expiration of the term of the distribution agreement or (ii) unilaterally by us or the distributor as a result of breaches of the terms and conditions of the distribution agreements (e.g. failure to meet minimum purchase amounts and/or sales targets). The number of distributors decreased from 232 as of January 1, 2020 to 134 as of June 30, 2023 primarily due to our efforts to streamline our distribution network to replace underperforming distributors upon our regular checks on their sales performances with new distributors to strive to ensure the quality and efficiency of our distributors.

According to Frost & Sullivan, it is consistent with industry norm for providers of smart service robotic products and services to engage distributors in order to take advantage of their knowledge in relation to local marketing practices and consumer preferences.

Sales through our self-operated online stores

Online channels form an integral part of our retail platform and customer experience. Capitalizing on the growing trend of e-commerce and its distribution efficiency, we have set up our own self-operated online stores on various e-commerce platforms that allow easy navigation with search functions, and easily accessible product information pages with comprehensive product descriptions and videos (where applicable) and customer reviews and ratings.

These e-commerce platforms operate online marketplaces where brands like us sell products to consumers through third party online stores. Our online stores receive orders from consumers, then such e-commerce platforms automatically place matching orders with us. Upon receiving the orders from the online stores, we deliver our products to the consumers directly according to the purchase orders they place through the online stores. E-commerce platforms do not take inventory of our products sold through our self-operated online stores.

Our Directors believe that our self-operated online stores allow our customers to learn more about our products including their specifications and functions at any time and from anywhere in the world whereby optimizing their shopping experience and allowing us to establish a strong online retail presence in the market and our own sales network and resources, thus increasing our market penetration and sales during the Track Record Period. It also allows us to test market acceptance for our new products, gauging consumer feedback as well as collecting market intelligence to optimize our offline sales networks and guide our offline marketing and product strategies.

During the Track Record Period and as of the Latest Practicable Date, our self-operated online stores are based on these e-commerce platforms run by third parties, like Taobao or Jingdong. As advised by our PRC Legal Adviser, as we have not run our self-operated e-commerce platforms to sell products in PRC, we are not required to obtain ICP license or ICP filings for those self-operated online stores.

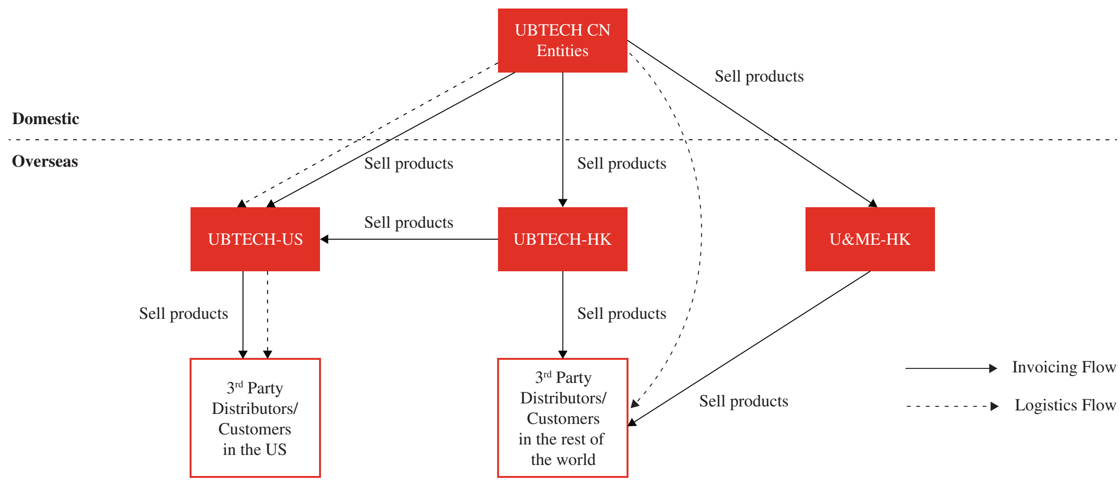
TRANSFER PRICING ARRANGEMENTS

Our Group has established subsidiaries in the PRC, Hong Kong, and the United States to perform different functions including but not limited to procurement, manufacturing, sales and marketing, and research and development. During the Track Record Period, our Group's subsidiaries in the PRC, Hong Kong, and the United States have primarily engaged in the following two types of cross-border intra-group transactions, namely (i) intercompany buy-sell transactions; and (ii) research and development collaboration:

(1) Intercompany buy-sell transactions

During the Track Record Period, almost all of our Group's intercompany buy-sell transactions were conducted within Mainland China, while only a small amount of cross-border intercompany buy-sell transactions (i.e. around 8.45% of the total intercompany buy-sell transactions during the Track Record Period) were conducted between our Group's Chinese and overseas entities. Given that no China transfer pricing audit adjustment would be conducted on domestic intragroup transactions as long as the transactions had not resulted in the reduction of the overall tax revenues according to the China's transfer pricing regulations, the below mainly addresses our Group's cross-border intercompany buy-sell arrangement.

The diagram below sets out the business and logistics flow of the cross-border intercompany buy-sell arrangement within our Group during the Track Record Period:



More specifically, our Group's cross-border intercompany buy-sell transactions could be illustrated as follows:

i. U&ME Innovation Technology Company Limited ("**U&ME-HK**") purchased certain products from our Group's domestic related parties and sold them onwards to third party distributors and customers;

ii. UBTech Robotics Limited ("**UBTECH-HK**") purchased products from our Group's domestic related parties;

iii. UBTech Robotics Corp ("**UBTECH-US**") purchased certain products from UBTECH-HK and our Group's domestic related parties for US local market distribution; and

iv. UBTECH-HK sold the remaining products to third party distributors and customers in the rest of the world.

During the Track Record Period, the overseas revenues generated therefrom are relatively insignificant by comparing to the China domestic revenues. The following table sets forth the cross-border intercompany buy-sell transaction amounts for the periods indicated:

	FY2020	FY2021	FY2022	6M2023
	RMB'000	RMB'000	RMB'000	RMB'000
Cross-border intercompany buy-sell transactions	39,070	55,351	81,050	70,908

(2) Research and development ("R&D") collaboration

Our Group's other primary intercompany transactions are the contract R&D services rendered by UBTECH North America Research and Development Center Corp ("**UBTECH-R&D**") and Futronics (NA) Corporation ("**FUTRON-R&D**") to UBTech Robotics Corp Ltd ("**UBTECH-SZ**"). Functioned as our Group's IP economic owner, UBTECH-SZ leads our Group's R&D by setting overall R&D policies and protocols, conducting significant R&D activities by our in-house team of employees, and subcontracting part of the works to UBTECH-R&D and FUTRON-R&D. Both entities have been providing contract R&D services to UBTECH-SZ, with the focused areas on wellness and elderly care smart robotic products and services. As per the relevant intercompany agreements, upon the confirmation by UBTECH-SZ on the provision of R&D services by UBTECH-R&D and FUTRON-R&D, the intercompany R&D services fees would be arranged to compensate all the relevant costs incurred by UBTECH-R&D and FUTRON-R&D, with an additional 10% mark-up. The following table sets forth the intercompany R&D services transaction amounts for the periods indicated:

	FY2020	FY2021	FY2022	6M2023
	RMB'000	RMB'000	RMB'000	RMB'000
Cross-border intercompany R&D services	64,836	68,032	52,172	17,630

Transfer pricing assessment

Our Group has engaged an independent transfer pricing tax consultant, namely Shenzhen Qianhai PricewaterhouseCoopers Business Consulting Services Co., Limited ("**Transfer Pricing Consultant**"), to conduct a transfer pricing review, including benchmarking studies, to evaluate the transfer pricing arrangement in relation to the above-mentioned intra-group transactions.

(1) Transfer pricing assessment of our Group's cross-border intercompany buy-sell transactions

UBTECH-HK, U&ME-HK and UBTECH-US functioned as distributors assuming local market risk in their cross-border intercompany buy-sell transactions. Based upon these functional profiles, resales price method ("**RPM**") was selected as the most appropriate transfer pricing method with gross margin ("**GM**") employed as the profit level indicators ("**PLIs**") respectively, to evaluate these intercompany buy-sell transactions during the Track Record Period.

A benchmarking study was conducted by selecting independent companies that perform activities similar to the activities performed by UBTECH-HK, U&ME-HK and UBTECH-US with respect to their related party arrangements. The three-year weighted average GM ratios achieved by the comparable companies range from 10.76% to 46.93%. The tested parties' three-year weighted average ratios of UBTECH-HK, UBTECH-US, U&ME-HK are 42.53%, 22.31% and 15.29% respectively which are within the comparable companies range. The tested parties three-year and six-month weighted average ratios of UBTECH-HK, UBTECH-US and U&ME-HK remain relatively stable as compared to three-year weighted average ratio and within the comparable companies range.

As shown in the above, during the Track Record Period, UBTECH-HK, U&ME-HK and UBTECH-US all achieved the profitability within the arm's length profit ranges derived from the relevant set of comparable companies.

(2) Transfer pricing assessment of contract R&D services rendered by UBTECH-R&D and FUTRON-R&D to UBTECH-SZ

For UBTECH-R&D and FUTRON-R&D, comparable profit method ("**CPM**") was selected as the most appropriate transfer pricing method and the full-cost mark up ("**FCMU**") was employed as the PLI, to evaluate the contract R&D services rendered by UBTECH-R&D and FUTRON-R&D to UBTECH-SZ during the Track Record Period.

A benchmarking study was conducted by selecting independent companies providing contract R&D services which are comparable to those performed by UBTECH-R&D and FUTRON-R&D. By comparing to the benchmarking results where the interquartile range of the three-year weighted average FCMU rates is from -1.48% to 11.40%, the respective weighted average FCMU ratio (i.e. FCMU 10%) of UBTECH-R&D and FUTRON-R&D during the Track Record Period falls within the arm's length range of the independent comparable companies.

Conclusion

Our Directors, together with the Transfer Pricing Consultant, are of the view that the above-mentioned intercompany transactions of our Group were in line with the arm's length principle and our Group has been in compliance with the relevant transfer pricing laws and regulations during the Track Record Period.

In order to ensure our ongoing compliance with the applicable transfer pricing laws and regulations, we have adopted or are in the process of adopting the following measures:

- we will engage an external tax consultant advising on transfer pricing matters annually to conduct analysis on our transfer pricing method and profit level indicator selected, and plan our transfer pricing policy of the transactions through financial budgeting according to the result of the analysis;
- we will provide trainings to our finance team relating to updates on relevant transfer pricing laws and regulations in the relevant jurisdictions;
- we will review all reporting forms before submitting to the relevant tax authority;
- we will optimize the supporting of functional profile for the main operating business;
- we will ensure the profit arrangement is aligned with each entity's value contribution; and
- we will document and file relevant supporting documents of value contribution of each entity for risk management purposes, including but not limited to responsibilities planning, correspondences, performance and outcome assessment of relevant work, etc.

Our management has and will continue to closely monitor our Group's transfer pricing arrangements including reviewing the reasonableness of the pricing policy of our intra-group transactions from time to time. However, we cannot assure that our transfer pricing arrangements will not be subject to review and possible challenge by any relevant tax authorities in future, even though we believe we have reasonable grounds to defend ourselves against such possible challenge. Please refer to the section headed "Risk Factors – Risks Relating to Our Business – Our operations may be subject to transfer pricing adjustments by competent authorities" in this document for further details.

MARKETING

We constantly seek to explore the application scenarios of our products and services through maintaining and building relationships with our existing or new partners and customers. To achieve this, we adopt multi-faceted marketing initiatives.

Online social media

Part of our marketing strategies is to demonstrate the capabilities of our products and share our experience and knowledge of our products with our customers, therefore every now and then, we engage with our community through a wide variety of content, with the goal of creating interactive exchanges with our customers, thereby promoting and sharing the information of our products. We also upload our video productions to social networking platforms for viewing. We cultivate and support the growth of our user community through close interaction with our users and actively gathering their feedback.

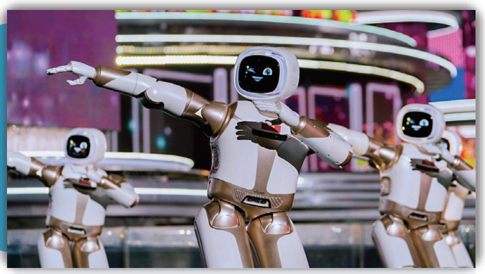
Participating in exhibitions and showrooms

We participate in domestic and overseas exhibitions such as (i) the World Artificial Intelligence Conference in 2022; (ii) the Robot Showroom* ("機器人大秀場") at the China Science and Technology Museum in 2023; (iii) the Dubai World Expo in 2021 to 2022; (iv) the International Consumer Electronics Show (CES) 2020 in the United States; and (v) the 40th Anniversary of the Establishment of Shenzhen Special Economic Zone Cultural Gala in 2020. Through the participation of such exhibitions, we are able to enhance the market exposure of our smart service robotic products and services by demonstrating their capabilities to potential customers, thus allowing us to receive more invitations to participate in tenders and drive their potential demand, which will allow us to receive more invitations and opportunities to participate in the tendering process of such customers (such as government educational bureaus).

We have also operated showrooms at (i) Shenzhen City at our Shenzhen headquarters and (ii) Kunming City, Xiamen City, Suzhou City, Taiyuan City and Liuzhou City at locations such as exhibition centers, public areas and cafes during the Track Record Period, which enabled our potential customers to interact with and obtain a better understanding in relation to the application of our latest smart service robotic products and services (mainly including other sector-tailored smart robotic products and services and consumer-level robots and other hardware devices) in various use scenarios in a user-friendly manner.

Participation of major national events and industry events

During the Track Record Period, we have participated in various major national events and industry events which allows us to benefit from word-of-mouth marketing and minimizes our sales and marketing costs. For instance, in 2021, our customised ox-themed robots named "The Pioneering Ox" performed at China's CCTV Spring Festival Gala to celebrate the Year of the Ox and, together with our other robotic performances in the CCTV Spring Festival Gala of 2016 with Alpha robots, 2018 with Jimu robots and 2019 with Walker robots. We believe this is an important step to increase our brand awareness as an established provider within China's smart service robotic products and services industry. As a reflection of our brand image, we were also (i) selected as the sole official intelligent robot partner of the Floriade China Pavilion at the World Horticultural Expo 2022 in the Netherlands in April 2022 where our Cruzr was appointed as the Cultural Communication Ambassador of the China Pavilion to provide guided tours; (ii) invited to deploy nine of our humanoid Alpha Mini robots to participate in one of the opening ceremony performances of the Beijing Winter Olympic Games in 2022; and (iii) appointed as the sole official AI-robotics partner in the China Pavilion of Dubai World Expo in 2021 to 2022 where we demonstrated the functions of our latest biped life-sized humanoid robots, Walker X, to the public.



We participated in the 2019 CCTV Spring Festival Galas.

We participated in the World Expo in Dubai in 2021 to 2022.

Sponsorships

We actively promote our smart service robotic products and services and reinforce our position as an established provider in the industry through our support of robotic and/or AI-related competition events during the Track Record Period, with an aim to bring AI education to the general public. For example, we were a sponsor of the Robo Genius 2021 World Online Competition, which aimed at creating a program and platform that helps younger generation to grow and thrive in the robotic field. It is also dedicated to AI education and inspiring the youth to learn and study robotic and AI science. We also sponsored the filming of a TV series in relation to the development process of a robotic and AI technologies start-up in the PRC, which was aired on China Central Television in April 2023, by providing the necessary robots, equipment and accessories for filming purpose and technical guidance and consultancy support.

Multi-level marketing initiatives in the education sector

To build up our reputation in the education sector and build up business relationships with government educational bureaus, we adopted multi-level marketing initiatives which we believe have brought us tender and business opportunities throughout the years. At national-level, we participated in various national education exhibitions such as the National Education Equipment Exhibition (全國教育裝備展示會). At regional level, we organized provincial and municipal AI exhibition and exchange sessions for primary and secondary schools. We also supported various education related events hosted by schools through sponsorship. We believe all these initiatives can enhance our access to tender opportunities and put us in a competitive market position.

Our selling and marketing expenses amounted to RMB313.3 million, RMB357.6 million, RMB361.0 million, RMB171.6 million and RMB189.8 million for FY2020, FY2021, FY2022, 6M2022 and 6M2023, respectively and accounted for 42.3%, 43.8%, 35.8%, 60.5% and 72.7% of our total revenue for the corresponding year/period.

OUR CUSTOMERS

Customers

Our major customers include (i) government educational bureaus and enterprises who purchase our education smart robotic products and services including uKit and Jimu series (education), humanoid Yanshee and the relevant AI curriculums and equipment for education purposes; and (ii) enterprises which purchase our sector-tailored smart robotic products and services including AMRs and the relevant software and platform. Our customers also include distributors, some of which who resell our products to consumers. See "Sales — Our sales networks — Distributors" above for further details.

The following tables set forth the details of our top five customers during the Track Record Period:

Customer	Principal business	Year of commencement of business relationship with us	Registered Capital	Types of products/ services provided by us	Major end users	Revenue contribution	% of our total revenue	Credit period	Settlement method
			(RMB'000)			(RMB'000)	(%)		
For FY2020									
Customer A	A subsidiary of a SOE listed on the Shanghai Stock Exchange engaged in import and export of commodities and technologies located in the PRC	2020	400,000	Education smart robotic products and services; other sector-tailored smart robotic products and services	Schools	279,668	37.8	Within 3 months	Bank transfer
Hangzhou Linping Economic Development and Construction Co., Ltd. (杭州臨平經濟開發建設有限公司)	A SOE engaged in provision of technological development and consulting services located in the PRC	2019	1,500,000	Education smart robotic products and services	Schools	124,454	16.8	Within 6 months	Bank transfer
Customer B	PRC government education department located in the PRC	2020	—	Education smart robotic products and services; other sector-tailored smart robotic products and services	Schools	48,152	6.5	Within 12 months	Bank transfer
Guiyang Bureau of Education (貴陽市教育局)......	PRC government education department located in the PRC	2019	—	Education smart robotic products and services	Schools	21,060	2.8	Within 7 months	Bank transfer
Customer C	PRC government school located in the PRC	2020	—	Education smart robotic products and services; other sector-tailored smart robotic products and services	Schools	19,249	2.6	Within 4 months	Bank transfer

Customer	Principal business	Year of commencement of business relationship with us	Registered Capital	Types of products/ services provided by us	Major end users	Revenue contribution	% of our total revenue	Credit period	Settlement method
			(RMB'000)			(RMB'000)	(%)		
For FY2021									
MAE Group[Note]	A company listed on the Shenzhen Stock Exchange (stock code: 002009) headquartered in the PRC engaged in design, manufacture, installation and management of intelligent automation system engineering	2020	379,299	Logistics smart robotic products and services	Automobile and relevant component manufacturers	175,005	21.4	Within 12 months	Bank transfer and bills
Customer D	A SOE engaged in sale of technological products and provision of technological development and consulting services located in the PRC	2021	2,715,000	Education smart robotic products and services; other sector-tailored smart robotic products and services	Schools	75,640	9.3	Within 10 days	Bank transfer
Customer E	A SOE engaged in sale of electronic products located in the PRC	2021	99,000	Education smart robotic products and services; other sector-tailored smart robotic products and services	Schools and hospitals	67,811	8.3	Within 45 days	Bank transfer
Hangzhou Linping Economic Development and Construction Co., Ltd. (杭州臨平經濟開發建設有限公司)	Please see above	Please see above	Please see above	Please see above	Please see above	63,159	7.7	Please see above	Please see above
Customer F	PRC government education department located in the PRC	2021	—	Education smart robotic products and services; other sector-tailored smart robotic products and services	Schools	45,088	5.5	Within 24 months	Bank transfer
For FY2022									
Customer F	Please see above	Please see above	—	Education smart robotic products and services; other sector-tailored smart robotic products and services	Please see above	276,581	27.4	Please see above	Please see above

Customer	Principal business	Year of commencement of business relationship with us	Registered Capital	Types of products/ services provided by us	Major end users	Revenue contribution	% of our total revenue	Credit period	Settlement method
			(RMB'000)			(RMB'000)	(%)		
MAE Group[Note] ..	Please see above	Please see above	Please see above	Logistics smart robotic products and services; other sector-tailored smart robotic products and services	Please see above	251,244	24.9	Please see above	Please see above
Customer G	A SOE engaged in investments in education infrastructure located in the PRC	2022	100,000	Education smart robotic products and services; other sector-tailored smart robotic products and services	Schools	87,069	8.6	Within 22 months	Bank transfer
Customer H	PRC government education department located in the PRC	2022	—	Education smart robotic products and services; other sector tailored smart robotic products and services	Schools	56,778	5.6	Within 36 months	Bank transfer
Hangzhou Linping Economic Development and Construction Co., Ltd. (杭州臨平經濟開發建設有限公司) ...	Please see above	Please see above	Please see above	Please see above	Please see above	49,214	4.9	Please see above	Please see above
For 6M2023									
MAE Group[Note] ..	Please see above	Please see above	Please see above	Logistics smart robotic products and services; other sector-tailored smart robotic products and services	Please see above	71,425	27.4	Please see above	Bank transfer
Customer H	PRC government education department located in the PRC	Please see above	Please see above	Education smart robotic products and services; other sector-tailored smart robotic products and services	Please see above	16,376	6.3	Please see above	Please see above
Customer F	PRC government education department located in the PRC	Please see above	Please see above	Education smart robotic products and services; other sector-tailored smart robotic products and services	Please see above	11,761	4.5	Please see above	Please see above
Customer I	An entity owned by a PRC education department which is engaged in education training	2022	–	Education smart robotic products and services	Schools	9,539	3.7	Within 24 months	Bank Transfer
Customer J	A SOE engaged in provision of software and information technology services located in the PRC	2023	2,000,000	Education smart robotic products and services; other sector-tailored smart robotic products and services	Schools	7,168	2.7	Within 5 days	Bank Transfer

Note: During the Track Record Period, we had business transactions with seven group companies of MAE Group. MAE Group is also our supplier during the Track Record Period and our connected person under the Listing Rules. See "Business — Overlapping of Customers and Suppliers — Overlapping Relationship with MAE Group" in this section and "Connected Transactions".

The sales to our top five customers in each year/period during the Track Record Period amounted to RMB492.6 million, RMB426.7 million, RMB720.9 million and RMB116.3 million, respectively, representing 66.5%, 52.2%, 71.5% and 44.5% of our total revenue for the respective years/period. The sales to our largest customer in each year/period during the Track Record Period amounted to RMB279.7 million, RMB175.0 million, RMB276.6 million and RMB71.4 million, representing 37.8%, 21.4%, 27.4% and 27.4% of our total revenue for the respective years/period.

Save as disclosed below, to the best of our knowledge, during the Track Record Period and up to the Latest Practicable Date, other than MAE, all of our top five customers were Independent Third Parties. As of the Latest Practicable Date, none of our Directors, Supervisors, their associates or any of our Shareholders (who or which to the knowledge of the Directors or Supervisors owned more than 5% of our issued share capital) had any interest in any of our top five customers.

Based on publicly available information and the best information and knowledge of our Directors, our top five customers during the Track Record Period which together with certain of the [**REDACTED**] Investors were government entities or state-owned enterprises in the same cities in the PRC included (i) Hangzhou Linping Economic Development and Construction Co., Ltd. ("**Hangzhou Linping**") which is a SOE located in the Linping District of Hangzhou City, whereas Hangzhou Youzhi and Hangzhou Hushan are ultimately controlled by Hangzhou City Yuhang District People's Government State-owned Assets Supervision and Administration Office and Hangzhou City Lin'an District State-owned Assets Management Service Centre, respectively; (ii) Customer A which is a SOE located in Xiamen City, whereas Xiamen Jinyuan and Xiamen Siming are ultimately controlled by Xiamen Finance Bureau and Xiamen City Siming District Finance Bureau, respectively; (iii) Customer E which is a SOE located in Nanxun District of Huzhou City, whereas Huzhou Nanxun is ultimately controlled by Huzhou City Nanxun District Finance Bureau; (iv) Customer H which is a government education department in Liuzhou City, whereas Liuzhou Industrial Fund and Liuzhou Government Investment Fund are ultimately controlled by Liuzhou City People's Government State-owned Assets Supervision and Administration Commission, and (v) Customer J which is a SOE located in Sichuan Province, and together with Chengdu Hongzhijia Enterprise Management Centre (Limited Partnership)* (成都宏之佳企業管理中心(有限合夥)) (i.e. a [**REDACTED**] Investor), are both ultimately controlled by the Sichuan Provincial Government State-owned Assets Supervision and Administration Commission and the Sichuan Provincial Department of Finance.

Our Group's purchase orders for education smart robotic products and services are tailored to meet customer needs after arm's length negotiations, resulting in varying principal terms (such as pricing and products/services required, payment terms, credit period and product return and exchange) and gross profit margins. In general, sales of education hardware products and services, and software typically enjoy higher average selling price due to the launch of new products and better economies of scale, leading to higher gross profit margins compared to other products and ancillary services, whereas ancillary services generally have a higher gross profit margin compared to other products after 2022 as a result of the increased gross profit margin from ancillary services upon the acquisition of Shanghai UBJ which became our subsidiary in July 2022. Our Directors are of the view that (i) there are no material differences between the principal terms of our transactions (a) with the aforementioned customers and other customers which contributed to more than 1.0% of the total revenue of our education smart robotic products and services segment in a given financial year during the Track Record Period and together with certain of the [**REDACTED**] Investors were government entities or state-owned enterprises in the same cities in the PRC ("**Relevant Customers**") and (b) with the remaining customers of our education smart robotic products and services segment which were government entities or state-owned enterprises and contributed to more than 1.0% of the total revenue of our education smart robotic products and services segment in a given financial year during the Track Record Period ("**Independent Customers**"); and (ii) the gross profit margins of our transactions with the Relevant Customers for FY2020, FY2021, FY2022 and 6M2023 were higher than, lower than, consistent with and lower than those with the Independent Customers, respectively, the differences of which were caused by the different proportions of education hardware products and services, and software, and other products and ancillary services sold to the Relevant Customers compared to the Independent Customers in the relevant years/period. Furthermore, Frost & Sullivan is of the view that there are no material differences in relation to the principal terms, and the gross profit margins are comparable between our transactions with the Relevant Customers and with general market practice in the education smart robotic products and services industry in the PRC.

Top five customers concentration

During the Track Record Period we had a concentration of top five customers. Education smart robotic products and services have been our principal business through which we have accumulated substantial expertise and know-how. Our Directors consider that our customer concentration is a result of our strategic decision to participate in government projects where certain of our top customers cater to end-customers generally consisting of multiple government institutes, such as schools. Taking into account our then available resources, historically we have been inclined to stay focused in accommodating the demand of our top five customers through which we can reach out to a number of schools. While we intend to maintain a stable relationship with our existing top five customers, we have no intention to limit ourselves to serving only our existing top five customers. During the Track Record Period, we developed and launched a series of sector-tailored smart robotic products and services for logistics purposes in late FY2020 and wellness and elderly care purposes in the second half of 2022. Going forward, as AI-empowered smart service robots become more prevalent in other sectors, our Directors believe that we will be able to diversify our product and service offerings for usage of scenarios across different industries by utilizing our full-stack technologies. As such, we expect that our customer base will become more diversified and the extent of our customer concentration is expected to decrease in the future.

After-sale services

We believe that high quality after-sales services constitute an essential factor that determines our success as it extends the value chain of our products and services while also promoting customer and end-user satisfaction. We have been developing and optimizing our after-sales services since the establishment of our UBTECH brand.

The right to return and exchange products are generally agreed upon in the written agreement between our customers and us and depends on factors including, but not limited to, (i) quality and conformity with agreed specifications of the relevant smart service robotic product, (ii) bargaining power and market position of the relevant customer, (iii) availability of comparable products in the market in relation to the relevant smart service robotic product, and (iv) whether the relevant smart service robotic products are standardized or customized. We generally allow customers to return and exchange hardware products with defect within certain period in accordance with the agreements. Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, there were no material product recalls, product returns, product liability claims, warranty expenses or customer complaints that adversely affected our business.

For our education smart robotic products and services, we typically offer 12 to 36 months warranty commencing from the date of delivery to or inspection by the customers of such products and/or services, depending on the category of the products and/or services. For our remaining smart service robotic products and services, we typically offer 12 months warranty commencing from the date of delivery to or inspection by the customers of such products and/or services.

For products sold to distributors which are mainly the Group's consumer-level robots and other hardware devices, we typically allow return and exchange of products that (a) are defective, (b) do not conform to agreed specifications or to samples and (c) are subject to the termination of cooperation with distributors. For certain traditional distributors and online/offline hybrid distributors (mainly including e-commerce platforms, overseas distributors and overseas retailers), our Group also allows the return and exchange of products that are (i) overstocked, as some of the e-commerce platforms, overseas distributors and overseas retailers include the right to return overstocked products that are unsold upon their request at their discretion as part of their standard commercial terms and conditions. Based on the best information and knowledge of our Directors, the return of such overstocked products are generally carried out within twelve months of the delivery of such products, which is consistent with general market practice for e-commerce platforms, overseas distributors and overseas retailers according to Frost & Sullivan; and/or (ii) returned by retail customers to our distributors (mainly including e-commerce platforms, overseas distributors and overseas retailers) in accordance with the unconditional right to return within a certain period of time granted by our distributors, which generally ranges within seven to 30 days from the date of shipment/delivery of the relevant robotic product and our Directors confirm that the purpose of this is to comply with the applicable laws and regulations in relation to the protection of consumer rights and interests in the countries where the relevant transactions take place. According to Frost & Sullivan, the right to return overstocked products and the right for retail customers of distributors to return products unconditionally within a certain period of time are common standard terms among e-commerce platforms, overseas and/or established distributors in order to safeguard their commercial interests by leveraging on their relatively strong market position against counterparties which seek to make available their products to a wider range of end-customers through such distributors. Our Directors are of the view that the establishment of business relations with such distributors despite the inclusion of the aforementioned terms in our agreements is in the best interest of the Group as a whole since their extensive online and/or offline distribution networks in terms of number and geographical coverage of end-customers have enabled us to maximize the market outreach and number of potential end-customers in relation to our robotic products. Based on the best estimates of our Directors, the maximum periods of product return are generally within twelve months from delivery of the products. For products which do not fulfil the aforementioned criteria, we do not accept return or exchange but we offer maintenance and repair services. According to Frost & Sullivan, the Group's product return and exchange policies are in line with market practices in relation to distribution arrangements, in particular those executed with e-commerce platforms, in the smart service robotic products and services industry. During the Track Record Period, the total value of our product return amounted to RMB26.4 million, RMB9.9 million, RMB4.4 million and RMB2.4 million, respectively, of which the total value of our product return due to (i) overstock of distributors amounted to RMB16.3 million, RMB8.1 million, RMB3.0 million and RMB1.2 million, (ii) termination of distributorship agreement amounted to RMB5.3 million, nil, nil and nil, (iii) return within a certain period of time stipulated in our agreements amounted to RMB3.8 million, RMB1.1 million, RMB1.3 million and RMB1.1 million, (iv) agreed amendments with customers in relation to purchase amount or specification of products amounted to RMB0.9 million, RMB0.6 million, RMB28,000 and RMB27,000, and (v) product quality amounted to RMB0.1 million, RMB0.1 million, RMB50,000 and RMB28,000, respectively. In relation to the accounting treatment of products return by distributors, the return clause stipulated in the distributorship agreements is not regarded as a separate performance obligation, but it affects the estimated transaction price for the sale as the clause of product return represented a variable consideration included in the transaction price. For contracts which provide a customer with a right to return the goods within a specified period, the expected value method is used to estimate the goods that will not be returned so as to best predict the amount of variable consideration that we will be entitled to receive. The requirements in HKFRS 15 on constraining estimates of variable consideration are applied in order to determine the amount of variable consideration that can be included in the transaction price. For sales that the goods are expected to be returned, a refund liability is recognized. The amounts of refund liabilities were calculated based on the multiple of accumulated average historical return rate and the sales for the past twelve months.

On the other hand, a right-of-return asset and the corresponding adjustment to cost of sales are also recognized for goods expected to be returned. The amounts of right-of-return assets were calculated based on the multiple of accumulated average historical return rate and the cost of sales for the past twelve months.

When goods are returned, the refund liabilities are settled by cash or offsetting accounts receivables due from the distributors and the right-of-return assets are transferred to the inventories of returned goods.

The reasonableness of all assumptions and the estimated amounts of product return are reassessed by the Group at each reporting date. As at December 31, 2020, 2021 and 2022 and June 30, 2023, the refund liabilities are RMB21.1 million, RMB21.4 million, RMB15.3 million and RMB13.3 million and right-of-return assets are RMB8.6 million, RMB5.8 million, RMB6.5 million and RMB7.9 million, respectively. The difference between the amount of actual products returned and the provision recognized as refund liabilities were adjusted to the revenue and cost of sales for the respective period/year.

We recorded product return of RMB26.4 million in FY2020 mainly because of (i) certain traditional distributors and online/offline hybrid distributors (mainly including e-commerce platforms, an overseas household supplies and hardware distributor and established overseas retailers which operate multiple chain stores in the United States) were unable to sell the products, mainly consumer-level robots and other hardware devices such as Jimu series (non-education) robots and accessories and movie licensed robots, due to lowered market demand during the COVID-19 outbreak, and they returned overstocked products to us pursuant to the relevant distributorship agreements; and (ii) product return from a traditional distributor from overseas upon the termination of our exclusive distributorship agreement in 2018 due to its failure in achieving the minimum purchase amount pursuant to the aforementioned agreement. According to the best information and knowledge of our Directors, we had no material outstanding disputes with our customers as a result of product return during the Track Record Period and up to the Latest Practicable Date. Save as disclosed above, we did not experience any other material product return during the Track Record Period.

OUR SUPPLIERS

Our suppliers primarily consist of (i) providers of raw materials and hardware for the development, assemble and production of our smart service robotic products and services, and (ii) subcontractors in relation to services which we consider it is more efficient to subcontract that are not within our expertise in order to reduce our operational costs and focus on our core business (e.g. training and teaching support services for our education smart robotic products and services and contract manufacturing services). We select leading suppliers in the relevant sectors in order to ensure the availability and quality of such hardware, equipment and services. Our procurement process is under constant review for higher efficiency and cost control purpose without jeopardizing the quality of deliverables.

Providers for raw materials and hardware

The key raw materials and hardware for the development, assemble and production of our smart service robotic products and services include, but are not limited to, entire machine and module components, chip module on the board and electronic parts, servo components, motor components, intelligent drive induction devices, optical components, sensor components and laser components. We may require the suppliers to develop and manufacture the components based on the specifications of us with quality standards satisfactory to us. Upon receiving the hardware, we retain the right to reject or return based on the results of our inspection. We typically obtain quotations from at least two suppliers, in order to ensure supply stability and optimal procurement cost control, whereas we may source those components which we believe substitute suppliers can be easily identified.

We normally enter into master agreements with raw materials and hardware providers which set out the general terms and conditions of cooperation. We make separate purchase orders pursuant to the framework agreements and negotiate prices and volumes before creating each purchase order. We typically pay a fixed fee and make the payment as set forth in the purchase order, and the supplier is typically responsible for the delivery of the products.

Prior to entering into business relationships with such raw materials and hardware providers, we evaluate a variety of factors, including their research and development capabilities, product quality, qualification, reputation, pricing, and overall services. We perform thorough due diligence on our suppliers, request samples before making purchase orders and regularly monitor and review their performance.

Subcontractors

During the Track Record Period, we also engaged subcontractors. We generally outsource our services when our Directors consider it is more efficient to subcontract certain services that are not within our expertise in order to reduce our operational costs and focus on our core business. We generally engage subcontractors for services such as teaching support services for our education smart robotic products and services (which typically include providing on-site operation team to address any issues, operation support services, teaching training services) and contract manufacturing services. We believe such subcontracting arrangements allow us to reduce the labor cost and increase our flexibility and capacity in carrying out the projects.

We maintain good relationships with our subcontractors through frequent and open communication on project-related matters, particularly on the progress of work and project requirements. There was no material delay in delivery of services by subcontractors during the Track Record Period. For FY2020, FY2021, FY2022 and 6M2023, the amount of subcontracting service fee paid by us was RMB80.3 million, RMB105.8 million, RMB63.8 million and RMB6.9 million, respectively, accounting for 19.6%, 18.8%, 8.9% and 3.3%, respectively, of our total cost of sales for the corresponding year/period. The increase in subcontracting fee from FY2020 to FY2021 was primarily due to the increase in subcontracting fee for our education smart robotic products and services. See "Financial information — Review of historical results of operation — FY2021 compared to FY2020 — Cost of sales" for further details.

We typically select our subcontractors based on the prices, contract performance, delivery ability, quality of services. We are selective of the subcontractors we work with and implement stringent management procedures to control the work of our subcontractors. Our procedures include: (i) adopting a series of strict cost auditing measures, which are reviewed regularly by our management; and (ii) designating project management personnel who are employed by our Group to supervise and manage our subcontractors and holding meetings with subcontractors to discuss their performance, construction progress. To the best of our knowledge, save as Shanghai UBJ which was acquired by our Group in 2022, during the Track Record Period and up to the Latest Practicable Date, all of our subcontractors were Independent Third Parties.

Top Suppliers

The purchases from our top five suppliers in each year/period during the Track Record Period amounted to RMB144.3 million, RMB195.0 million, RMB188.2 million and RMB105.8 million, respectively, representing 35.2%, 34.7%, 26.3% and 50.7% of our total cost of sales for the respective years/period. The purchases from our largest supplier in each year/period during the Track Record Period amounted to RMB73.9 million, RMB93.7 million, RMB60.5 million and RMB44.8 million, representing 18.0%, 16.7%, 8.5% and 21.5% of our total cost of sales for the respective years/period.

The following tables set forth the details of our top five suppliers during the Track Record Period:

Supplier	Principal business	Year of commencement of business relationship with us	Registered Capital	Types of products/ services procured by us	Amount of purchases	% of our total cost of sales	Credit period	Settlement method
			(RMB'000)		(RMB'000)	(%)		
For FY2020								
Shanghai UBJ[(1)]	A private company engaged in technology and software services, development and consulting and sales of education equipment located in the PRC	2018	7,243	Subcontracting of ancillary services (such as teacher training and event organization support) and raw materials and consumables (such as education hardware, teaching toolkits and custom display systems)	73,899	18.0	Within 30 days	Bank transfer
Supplier A	A subsidiary of a company listed on the Shenzhen Stock Exchange engaged in sales of computer components, communications equipment and instruments located in the PRC	2020	700,000	Raw materials and consumables such as compliers and computers for teaching purposes	25,473	6.2	Within 60 days	Bank transfer
Supplier B	A subsidiary of a company listed on the Shenzhen Stock Exchange engaged in interior and decoration design and development and sales of computer software and hardware located in the PRC	2019	20,000	Installation costs in relation to design and construction works for educational project sites and schools	18,807	4.6	Within 20 days	Bank transfer
Beijing Yin Si Lang Information Technology Co., Ltd. (北京銀思朗信息技術有限公司)	A company with over 30% shareholding held by a company listed on Hong Kong Stock Exchange engaged in technology services and development and sales of computer software and hardware located in the PRC	2018	204,080	Raw materials and consumables such as compliers, displays and monitors, computers, robot extensions, switchboards and other accessories for educational project sites	15,264	3.7	Within 60 days	Bank transfer
Shenzhen Top-Tek Technology Co., Ltd (深圳市拓普泰克技術股份有限公司)	A private company engaged in sales and development of intelligent home appliances, industrial automation products and new energy products located in the PRC	2017	46,236	Raw materials and consumables such as PCBAs, sensor plates, sockets, connectors, power boards and mainboards	10,861	2.7	Within 30 days	Bank transfer

Supplier	Principal business	Year of commencement of business relationship with us	Registered Capital	Types of products/ services procured by us	Amount of purchases	% of our total cost of sales	Credit period	Settlement method
			(RMB'000)		(RMB'000)	(%)		
For FY2021								
Shanghai UBJ[(1)]	Please see above	Please see above	Please see above	Please see above	93,683	16.7	Please see above	Please see above
Supplier A	Please see above	Please see above	Please see above	Please see above	37,465	6.7	Within 75 days	Please see above
Taiyuan Aoteli Logistics Technology Co., Ltd. (太原市奧特萊物流科技有限公司)	A private company engaged in design, sales and installation of automated warehousing and logistics system and equipment located in the PRC	2020	31,696	Raw materials and consumables such as backplanes, stackers, electronic control systems, rails, and ground operating stations for stacker cranes for logistics smart robotic products and services projects	25,412	4.5	Nil	Bills
Shanghai XingJian Intelligent Technology Co., Ltd (上海行箭智能科技有限公司)	A private company engaged in development of intelligent and automation technology and sales of electrical equipment located in the PRC	2020	10,000	Raw materials and consumables such as truss manipulators for logistics smart robotic products and services projects	19,540	3.5	Within 30 days	Bank transfer
Supplier C[(2)]	A private company engaged in design, manufacturing and installation of intelligent conveying machinery and equipment, general mechanical and electrical equipment located in the PRC	2021	50,000	Raw materials and consumables such as lifts, conveyors, pulleys, diverters, hoisters and roller machines for logistics smart robotic products and services projects	18,939	3.4	Nil	Bank transfer and bills
For FY2022								
Supplier C[(1)]	Please see above	Please see above	Please see above	Please see above	60,507	8.5	within 90 days	Please see above
Shanghai UBJ[(2)]	Please see above	Please see above	Please see above	Please see above	49,364	6.9	Please see above	Please see above
Wuhan Perfect Industrial Equipment Co., Ltd. (武漢普菲特工業設備有限公司)	A private company engaged in storage equipment, general machinery and equipment and research and development on metal products located in the PRC	2020	5,000	Raw materials and consumables such as steel structures (including shelves and rails), pallets and trays for green tires for logistics smart robotic products and services projects	36,240	5.1	Nil	Bank transfer

Supplier	Principal business	Year of commencement of business relationship with us	Registered Capital	Types of products/ services procured by us	Amount of purchases	% of our total cost of sales	Credit period	Settlement method
			(RMB'000)		(RMB'000)	(%)		
Supplier D	A private company engaged in design, manufacturing and installation of intelligent conveying machinery and equipment, general mechanical and electrical equipment located in the PRC	2021	50,000	Raw materials and consumables such as stackers, electronic control systems and rails for logistics smart robotic products and services projects	21,901	3.1	Within 180 days	Bank transfer and bills
Supplier E.	A private company engaged in civil engineering construction located in the PRC	2022	20,000	Raw materials and consumables such as safety net, mezzanine fence, steel ladder and stairs for logistics smart robotic products and services projects	20,146	2.8	Nil	Bank transfer and bills
For 6M2023								
Wuhan Perfect Industrial Equipment Co., Ltd. (武漢普菲特工業設備有限公司)	A private company engaged in storage equipment, general machinery and equipment and research and development on metal products located in the PRC	2020	5,000	Raw materials and consumables such as steel structures (including shelves and rails), pallets and trays for green tires for logistics smart robotic products and services projects	44,802	21.5	Within 3 months	Bank transfer and bills
Shenzhen HW Automation Equipment Co., Ltd. (深圳市宏偉自動化設備有限公司)	A private company engaged in general machinery manufacturing located in the PRC	2022	14,286	Raw materials and consumables such as stackers and industrial forks for logistics smart robotic products and services projects	27,911	13.4	Within 14 days	Bank transfer and bills
Supplier F	A private company engaged in general machinery manufacturing located in the PRC	2021	5,000	Raw materials and consumables including various types of PCBA boards installed on AiRROBO vacuum cleaner	11,238	5.4	Within 30 days	Bank transfer
Supplier G	A private company engaged in household refrigeration electrical appliance manufacturing located in the PRC	2021	11,216	Raw materials and consumables including LIDAR and dust collector for AiRROBO vacuum cleaner	10,910	5.2	Within 30 days	Bank transfer

Supplier	Principal business	Year of commencement of business relationship with us	Registered Capital	Types of products/ services procured by us	Amount of purchases	% of our total cost of sales	Credit period	Settlement method
			(RMB'000)		(RMB'000)	(%)		
Zhicheng Power (Beijing) Technology Co., Ltd. (智橙動力(北京)科技有限公司)	A private company engaged in science and technology promotion and application services located in the PRC	2022	908	ODM services in relation to the hardware of pool cleaning robot	10.904	5.2	Nil	Bank transfer

Notes:

(1) *Shanghai UBJ was acquired by our Group in July 2022. See "History, Development and Corporate Structure — Material Acquisitions During the Track Record Period".*

(2) *During the Track Record Period, we had business transactions with two companies in the same group of Supplier C.*

During the Track Record Period, our Directors confirmed that we have not experienced any significant material fluctuation in prices set by our suppliers, material breach of contract on the part of our suppliers or delay in delivery of our orders from our suppliers.

To the best of our knowledge, during the Track Record Period and up to the Latest Practicable Date, save as Shanghai UBJ which was acquired by our Group in 2022, all of our top five suppliers were Independent Third Parties. As of the Latest Practicable Date, none of our Directors, Supervisors, their associates or any of our Shareholders (who or which to the knowledge of the Directors or Supervisors owned more than 5% of our issued share capital) had any interest in any of our top five suppliers.

We may enter into master contracts with our suppliers and place purchase orders with them on case-by-case basis. The following table sets forth the general terms of our master contracts with suppliers of raw materials and hardware:

Term of contract	Generally one year.
Payment	The master contracts will set out payment terms.
Delivery	The supplier is generally responsible for delivering the raw materials to our designated locations. The master contract will specify that the supplier is subject to penalty for late delivery.
Quality assurance	We require the raw materials to satisfy our requirements. If the raw materials are defective or fail to satisfy our requirements, the supplier shall send us replacement or rectify the defects.
Confidentiality	We generally require the supplier to enter into a confidentiality agreement.
Termination	The contracts can be terminated if either party fails to perform its respective obligations under the agreement.

The following table sets forth the general terms of our purchase orders with suppliers of raw materials and hardware:

Unit price, types and specifications of materials	Price is generally determined based on (i) the quantity of materials purchased and (ii) the unit price with reference to the specification of the materials as stated in the agreement and the prevailing market price upon the entering into the agreement. The specifications of the materials (such as type and usage of materials, technical specifications, trademark, producer, packaging and manufacturing process) are stated in the agreement.
Payment	The terms of payment will be stated in the agreement and payment is typically upon delivery or within a specific period from the date of invoice issuance.
Credit Period	Generally within 90 days.
Delivery	Our supplier is generally responsible for delivering the materials to our designated locations.
Warranty	Generally 24 months.
Intellectual property	The intellectual property rights of the design, specifications and prototype (if any) provided by our Group to our suppliers shall belong to our Group. Without our consent, our suppliers shall not disclose such information to third parties.

The terms of subcontracting agreements are determined on a case-by-case basis with reference to specific requirements for each project. We obtain quotations from subcontractors where service is needed. The following table sets forth the general terms of our contracts with the subcontractors:

Terms	Description
Duration of agreement	The duration of our sub-contracting agreements vary according to the complexity of the services but typically range from one to three years.
Payment	Payments are generally made in instalments based on progress of services, with the first installment paid upon signing of agreement and last installment paid upon inspection and delivery.
Warranty deposit	There is usually a warranty deposit ranging from 3% to 10% of contract sum.
Warranty period	There is usually a warranty period of one to two years.
Termination	The contracts can be terminated if either party fails to perform its respective obligations under the agreement.

OVERLAPPING OF CUSTOMERS AND SUPPLIERS

Overlapping relationship with MAE Group

Background

On September 7, 2020, pursuant to an agreement entered into by our Company, MAE and Tianjie Logistics (a wholly owned subsidiary of MAE) dated July 30, 2020, Wuxi Uqi was established under the laws of PRC by our Company and MAE, holding 51% and 49% equity interest, respectively. For details, please see "History, Development and Corporate Structure — Our major subsidiaries — Wuxi Uqi".

As at the Latest Practicable Date, each of our Company and MAE is interested in Wuxi Uqi as to 36.22% and 30.97%, respectively. Prior to the establishment of Wuxi Uqi, MAE generally supplied products and services to its end-users through its subsidiaries (together with MAE, "**MAE Group**").

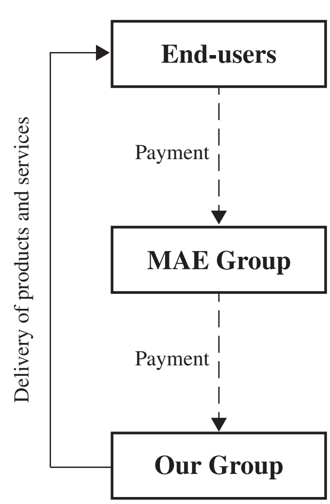
MAE Group is a company listed on Shenzhen Stock Exchange (stock code: 002009.SZ). Based on public information, MAE Group's major business include (i) intelligent equipment business (which include automotive intelligent equipment, material handling equipment and logistics equipment and maintenance); (ii) lithium battery recycling business; (iii) recycling equipment business; and (iv) heavy industry machinery business. Its major customers include large automobile companies and other conglomerate customers. Our logistics smart robotic products and services, which are designed to be utilized for warehousing and materials handling and transportation, can assist MAE Group to fulfill its customers' demand and requirements. In order for MAE Group to focus on its main business more efficiently and to streamline its operations, and for our Group to consolidate our technological know-how for logistics smart robotic products and services into one operating subsidiary, Wuxi Uqi was established for the purpose of R&D, manufacture and sales of industrial and service robots, intelligent industrial and intelligent logistics products and services, and Tianjie Logistics agreed to transfer its intellectual property to Wuxi Uqi for its development. Since the establishment of Wuxi Uqi, Wuxi Uqi became involved in supplying products and services, which are utilized in warehousing and materials handling and transportation, to end-users through business relationship with MAE Group.

Given that MAE is a substantial shareholder of our subsidiary, Wuxi Uqi, MAE and its subsidiaries are our connected persons under Chapter 14A of the Listing Rules. As such, all transactions with MAE Group constitute continuing connected transactions upon [**REDACTED**]. Our transactions with MAE Group had been, and will be, on normal commercial terms. For details, see "Connected Transactions — Connected Transactions".

MAE Group as our customer

MAE Group was one of our top five customers for FY2021, FY2022 and 6M2023. Our revenue generated from MAE Group was approximately RMB12.7 million, RMB175.0 million, RMB251.2 million, RMB29.2 million and RMB71.4 million, representing approximately 1.7%, 21.4%, 24.9%, 10.3% and 27.4% of our total revenue for FY2020, FY2021, FY2022, 6M2022 and 6M2023, respectively. In particular, a substantial portion of our revenue from our logistics smart robotic products and services were derived through MAE Group. Our revenue generated from MAE Group was higher in FY2021 than in FY2020 since we launched our logistics smart robotic products and services in late 2020. The substantial increase in revenue in FY2021 was driven by the increase in number of projects completed from two in FY2020 to 43 in FY2021 and the higher contract value of the projects completed in FY2021. Our revenue generated from MAE Group increased from RMB175.0 million in FY2021 to RMB251.2 million in FY2022 due to the completion of certain projects of higher revenue during the year for a sizeable end-user in the automobile industry.

The following diagrams illustrate our relationship with MAE Group as our customer:



MAE Group tender and enter into contracts with the end-users. We, as suppliers of products and services, entered into contracts with MAE Group to supply to such end-users (collectively, "**MAE Arrangements**"). Under our contracts with MAE Group, we are required to deliver our products and services to MAE Group's designated location who are the end users.

Reasons and benefits

From our Group's perspective, our Group entered into business arrangements with MAE Group given that MAE Group has long history of operation with a large customer base which is our targeted customer group (i.e. automobile manufacturers). As we only entered into the logistics and mobile smart robotic products and services industry in late FY2020, we believe that we would be able to leverage the clientele of the MAE Group to achieve a quick expansion. During the Track Record Period, our revenue from logistics smart robotic products and services business increased significantly since the launching our logistics smart robotic products and services business.

Our Directors believe that from the MAE Group's perspective, there are only a limited number of AI and robotic companies in China which possess the requisite and acceptable level of experience and technical know-how to reach the product and service requirements and specifications of their global conglomerate customers. In the long-term, our Directors intend for Wuxi Uqi to gradually build up its own brand name and reputation to attract more end-customers.

MAE Group as our supplier

Aside from the MAE Arrangements, our Group also (i) procures goods such as speed reduction motor, hydraulic buffers and motors; and (ii) engages for the provision of services such as design and installation of equipment from MAE Group. During the Track Record Period, our procurement from MAE Group amounted to RMB1.7 million, RMB16.6 million, RMB2.4 million and RMB1.1 million, representing approximately 0.4%, 3.0%, 0.3% and 0.5% of our total cost of sales for FY2020, FY2021, FY2022 and 6M2023, respectively.

Our Group procures logistics services machinery from MAE Group as our Directors consider that (i) MAE Group has an extensive network of machinery procurement chain with globally agreed procurement price and can offer us a competitive package compared to fee packages offered by independent third parties and (ii) sourcing from MAE Group and supplying products and services to their end-users can streamline logistics arrangement and enhance efficiency as we will not need to liaise and make arrangements with multiple parties. Our purchases from the MAE Group is not inter-conditional with the MAE Arrangements discussed above.

The table below sets forth the revenue, purchases and gross profit margin for transactions between our Group and MAE Group during the Track Record Period:

Year/period	**Revenue**	**Percentage to total revenue**	**Purchases**	**Percentage to total cost of sales**	**Gross profit/loss margin of sales**
	(RMB'000)	**(%)**	**(RMB'000)**	**(%)**	**(%)**
FY2020	12,691	1.7	1,659	0.4	16.7
FY2021	175,005	21.4	16,594	3.0	13.3
FY2022	251,244	24.9	2,353	0.3	7.6
6M2023	71,425	27.4	1,102	0.5	13.3

The fluctuations in the volume of transactions between our Group and the MAE Group during the Track Record Period were due to the actual business demands of the end-users.

Our ongoing business operations

Our Directors are of the view that our Group is and will be able to secure contracts with end-users directly and independently, given that (a) during the Track Record Period, we were also able to enter into contracts with end-users directly without the involvement of MAE Group; and (b) Wuxi Uqi acquired a subsidiary of MAE Group (namely, Jiangsu Tianhui Science and Technology Development Company Limited) in December, 2022 which has existing business relationships with certain end-users to increase our competitiveness in project tendering. Our Directors expect that our revenue derived through MAE Group will gradually decrease and be gradually be replaced with revenue directly generated from end-users. See "History, development and corporate structure — Wuxi Uqi" for further details.

Other overlapping customers and suppliers

The following table sets forth our major suppliers who were also our customers during the Track Record Period other than MAE Group.

Supplier	Principal business	Year/period	Purchases	Revenue	Gross profit/(loss) margin of sales	Reasons for overlapping
			(RMB'000)	(RMB'000)	%	
Shanghai UBJ[Note] . . .	See above	FY2020	73,899	1,179	45.8	During the Track Record Period, we purchased from Shanghai UBJ teacher training and ancillary support services which we sold to customers together with our hardware products. We sold to Shanghai UBJ our hardware products which Shanghai UBJ sold to its customers together with its services.
		FY2021	93,683	4,454	37.1	
		FY2022	49,369	427	35.3	
		6M2023	–	–	–	
Shenzhen Top-Tek Technology Co., Ltd (深圳市托普泰克技術股份有限公司)	See above	FY2020	10,861	484	(9.1)	During the Track Record Period, our Group sourced electronic materials from suppliers and sold them to Shenzhen Top-Tek Technology Co., Ltd, who then produces hardware parts and components for our Group using such electronic materials.
		FY2021	11,870	1,238	(19.0)	
		FY2022	10,910	2,411	(41.3)	
		6M2023	1,536	324	(46.6)	

Note: Shanghai UBJ was acquired by our Group in July 2022. See "History, Development and Corporate Structure — Material Acquisitions during the Track Record Period".

Our Directors consider that the revenue in relation our overlapping customers and suppliers (other than to MAE Group) were generally insignificant during the Track Record Period and the transactions were in our Group's ordinary course of business.

PRODUCTION

Our production methods

We manufacture and produce our products through (i) our self-operated production facilities or (ii) our contract manufacturers during the Track Record Period. We select which production method to adopt for different types of products after a careful consideration of a wide range of factors, including but not limited to the confidential nature of our core technologies, manufacturing costs, technical complexity, and production capacity. During the Track Record Period, we mainly engaged our contract manufacturers to manufacture and produce our consumer-level robots and other hardware devices which do not utilize or only utilize to a small extent our core technologies, whereas we produce our relatively more technically complex products and product components such as our education smart robotic products and servo actuators in our self-operated production facilities in order to better safeguard our core technologies.

In-house production

We conduct in-house production at our production facilities in China for the majority of our robots and core components of our products that involve manufacturing technology or serve strategic purposes. To ensure high level of quality and reliability, our dedicated manufacturing team, in close collaboration with our design and engineering arm, manages and conducts manufacturing of our products, mainly including servo actuators, Jimu series, uKit, humanoid Yanshee, Cruzr, AIMBOT, ADIBOT, AMRs and ATRIS.

We produce smart service robotic products which use significant core technologies self-developed by us at our in-house production facilities, whereas we also leverage on contract manufacturers to produce certain products such as consumer-level robots and other hardware devices which only use part of our core technologies.

We formulate production schedules and plans according to the market demand, taking into consideration with the level of our stock and utilization rates of our production facilities. We have implemented a comprehensive set of internal production and operation policies in compliance with the applicable national and international industry standards. We carry out regular inspections to assess the conditions of our production facilities and conduct necessary repairs and maintenance. We have also introduced and implemented a stringent reporting system as to all the accidents and malfunction of the equipment and keep all the relevant records. See "Quality Control" in this section for further details.

Contract manufacturers

We also leverage on contract manufacturers to produce certain products, mainly consumer level robots and other hardware devices including humanoid Alpha Mini and AiRROBO vacuum cleaner, to increase the flexibility of production process. The following table sets forth the service fees incurred from contract manufacturing, revenue and gross profit margin attributable to our sales of products manufactured by contract manufacturers during the Track Record Period:

	FY2020	**FY2021**	**FY2022**	**6M2023**
Service fees paid to OEM contract manufacturers (Note 1) *(RMB'000)*	6,753	7,551	5,893	4,925
Purchase cost of ODM products (Note 2) *(RMB'000)*	5,019	42,776	40,312	29,881
Revenue *(RMB'000)*	71,768	95,514	128,632	37,249
Gross profit margin *(%)*	48.3	29.5	10.7	25.7

Notes:

1. This represents the service fees paid to OEM contract manufacturers for production of products or processing of raw materials.

2. This represents purchase cost of ODM products (such as AiRROBO vacuum cleaner) purchased from contract manufacturers.

During the Track Record Period, revenue generated from sales of products manufactured by contract manufacturers were mainly humanoid Alpha Mini which were mostly manufactured before the Track Record Period and AiRROBO vacuum cleaner which were manufactured through ODM. These products accounted for over 80.0% of revenue generated from our sales of products manufactured by contract manufacturers during the Track Record Period. During the Track Record Period, our gross profit margin of products manufactured by contract manufacturers decreased primarily because we adjusted the selling price of our humanoid Alpha Mini (non-education) products downward to boost its sales in order to deal with the slow-moving inventory.

During the introduction stage of new products and services, our production manufacturing team and our contract manufacturers are jointly responsible for process planning to ensure compliance with our specifications and quality requirements. During the mass production stage, we monitor the manufacturing processes and procedures.

We select our contract manufacturers partners based on a number of factors, including technological expertise, product quality, manufacturing capacity, market reputation and price. We have implemented robust quality control standards and policies on our contract manufacturers. During the Track Record Period, we have strategically entered into business partnerships with a number of well-known OEM manufacturers. Our Directors confirm that during the Track Record Period, we did not encounter any material dispute with our contract manufacturers, material breach of contract on the part of our contract manufacturers or delay in delivery of components, products or services from our orders with our contract manufacturers.

We enter into manufacturing agreements with our contract manufacturers, and place purchase orders with them on a case-by-case basis. The following table sets forth the general salient terms of our manufacturing agreements with our contract manufacturers:

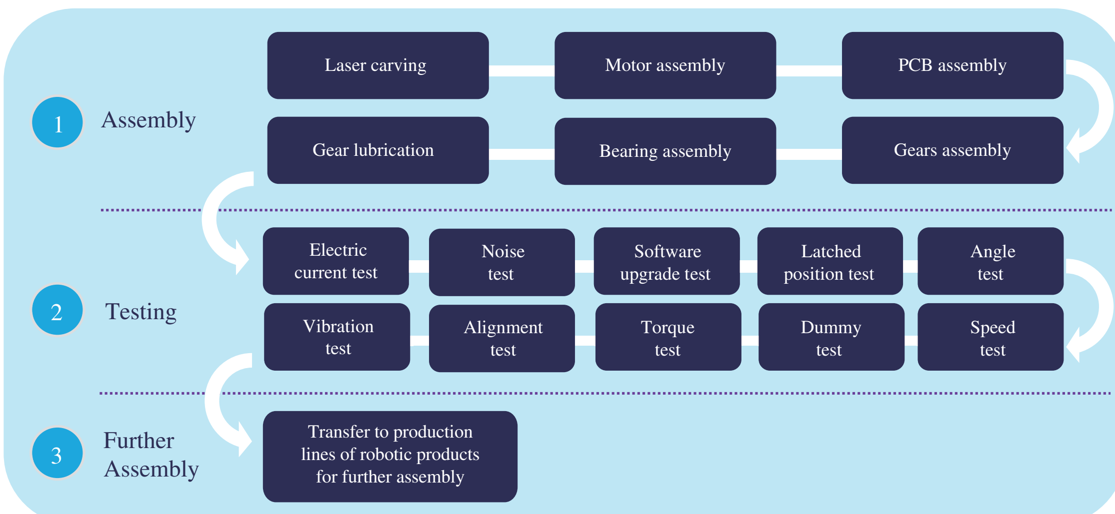
Duration of agreements	Generally one year which will be automatically extended by one-year period unless notified otherwise.
Payment	The payments are generally made by bank transfer on a monthly basis.
Delivery	The contract manufacturer is generally responsible for delivering the finished products to our designated location, and may be subject to penalty for late delivery.
Quality assurance	We require the finished products to satisfy our requirements. If the finished products are defective or fail to satisfy our requirements, the contract manufacturer shall rectify the defects and make compensations for that.
Confidentiality	We generally require the contract manufacturer to keep all the information in relation to our business confidential, and enter into a confidentiality agreement.
Intellectual property	For OEM contract manufacturers, the intellectual property rights of the design, specifications and prototype (if any) provided by our Group to our contract manufacturers shall belong to our Group. Without our consent, our contract manufacturers shall not disclose such information to third parties. We may also require the contract manufacturers to undertake that the end products delivered to our Group do not constitute any infringements of intellectual properties of third parties.

Packaging and labelling	For OEM contract manufacturers, the packaging and labelling of the products shall be in accordance with our requirements.
Termination	The agreements can be terminated by prior written notice if either party fails to perform its respective obligations under the agreement.

Our production processes

Production process of our servo actuators

The following diagram illustrates the principal steps of the production process generally applicable to our servo actuators:



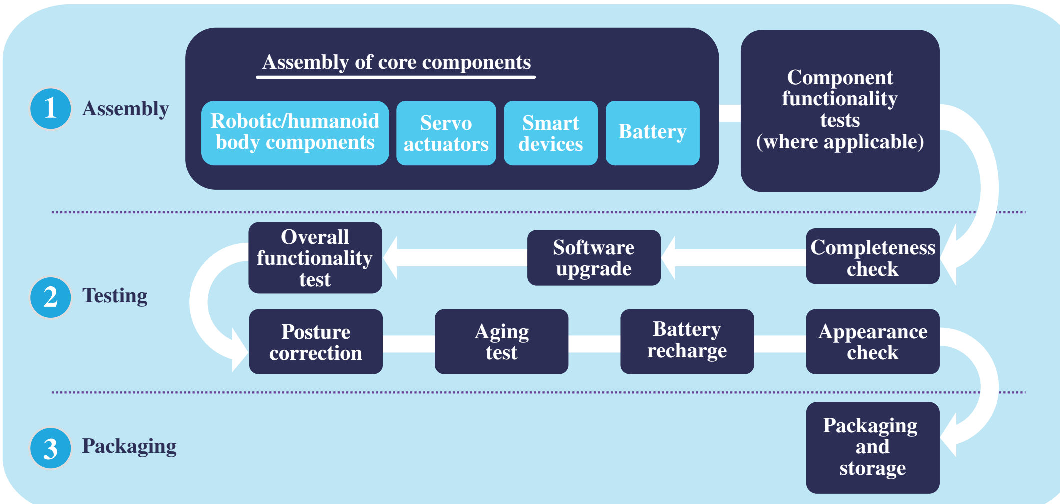
- *Assembly stage* – The production of each of our servo actuators involves a laser carving process in which a unique device number is imprinted on the motor/outer case for identification purposes at subsequent production stages. We assemble the motor, being the core unit, together with a printed circuit board, a bearing, and three levels of gears. The assembling procedures are automated and conducted through our pre-instaled robotic arms. Afterwards, we proceed to lubricate the gears and assemble all components into a carrying case.

- *Testing stage* – After the assembly stage, we carry out multiple tests to ensure that the produced actuators function properly. The tests we conduct in this stage include electric current test, noise test, software upgrade test, latched position test, angle test, speed test, dummy test, torque test, alignment test and vibration test.

After completion of the assembly and testing stages, our actuators are then transfered to our robotic production lines discussed below for further assembly.

Production process of our robotic products

The following diagram illustrates the principal steps of the production process generally applicable to our robotic products:



- *Assembly stage* – We generally start the production process of our robotic products by first assembling the essential robotic or humanoid body components together with our self-produced servo actuators to form the core body of the product. Depending on the type of product being produced and the functionalities required, the core body is further assembled with other additional components such as smart devices and batteries. Where applicable, we may conduct various component functionality tests.
- *Testing stage* – After we assemble all of the required components and devices of the product, an overall completeness check is performed to ensure that all components and devices have been properly assembled, and necessary software upgrades are also carried out at this stage. An overall functionality test is then conducted to test whether the product could perform all of its intended functions properly. The next step is posture correction, where we perform more specific tests and carry out necessary adjustments to ensure the accuracy of the physical postures and movements of the product, which is especially important for our robotic products with humanoid features. Finally, the product goes through an aging test and an appearance check, and in the case of humanoid robotic products, a battery recharge, before finally moving to the packaging stage.
- *Packaging stage* – The finished robotic products are packaged together with the ancillary devices and transported to the warehouses for storage.

Our production facilities

As of the Latest Practicable Date, we had eight production facilities in total, seven of which were in operation. The following table sets forth their details:

City	Approximate gross floor area/ land use area	Main functions/current status
	(s.q. m)	
Product mass operation:		
1. Shenzhen	5,300	Production of (i) wellness and elderly care smart robotic products and consumer-level robots and other hardware devices and (ii) product demonstrations for R&D
2. Xiamen	3,200	Production of servo actuators and education smart robotic products

	City	Approximate gross floor area/ land use area	Main functions/current status
		(s.q. m)	
3.	Shijiazhuang[1]	19,100	Production of servo actuators and education smart robotic products
4.	Jiujiang	5,300	Production of general service smart robotic products
5.	Wuxi	5,600	Production of logistics smart robotic products
6.	Liuzhou[2]	9,500	Production of AiRROBO vacuum cleaner
Ancillary production functions:			
7.	Guiyang	1,400	Post-sales repair and maintenance
Not yet in full operation:			
8.	Anqing	2,200	Under construction

Notes:

(1) An additional reserve production line is currently under construction at our Shijiazhuang production facility which will be available for the production of general service smart robotic products in the future.

(2) Our Liuzhou factory has commenced mass production of AiRROBO vacuum cleaner from May 2023.

The following tables sets forth the details of the production capacities and utilisation rates of our production facilities in operation during the Track Record Period:

By factory (finished products)

	Factory	Aggregate designed annual production capacity of finished products (units)[1]	Aggregate utilization rate (%)			
			FY2020	FY2021	FY2022	6M2023
1	Xiamen	121,000	57.1%	59.8%	38.0%	8.2%
2	Kunming	3,013	10.0%	6.4%	19.7%	–
3	Shenzhen	142,863	0.0%	3.7%	48.4%	130.6%
4	Jiujiang	2500	–	–	3.1%	5.3%
5	Shijiazhuang	135,000	–	–	–	13.1%
6	Wuxi	2,000	–	–	–	13.6%
7	Liuzhou	180,000	–	–	–	8.5%

By factory (product components)

	Factory	Aggregate designed annual production capacity of product components (units)[1]	Aggregate utilization rate (%)			
			FY2020	FY2021	FY2022	6M2023
1	Xiamen	960,000	31.0%	34.6%	33.5%	16.8%
2	Kunming	–	–	–	–	–
3	Shenzhen	800,000	–	53.1%	78.0%	90.0%
4	Jiujiang	–	–	–	–	–
5	Shijiazhuang	540,000	–	–	–	
6	Wuxi	–	–	–	–	–
7	Liuzhou	–	–	–	–	–

By production line

	Factory	Production line	Designed annual production capacity (units)(1)	Production volume (units)				Utilisation rate (%)			
				FY2020	FY2021	FY2022	6M2023	FY2020	FY2021	FY2022	6M2023
1	Xiamen	Small-size education smart robots(2)	110,000(3)	62,808	64,606	41,260	3,950	57.1%	58.7%	37.5%	7.2%
		Humanoid education smart robots(4)	11,000(5)	6,238	7,805	4,738	1,028	56.7%	71.0%	43.1%	18.7%
		4kg servo actuators	600,000	210,868	307,179	255,383	67,100	35.1%	51.2%	42.6%	22.4%
		12kg servo actuators	360,000	86,822	25,020	66,536	13,428	24.1%	7.0%	18.5%	7.5%
2	Kunming(15)	Logistics smart robots(6)	2,000	–	–	593	–	–	–	29.7%	–
		General service smart robots(7)	1,013(8)	302	193	2	–	29.8%	19.1%	0.2%	–
3	Shenzhen	Small-size robotic products(9)	18,000(10)	–	4,248(11)	1,517	–	0.7%	23.6%	8.4%	–
		Disinfection smart robots(12)	2,863	12	1,071	88	24	0.4%	37.4%	3.1%	1.7%
		AiRROBO Vacuum cleaner	100,000	–	–	55,035	74,129	–	–	55.0%	148.3%(16)
		AiRROBO cat litter box	22,000	–	–	12,532	19,111	–	–	57.0%	173.7%(17)
		SMT components	800,000	–	424,410	624,094	360,002	–	53.1%	78.0%	90.0%
4	Jiujiang	General service smart robots	2,500	–	–	78	66	–	–	3.1%	5.3%
5	Shijiazhuang	Small-size education smart robots	130,000	–	–	–	8,840	–	–	–	13.6%
		Humanoid education smart robots(18)	5,000	–	–	–	–	–	–	–	–
		4kg servo actuators(18)	300,000	–	–	–	–	–	–	–	–
		12 kg servo actuators(18)	240,000	–	–	–	–	–	–	–	–
6	Wuxi	Logistics smart robots	2,000	–	–	–	136	–	–	–	13.6%
7	Liuzhou	AiRROBO vacuum cleaner	180,000	–	–	–	15,300	–	–	–	8.5%

Notes:

1. The designed production capacity is based on one single shift with eight working hours per day and 250 working days per year (250 working days are based on five working days per week multiplied by 52 weeks minus the number of statutory holidays in China for the year). The designed annual production capacity for each of the production line in this table did not vary during the Track Record Period.
2. The small-size education smart robots produced in our Xiamen factory include JIMU-uKit series and JIMU-AI series which share one production line.
3. The figure is calculated on the assumption that 25% of the time of the shared production line will be allocated to produce JIMU-uKIT series, and the remaining 75% of the time will be allocated to produce JIMU-AI series.
4. The humanoid education smart robots produced in our Xiamen factory include humanoid Yanshee series and Ebot series which share one production line.
5. The figure is calculated on the assumption that 50% of the time of the shared production line will be allocated to produce humanoid Yanshee series, and the remaining 50% of the time will be allocated to produce Ebot series.
6. The logistics smart robots produced in our Kunming factory include Wali series.
7. The general service smart robots produced in our Kunming factory include Cruzr Series, Aimbot series, Atris series and our inspection smart robots.
8. The figure is calculated on the assumption that 70% of the time of the shared production line will be allocated to produce Aimbot series, 15% of the time will be allocated to produce Cruzr series, 10% of the time will be allocated to produce Atris series, and 5% of the time will be used to produce inspection smart robots.

9. The small-size robotic products produced in our Shenzhen factory include AI BOX and Transland, both of which have passed their respective product lifecycle and/or were no longer manufactured as of the Latest Practicable Date.
10. This figure does not include the annual designed production capacity for Transland as production trials are still being conducted for Transland and the figure is yet to be determined.
11. This figure excludes the production volume for Transland.
12. The disinfection smart robots produced in our Shenzhen factory include Adibot series.
13. The utilization levels of our small-size education smart robots and humanoid smart robots production lines during the first three quarters of each year are typically lower because most education smart robotic products are produced at the fourth quarter of the year.
14. Similarly, the utilization levels of our 4kg servo actuators production line are usually lower during the first three quarters and significantly are higher during the fourth quarter of a given year since they are the core components of our education smart robotic products.
15. Our Kunming factory has ceased its operation and has been converted to office (including research and development) premise as of the Latest Practicable Date. The logistics smart robots production line has been transferred to to our Wuxi factory and the general service smart robots production line has been transferred to our Jiujiang factory.
16. The utilization rate of the AIRROBO vacuum cleaner production line exceeded 100% for 6M2023, as we had taken measures to increase the production volume meeting the customers' needs, such as assigning additional workers to AIRROBO vacuum cleaner production line by temporarily arranging workers from other factories.
17. The utilization rate of the AIRROBO cat litter box production line exceeded 100% for 6M2023, as we had taken measures to increase the production volume meeting the customers' needs, such as assigning additional workers to AIRROBO cat litter box production line by temporarily arranging workers from other factories.
18. Not yet in operation.

Certain of the Group's production facilities had low utilization rates during the Track Record Period mainly because we had a diverse product mix during the Track Record Period owing to our ability to commercialize our core technologies into various smart service robotic products and services for application across various use scenarios and to expand into different market segments. As a result, certain of our production facilities were deployed in the production of newly launched smart service robotic products of the Group which do not have significant initial sales and require the expending of sales and marketing efforts in order to increase their sales and the necessary production volume.

According to Frost & Sullivan, the smart service robotic products and services industry is continuously expanding, and we strive to capture as many new market opportunities as possible. We seek to achieve this by continuously developing new types of products and services, and we have designed our production facilities in a manner that provide us with high production capacities in order to prepare for the constant expansion of our products and services offerings. Depending on the changing market trends and demands, we plan to reallocate parts of the production capacities which are yet to be fully utilized by our existing products to an increasing number of new and high-performing products in the future.

LOGISTICS AND INVENTORY MANAGEMENT

Logistics and warehouses

We leverage on our own warehouse for storing finished products, semi-finished products and certain components and raw materials, and we engage third-party logistics service providers for delivery services. Finished products that have passed quality inspections are delivered by the logistics service providers from our contract manufacturers or our own production facilities directly to our customers or to our designated warehouses and ultimately to locations specified by our customers.

Inventory management

Our inventory includes work in progress, semi-finished products and components for our smart service robots as well as finished products. As of December 31, 2020, 2021 and 2022 and June 30, 2023, our inventories amounted to RMB412.8 million, RMB426.1 million, RMB332.7 million and RMB416.5 million, respectively. We have a strict inventory control policy to monitor our inventory levels in order to minimize obsolete inventory. Through close coordination with our customers and our third-party contract manufacturers, we are able to carry less raw materials and in-process inventories and lower our inventory risk. We allocate and keep finished products of different sectors in each our own facilities and third-party warehouses to minimize the risk of delay in delivery due to unexpected lock-down during the outbreak of COVID-19. See "Impact of COVID-19 Outbreak" for details. Our average inventory turnover days decreased from 407 days for FY2020 to 273 days for FY2021, primarily due to (i) the relatively higher balance of inventories as of end of 2019 which was ready to be delivered in early 2020; and (ii) significant balance of allowance for write-down of inventories in FY2020, which led to lower opening inventories balance for FY2021. Our average inventory turnover days then decreased to 194 days for FY2022, primarily due to the lower balance as of December 31, 2022 mainly resulting from the increase in allowance for write-down of inventories in FY2022 and decrease in finished goods as of December 31, 2022. Our average inventory turnover days increased to 324 days in 6M2023 because the annualized cost of sales using the figures from the first six months is usually lower than the actual annual cost of sales due to the seasonality factor as mentioned previously while our inventory balance has taken into the full-year effect.

In order to prevent future occurrences of significant net write-down of inventories, we have implemented the following inventory management measures:

- Improved and extended our sales and management model for consumer products to our customers to enable a better understanding of sales forecasts, production schedule and inventory levels to adjust production volumes accurately and as necessary;
- Increased regularity of the inspection of fulfilment of minimum purchase amounts or sales targets of distributors and negotiations in relation to sales forecasts;
- Conducting regular checks on sales performances of distributors and replace distributors which underperform;
- Introduced production sales inventory management model to involve sales and marketing team to participate in sales forecasts to take into consideration of factors such as sales strategy, historical sales data, industry changes, inventory levels of finished goods and supply chain risks;
- Strengthened the reviewing process of the key terms in relation to our agreements with customers and distributors, such as advance payment arrangements and minimum purchase amounts of sales targets, to mitigate inventory risks which may arise from such agreements;
- Communicating with customers regularly to obtain a better understanding of market demand; and
- Conducting enhanced know-your-client procedures when commencing business relationships with new distributors.

QUALITY CONTROL

We are committed to maintaining high level of quality and safety in our products and services. We have designed and implemented stringent monitoring and quality control systems to manage our manufacturing activities. Our quality control system compasses all aspects of our operations, including product design and development, sourcing and procuring of raw material, parts and components, production, packaging, inventory storage, delivery and after-sales services.

Our products and services are sold worldwide and are subject to different safety standards and quality requirements depending on the sales destination and/or consumer destination. We have also adopted the appropriate quality control system and engaged independent product testing and certification organizations to test and certify our products and services on the relevant standards of each target market. For example, our products and services are certified by Federal Communications Commission ("FCC") in the United States, Conformite Europeene ("CE") Mark in Europe and China Compulsory Certificate ("CCC"), which are the leading product safety and quality standards in the respective market.

As a result of our adherence to quality control procedures, we did not experience any material sales returns or any material product liability or major legal claims due to product safety and quality control issues, and we did not recall any products or services during the Track Record Period and up to the Latest Practicable Date. We typically provide 12 to 36 months warranties as stated in our contracts with our customers. Our warranty term is usually limited to defects or failure of products or services that do not meet the quality standards as specified and agreed with our customers. In case of product failure within the warranty period, we will arrange for repair or replacement of products and/or services without extra charge. After the warranty period expires, we may provide maintenance and repair services at a reasonable cost.

During the Track Record Period, our warranty expenses amounted to approximately RMB7.3 million, RMB6.3 million, RMB6.7 million and RMB6.0 million in FY2020, FY2021, FY2022 and 6M2023, respectively.

Our product quality engineers work with our engineering team to help ensure that the product designs meet functional specifications and durability requirements of the relevant industry standards and our customer requirements. At the procurement stage, we select reliable suppliers and enter into quality control agreements with them, allowing us to seek remedies, such as damages and rectification in the event that supplies fall below our quality standards. We conduct thorough test and examination of product and service samples to make sure they satisfy all the technical requirement set forth in our design. Our main component suppliers, including suppliers for hardware such as module components, chip module on the board, and sensor module, and software applications such as cloud-based platform service provider application, applications capable of telling stories, provide manufacturer warranties for a period ranging from one to two years. Our quality control team continually monitors the quality of incoming components and materials, and finished products as well as the assembling processes at our production facilities.

Before entering into business partnerships with our subcontractors, we review their licenses, certifications and other credentials and examine their technological expertise. We also conduct site visits to our subcontractors from time to time to examine their product quality and manufacturing capacity.

DATA PRIVACY AND SECURITY

A substantial part of our business and operations are located in China, and we sell products to over 50 other countries in the world. When providing our smart service robotic products and services, we may (i) directly collect user data, (ii) procure data from third-party suppliers and open sources for the enhancement of our algorithms and product development; (iii) provide data to third-party service providers so as to realize functions based on third-party services; (iv) storage and transmission of data; and (v) retention and deletion of data. As such, we may have access to or request the collection of certain data of the individual end users, including but not limited to phone numbers, email address, account information on third party communication platforms for registration purposes; and serial numbers and device models for security or operation and management purposes. Certain types of such data may fall within the scope of personal information under applicable PRC laws and regulations. To ensure compliance of applicable laws and regulations, our data compliance team is responsible for monitoring the compliance of data privacy and security and we have implemented robust data protection policies regarding the collection, use, storage, transmission and dissemination of such data.

Data of end users

We strictly limit the scope of the personal information we receive to ensure that the scope of access is proportionate to, and the usage is narrowly tailored to, our legitimate business needs of our customers. In order to promote safety and enhance convenience of our products and services, we may require end users to register on the mobile apps that are used to control and operate our smart service robotic products and services so that we can verify their identities.

The following illustrates how we use and process the collected data:

(i) ***Collecting end user data.*** We collect end user data to facilitate the operation of our smart robotic products and services, such as completing account registration, connecting to control machines, configuring network connection, providing improvement, upgrades, maintenance and security to products and services. Data collected in this category mainly includes phone numbers, email address, account information on third party communication platforms, serial numbers, device models and data collected in the course of human and robot interaction such as voice data and visual data (which are usually processed within the robot). Prior to collecting personal information, we disclose our data privacy policy and inform end users of the purpose, scope and use of such data, and obtain their consent for doing so.

(ii) ***Procuring data from third parties and open sources.*** We purchase data from third parties and obtain data from open sources for product development and algorithm enhancement. The data collected in this category mainly includes, wake word data and voice data. For data purchased from third parties, we entered into written contracts with third-party data vendors and required them to confirm the legitimacy of the source of the data and sufficient authorization from data subjects. Data obtained from open sources involves location navigation technology, voice interaction technology and visual perception technology. Such data is publicly available on the internet, produced and publicly released by academic research institutions or enterprises to support development and training of algorithm models in academia and industries. We manage and protect the acquired public data in accordance with internal data security procedures and policies.

(iii) ***Provision of data to third-party service providers.*** We set out in our data privacy policies and obtain users' consent on the purpose, means and scope of provision of data to third parties. When we provide our smart robotic products and services to end users, we may not be able to carry out certain functions in the smart robotic products and services (including but not limited to crash information statistical analysis and specific functions on social media and communication platforms such as authorised log-in and media sharing). After we obtain users' consent, we may entrust a third-party service provider to process the collected data, or allow the third-party service providers to collect data directly from end users. When our business partners are involved, we generally enter into agreements with them, which include clauses that require compliance with applicable data protection laws and regulations.

(iv) ***Storage and transmission of data.*** We adopt various measures to ensure data security, including encryption and access control and storage of personal data. Our Directors confirm that as at the Latest Practicable Date, data of end-users collected and generated in the PRC are stored in the PRC and there had not been any transmission to locations outside the PRC.

(v) ***Retention and deletion of data.*** We store end users' personal information in accordance with the agreed period in the data privacy policy, and delete the personal information upon expiration of the agreed period. Moreover, end users are entitled to exercise their rights as owners of personal information in accordance with data privacy policy of our smart service robotic products and services, including but not limited to requesting us to delete their personal information. When we cease to provide products or services to users, or when end users voluntarily deregister their registered accounts, we delete the relevant personal information stored to minimise the storage duration of the personal information.

Our Procedures and Measures

The Company strives to achieve data privacy and security from three aspects, namely, data protection policies, technical measures and procedures, and organisational controls, to ensure that personal information of end-users are well protected.

1. Data Protection policies

Name of data protection policies	Key goals and aims
Data Compliance Management Policy	• Sets out key principles of our data security internal control measures, namely, organizational structure and responsibilities, management responsibilities (including notification obligations, data compliance risk assessment, product and service data compliance, data security management, third-party management, data cross-border management, user rights and interests, incident feedback, compliance training), and assessment and supervision of data compliance work
Data Classification and Grading Management Measures	• Sets out requirements of classifying and grading data generated in our production, operation and management activities, and further stipulates the overriding principles, organizational structure and responsibilities, workflow, data grading standards and corresponding control measures for data classification and grading
Response to Personal Information Rights Management Measures	• Standardises the handling of response to personal information rights, timeliness of resolving requests and complaints relating to users' personal information rights, and sets out work procedures and work responsibilities
Personal Information Data Security Management Measures	• Ensures the integrity, security, legal and compliant use of personal information data of our customers and employees. It sets out the work responsibilities of each department and regulates the storage, transmission, use, external sharing, deletion and safe management of data, such as preventing unauthorized access, encryption, secure storage and access control when storing important data and sensitive personal information
Personal Information Desensitization Measures	• Requires the desensitization of data and sets out applicable scenarios and examples for desensitization measures
UBTECH Mobile Application Personal Information Protection Compliance Guidelines	• Guides the handling of personal information of our mobile applications. Personal information protection is a mandatory consideration in the design and development of mobile applications
Personal Information Emergency Response Plan	• Provides clear procedures for handling emergencies relating to the protection of personal information. It requires a data security risk monitoring system, grading standards and procedures for personal information emergencies
Product Data Compliance Management Measures	• Standardizes our product data compliance work, incorporates data compliance-related requirements into our R&D and product development process, ensures compliance with internal mechanisms and sets out responsibilities in our R&D and product development process
Business Cooperation Data Management Measures	• Governs collaboration between our Group and business partners. To strengthen the data security management of our business partners, we require our business partners to comply with applicable data protection laws which we are required to review during the collaboration.

2. Technical measures and procedures

Main aspects	Key features
Data collection	• Adopt data protection impact assessment system to minimize the type of data collected for business purpose • Adopt data classification and grading system to discover and control the collected data according to different risk levels
Data usage	• Allocate and manage account access and control based on necessity of employees' duties • Adopt approval procedures for data usage and provision
Data storage	• Adopt encryption and pseudonymization mechanism for storing data
Data transmission	• Encrypt transport channels and the transmitted contents
Data deletion	• Retain personal information only for the minimum duration, comprehensively consider regulatory and business requirements and delete after the expiration of the period
Safety management	• Introduce network security devices (including firewalls and fortress machine) and security software (including threat intelligence) • Perform data backups

3. Organizational controls

- *Appointment of a personnel in charge.* We have appointed personnel in charge of personal information protection and network security to coordinate our data protection work. We have set up data compliance working groups to carry out daily management and implementation of data security and privacy protection.
- *Enter into contractually binding agreements.* We have signed confidentiality agreements with our employees which include provisions on personal information protection.
- *Cultivate awareness on compliance*. We continuously organize different training sessions on data protection for new employees, existing employees and key personnel.
- *Implement complaint and report system*. We implement a complaint and report system to award employees who adhere to our policies and penalize personnel who violate our policies to minimise data leakage and security incidents.

Continuous compliance with data laws and regulations

Based on the Measures for Cyber Security Review issued on January 4, 2022 already in place, and assuming that the Administration Regulations on Cyber Data Security (Draft for Comments) (《網絡數據安全管理條例(徵求意見稿)》) enters into force in its current form, we believe that the regulations do not cause any material impediment to the Group's compliance obligations and business operations, since we have not engaged and will not engage in any activities that may affect national security based on our analysis of the national security risks set out in article 10 of the Measures for Cyber Security Review (《網絡安全審查辦法》) for the following reasons:—

1. During the Track Record Period and up to the date of this document:
   - there has not been any material cyber security incident or violation of data protection and privacy laws and regulations that would have a material adverse effect on the business operations of our Group;
   - we have not been subject to any investigation, enquiry or sanction from any relevant government departments or authorities in relations to cyber security or any data processing activities that affect or may affect national security;
   - the user data collected and generated in mainland China is stored in mainland China;

- appropriate data security controls have been put in place and major information systems have met the security protection requirements and obtained certification;
- a comprehensive and solid data protection policy is in place and comprehensive data collection, storage and protection procedures have been implemented;

2. We have not received any notification from the relevant regulators that we have been identified as a critical information infrastructure operator and the Group is not involved in handling important data within the scope of regulation.
3. Upon completion of the [**REDACTED**], the Group will continue to be controlled by Mr. Zhou Jian and the parties acting in concert, and not by any foreign government.

As confirmed by our Special PRC Legal Adviser, (i) as we do not possess the personal information of over one million users as an online platform operator during the course of our business, (ii) we are not seeking a foreign [**REDACTED**], and (iii) taking into account the analysis on the regulations mentioned above, we are not required to apply for a cybersecurity review under the Measures for Cyber Security Review. In addition, in a telephone consultation with the CAC in October 2022, we were advised that applying for a [**REDACTED**] in Hong Kong is not considered as seeking a foreign [**REDACTED**] (國外[**REDACTED**]), and we are not required to apply for a cybersecurity review.

Our Special PRC Legal Adviser is of the view that we are not identified as a critical information infrastructure operator given that during the Track Record Period and up to the Latest Practicable Date, we have not received any notification from the relevant regulators that we have been identified as a critical information infrastructure operator.

As further confirmed by our Special PRC Legal Adviser, during the Track Record Period and up to the Latest Practicable Date, we were not involved in handling core data, which the Data Security Law (《中華人民共和國數據安全法》) defines as data related to national security, national economy and public interests; and we were not involved in handling important data which is defined in the Important Data Identification Guideline (《信息安全技術重要數據識別指南》) issued on January 7, 2022 as data that may endanger national security and public interests once it is tampered with, destroyed, leaked or illegally obtained or used.

As further confirmed by our Special PRC Legal Adviser, during the Track Record Period and up to the Latest Practicable Date, we had been in compliance in all material respects with all applicable PRC laws and regulations with respect to data privacy and security. In addition, during the same period, we had not been aware of or received any claim from any third party against us on the ground of infringement of such party's right to data protection as provided by the PRC General Principles of Civil Law or any applicable laws and regulations in other jurisdictions. To the best knowledge of our Group, during the Track Record Period and up to the Latest Practicable Date, our Group has not been involved in any investigation on data processing activities that affects or may affect national security. Our Directors and dedicated data compliance team continue to maintain close communication with regulatory authorities, including through:

1. monthly tracking and interpretation of global data security and privacy protection laws and regulations, industry standards and related cases;
2. active participation in laws and regulation interpretation and internal seminars and pilot exploration by government, regulatory authorities and industry organizations; and
3. continue to monitor the latest legislative and regulatory developments in cyber security and data protection, and continue to monitor cyber information security risks in order to achieve and maintain compliance in a timely manner.

Internal control

Our data privacy and protection measures are an integral part of our internal control systems. We have adopted comprehensive data privacy and protection policies and have a dedicated team to enforce our data privacy and protection measures. Please see "Risk Management and Internal Control — Data Privacy and Security Risk Management" in this section for further details.

COMPETITION

Smart Service Robotic Products and Services Industry in China

Industry and competitive and landscape. According to Frost & Sullivan, there are only a few players in smart service robotic products and services industry in China who are able to provide full stack core technologies, which include computer vision, voice interaction, servo actuators, motion planning and control, and positioning navigation. We ranked 3rd in China's smart service robotic products and services industry in terms of revenue in 2022.

China's government has launched a series of favorable policies such as Implementation Plan for "Robotics+" Application Action 《"機器人+"應用行動實施方案》 issued by the MIIT and various other PRC governmental departments in January, 2023 to promote the development of robot industry. As a consequence, the market players of China's smart service robotic products and services industry have formulated an aggregation and synergistic effect. The strong market demand in China provides more opportunities and confidence for smart service robotic products and services companies to launch innovative products and services. China's smart service robotic products and services market, measured by sales revenue, has increased from RMB19.3 billion in 2018 to RMB51.6 billion in 2022 representing a CAGR of 27.9% during this period.

Going forward, it is expected that the cutting edge AI technologies will shape the development of China's smart service robotic products and services market significantly in the next few years, and the use scenarios of smart service robotic products and services in China will be further expanded. Moreover, with the increasing labor costs and labor shortage in China, there are huge demands across industries for utilizing smart service robotic products and services to address the challenges of enterprises. It is expected that the smart service robotic products and services market will reach RMB183.2 billion with a CAGR of 23.5% from 2022 to 2028. See "Industry Overview — Market Size of China's Smart Service Robotic Products and Services Industry" for further details.

Competition. According to Frost & Sullivan, we face major direct competition from companies with diversified background including (i) CloudMinds Inc., a company headquartered in Shanghai and established in 2015 which specialized in cloud-based robot and operation platform; (ii) Hangzhou Haikang Robot Technology Co., Ltd., a company headquartered in Hangzhou and established in 2016 which provided machine vision products and mobile robots; (iii) State Grid Intelligence Technology Co., Ltd., a company headquartered in Jinan and established in 2000 which specialized in inspection robot in electronic industry; and (iv) Beijing Geekplus Technology Co., Ltd., a company headquartered in Beijing and established in 2015 which is a products and services provider in the logistics and mobile smart robotic products and services industry. We also face indirect competition from traditional machinery, equipment and human workforce which perform the same day-to-day tasks as the relevant smart service robotic products in the relevant industries.

Our ability to compete. Our Directors believe that we are well-positioned to compete as we possess full-stack technologies which offers a distinct advantage over our competitors as it allows for seamless expansion into different use scenarios and sectors. This ensures we can quickly adapt to changing market trends and customer demands. In contrast, our competitors only possess certain technologies which may impede their fulfill new demand from market and effectively compete with us. For example, competitors who only possess a limited range of technologies such as computer vision and voice interaction technologies may not be able to easily enhance the movement of its smart service robotic products as it lacks the relevant robotic motion planning and control technology.

Education smart robotic products and services

Industry and competitive landscape. According to Frost & Sullivan, China's education smart robotic products and services industry has experienced a strong growth in terms of sales revenue from RMB1.0 billion to RMB2.3 billion between 2018 to 2022 with a CAGR of 23.1%. Top five companies accounted for 32.8% in terms of sales revenue of China's education smart robotic products and services industry in 2022. According to Frost & Sullivan, the competition of China's education smart robotic products and services industry is relatively fragmented with more than 50 market players and we ranked first and accounted for 22.5% market share of the industry in terms of revenue in 2022. The continuous development of machine learning, AI, and other technologies, will continue to benefit the education smart robotic products and services industry and innovate product forms and optimize product performance. For instance, there will be an increasing demand of humanoid robots to serve as educational tools for learning purpose. Furthermore, in order to enhance the learning and using experience supported by education smart robots, more and more market players will engage in providing related services, such as robot competitions, professional curriculum content, robot culture, science and technology activities and teacher training.

Competition. According to Frost & Sullivan, we face direct competition from competitors with diversified background such as (i) Beijing Shengtong Printing Co., Ltd., a company established in 2000 which engaged in the provision of a wide range of tech-enabled services and products associated with programme writing education, robotic education and smart education tools; (ii) WhalesBot Technology (Shanghai) Co., Ltd., a company established in 2018 which is a robotic products and services provider for the youth education; and (iii) Shenzhen DJI Technology Co., Ltd., a company established in 2006 which engaged in designing and manufacturing action cameras which provides a wide range of education smart robotic products and services for learners. We also face potential indirect competition from providers of traditional educational equipment and materials.

Our ability to compete. Our Directors believe that we are in a competitive position and have established business relationships with government educational bureaus and our education smart robotic products and services have been used by over 240 schools in the PRC during the Track Record Period. In addition, we believe our marketing initiatives have brought us tender and business opportunities and facilitated the building up of our reputation in the education sector and business relationships with government educational bureaus and we intend to continue to adopt such initiatives to strengthen our business relationships with government educational bureaus. On the other hand, our Directors believe that we have to continuously invest in the R&D in our education smart robotic products and services to maintain our leading position in the education smart robotic products and services industry and expand the application of humanoid robots in this sector.

Logistics smart robotic products and services

Industry and competitive landscape. According to Frost & Sullivan, China's logistics and mobile smart robotic products and services industry has experienced a strong growth in terms of revenue from RMB2.4 billion to RMB12.0 billion between 2018 to 2022 with a CAGR of 49.5% driven by a rising application scenarios of logistics and mobile smart robots such as warehouse picking and distribution. China's logistics and mobile smart robotic products and services industry is relatively fragmented with more than 50 market players and top five market players accounted for approximately 31.9% of market share of the industry in terms of revenue in 2022. According to Frost & Sullivan, we ranked eighth and accounted for 2.2% market share of China's logistics and mobile smart robotic products and services industry in terms of revenue in 2022. According to Frost & Sullivan, there is an increasing trend for automobile manufacturers to incorporate logistics and mobile smart robotic products and services into its warehousing and production processes, as traditional labor may not be able to provide consistent and safe handling of automobile components, semi finished products and finished products due to their heavy and fragile nature.

Competition. According to Frost & Sullivan, we face direct competition from established logistics smart robotic products and services market players such as (i) Hangzhou Haikang Robot Technology Co., Ltd., a company founded in 2016 headquartered in Hangzhou, China which provides customers with leading machine vision products and mobile robots; (ii) Beijing Geekplus Technology Co., Ltd., a company founded in 2015 headquartered in Beijing, China which is a products and services provider in the logistics and mobile smart robotic products and services industry; and (iii) Hefei Jingsong Intelligent Technology Co., Ltd., a public company founded in 2007 headquartered in Hefei, China and listed on the Shanghai Stock Exchange which is a comprehensive products and services provider in the manufacturing smart and logistics smart industry. We also face indirect competition from manual labour in the logistics industry and non-robotic logistics equipment and machinery providers.

Our ability to compete. While we only launched our logistics smart robotic products and services in late 2020, our Directors believe we are able to compete with existing market leaders as evidenced by our performance during the Track Record Period. As we have to compete with existing established market players, it is our strategy to lower our pricing to gain sufficient market shares in the beginning. Furthermore, as we have accumulated expertise and technologies during the R&D of our core technologies and humanoid robots, our Directors consider that we can expand our product lines to compete with existing market leaders and further penetrate the market through the expansion of use scenarios. For instance, we intend to research outdoor driverless logistics vehicles which are designed for outdoor transportation of components, semi-finished products and finished products in outdoor industrial park. See "— Our Business Strategies — Further advance our R&D capabilities to enhance our core technologies and products and services offerings — (ii) Our smart service robotic products and services for application in different sectors — (b) Logistics smart robotic products and services" for further details.

Other sector-tailored smart robotic products and services

(a) General service smart robotic products and services

Our general service smart robotic products and services are able to provide various commercial and professional services including guiding assistance, reception, sanitation, security patrol, safety inspection and monitoring of environmental conditions. Our general service smart robotic products and services mainly cover three sectors, namely (i) inspection smart robotic products and services industry; (ii) reception smart robotic products and services industry; and (iii) wellness and elderly care smart robotic products and services.

(i) Inspection smart robotic products and services industry

Industry and competitive landscape. Inspection smart robots are mainly used in substation, tunnels, and other high-risk, complex scenarios of intelligent inspection and detection work. According to Frost & Sullivan, the market size of China's inspection smart robotic products and services industry experienced a strong growth in terms of revenue from RMB4.2 billion to RMB9.9 billion between 2018 to 2022 with a CAGR of 23.9%. According to Frost & Sullivan, China's inspection smart robotic products and services industry has a highly fragmented competitive landscape with more than 200 market players and the top five industry players accounted for approximately 16.0% of market share in terms of revenue in 2022. Major competitors are technology driven products and services providers of a wide range of smart outdoor and indoor inspection products and services.

Competition. According to Frost & Sullivan, our Directors believe that we are considered to be a late market entrant to China's inspection smart robotic products and services industry as we only launched our product (i.e. ATRIS Series) in 2019. Thus, we face direct competition from existing market leaders such as (i) State Grid Intelligence Technology Co., Ltd., a company founded in 2000 headquartered in Jinan, China which is specialized in inspection robots in electronic industry; (ii) Yijiahe, a public company founded in 1999 headquartered in Nanjing, China and listed on the Shanghai Stock Exchange which is specialized in inspection robot in the field of electric power, energy and municipal; (iii) Shenhao, a high-tech public company founded in 2002 headquartered in Hangzhou, China and listed on the Shenzhen Stock Exchange which is specialized in the inspection and fault diagnosis of equipment; and (iv) Guozi, a company founded in 2011 headquartered in Hangzhou, China that provides a wide product variety that includes logistics smart robot and smart manufacturing. We also face indirect competition from security and inspection patrol personnel and providers of non-robotic equipment and machinery which possess inspection functionalities.

(ii) Reception smart robotic products and services industry

Industry and competitive landscape. Reception smart robots refer to the smart service robots that can assist the human to complete the work of reception, guidance, and business explanation, etc. in scenarios such as building, hotel, or hospital. According to Frost & Sullivan, China's reception smart robotic products and services industry remained at a very early stage of commercialization in the past few years and has a highly fragmented competitive landscape. In 2022, the market size amounted to RMB0.5 billion in terms of sales revenue. It is expected that the market size will steadily increase to RMB2.1 billion by 2028, representing a CAGR of 27.0% from 2022 to 2028.

Competition. According to Frost & Sullivan, China's reception smart robotic products and services industry is currently in its early stages of development, with a highly fragmented competitive landscape. This means that many companies have the ability to provide reception smart robotic products and services, but none of them have emerged as dominant players in the market yet. As a result, it is difficult to identify the dominant market players, given the current highly fragmented landscape, while the total number of the players in China's reception smart robotic products and services industry is more than 50 in 2022. Nevertheless, we expect to face (i) direct competition from industry peers which are reception smart robotic products and services providers and (ii) indirect competition from receptionists and non-robotic reception equipment and machinery providers.

Our ability to compete in the above industries. According to Frost & Sullivan, the reception smart robotic products and services industry is at its early stages of development. There remain substantial areas of innovation and opportunities for disruption as there are currently limited players with mature and leading core technologies in this sector to address the market potentials. Our Directors believe our success in this industry to capture market share depends on our ability to utilize our core technologies and develop and launch products with quality and functionality in a timely manner ahead of competitors, which will enable us to capture market shares with the liberty to set the selling prices at a level so as to achieve optimal gross profit margins. As to China's inspection smart robotic products and services industry, it is also considered to be relatively fragmented and we are considered to be a late market entrant to the industry as we only launched our product (i.e. ATRIS Series) in 2019. Despite such competitive landscape, our Directors believe that we are well positioned to compete with existing market leaders and new market entrants within the inspection smart robotic products and services industry due to our full-stack of core technologies and established sales networks as well as expertise and know-how accumulated throughout our years of operation. Thus, we are confident that we are able to replicate our success in education smart robotic products and services and compete with existing market players.

(iii) Wellness and elderly care smart robotic products and services

Industry and competitive landscape. Wellness and elderly care smart robot refers to smart service robots that are designed to assist the elderly or patients with companionship, food and medicine delivery, and can be used in hospitals, age-friendly community or care facilities. According to Frost & Sullivan, China's wellness and elderly care smart robotic products and services industry, measured by sales revenue, has increased form RMB0.3 billion in 2018 to RMB1.2 billion in 2022, with a CAGR of 41.4% during this period. The competitive landscape of wellness and elderly care smart robotic products and services industry is highly fragmented with the top three market players accounted to approximately 15.0% of market shares in terms of revenue in 2022. Thus there remain substantial areas of innovation and opportunities for disruption as there are currently limited players with mature and leading core technologies in this area.

Competition. According to Frost & Sullivan, we face direct competition from companies such as (i) GWELL, a company founded in 2014 headquartered in Shanghai, China which is focusing on the field of medical service robots; and (ii) TMiRob, a company founded in 2015 headquartered in Shanghai, China which is an intelligent products and services provider for medical infrastructure. We also face indirect competition from doctors, nurses, caretakers and other medical staff and non-robotic wellness and elderly care equipment and machinery providers.

Our ability to compete. According to Frost & Sullivan, the wellness and elderly care smart robotic products and services industry is at its early stage of commercialization and is highly fragmented. As such, similar to the reception smart robotic products and services industry, there remains substantial areas of innovation and opportunities for disruption as there is currently limited players with mature and leading core technologies in this sector to address the market potentials. Our Directors believe our success in this industry to establish a market position depends on our ability to utilize our core technologies and develop and launch products with quality and functionality to cater to the specific needs of large-scale wellness and elderly care institutions and community-focused service providers to enhance their operational efficiency, thus increasing the demand for and sales volume of our wellness and elderly care smart robotic products and services. We will also leverage our brand image as a China-based smart robotics company with overseas market presence to penetrate this market.

(b) Global humanoid robotic products and services industry

Industry and competitive landscape. According to Frost & Sullivan, the global humanoid robotic products and services industry is still at an early stage with a few market players and limited use scenarios and the full potential of the global humanoid robotic products and services market is yet to be realized. It is difficult to identify the market size of global humanoid robotic products and services industry in terms of revenue in the past years.

Competition. According to Frost & Sullivan, we face competition from companies such as (i) Boston Dynamics, a company established in 1992 and headquartered in Waltham, the U.S. which focuses on creating robots with advanced mobility, dexterity and intelligence; and (ii) Agility Robotics, a company established in 2015 and headquartered in Albany, the U.S. which focuses on the development of highly capable bipedal robots for applications that include logistics, telepresence, automated inspection, entertainment, and research. We also face indirect competition from traditional human workforce which perform the same day-to-day tasks as the relevant humanoid robots.

Our ability to compete. According to Frost & Sullivan, there are very few market participants within the global humanoid robotic products and services industry. While the global humanoid robotic products and services industry is still in its early stage of commercialization, we believe our track record of commercializing our Walker positions allows us to have first mover advantage for future growth. Our Directors recognize there is significant growth potential in this industry, as humanoid robots continue to gain traction in a variety of applications. As we have been focusing our R&D efforts on advancing core technologies utilized in humanoid robots, our ongoing R&D

ensures that we will remain at the forefront of technological advancements, enabling us to continue to compete effectively with other competitors. In addition, our Directors believe that our early success in selling limited units of Walker series demonstrates the market demand for our humanoid robots and highlights the potential for continued growth as the market matures. See "— Walker series" for further details of our Walker series.

Consumer-level robots and other hardware devices

Industry and competitive landscape. Our consumer-level robots and other hardware devices include a range of user-friendly products that are suitable for household use, namely, humanoid Alpha Mini (non-education), our small-sized humanoid robot, and Jimu series (non-education) which are designed for children to have early access to robotics and AI, indoor and outdoor cleaning robots and user-friendly household devices that aim at bringing convenience to household users by saving their time and increasing efficiency when doing household chores. Our consumer-level robots and other hardware devices mainly cover AiRROBO vacuum and floor cleaning robotic products. According to Frost & Sullivan, the vacuum and floor cleaning robotic products industry is highly concentrated with the top five market players accounted for approximately 90.0% of market share in terms of revenue in 2022.

Competition. According to Frost & Sullivan, we face direct competition from existing established market players such as (i) Ecovas, a company established in 1998, listed in Shanghai Stock Exchange and is a provider of service robots; and (ii) Roborock, a company established in 2014 and listed in Shanghai Stock Exchange which focused on the application of AI technology in household robots. We also face indirect competition from traditional human workforce which perform the same day-to-day tasks as the relevant consumer-level robots and non-robotic consumer-level equipment and machinery providers.

Our ability to compete in the above industries. Our Directors believe that as long as (i) we can constantly launch products with comparable functions with our competitors at competitive price; and (ii) expand our sales channels to cater to more consumers, we will be able to compete with competitors. To this end, we have (i) possessed technologies that are readily available to be utilized in our consumer-level robots and other hardware devices; and (ii) have an established sales networks which comprised of more than 130 distributors as of June 30, 2023 which enable us to reach a wide group of consumers. To further penetrate the market, it is part of our strategies to enhance our brand awareness and market penetration in the PRC and overseas by establishing more regional offices, branch offices and showrooms across the PRC and overseas to enhance our accessibility to end-users and receive feedback from potential customers. See "Our Business Strategies — Enhance brand awareness and market penetration" for further details.

INTELLECTUAL PROPERTY

We believe that our intellectual property rights are critical to our continued success. We have taken the following key measures to protect our intellectual property rights, including: (i) implementing a set of comprehensive internal policies to establish robust management over our intellectual property rights; (ii) establishing an intellectual property taskforce to guide, manage, supervise and monitor our daily work regarding intellectual properties; (iii) timely registration, filing and application for ownership of our intellectual properties; (iv) actively tracking the registration and authorization status of intellectual properties and take action in timely manner if any potential conflicts with our intellectual property rights are identified; and (v) clearly stating all rights and obligations regarding the ownership and protection of intellectual properties in the employment agreements we enter into. For further details of the protection of our intellectual property rights, see "Risk Management and Internal Control – Compliance and Intellectual Property Rights Risk Management" in this section.

As of the Latest Practicable Date, our Group had registered (i) 12 trademarks, 227 patents and 30 copyrights in the PRC; (ii) 13 trademarks and 98 patents in other jurisdictions; and (iii) 1 domain name which we consider to be material or may be material to our business. Examples of patents held by our Group in relation to our core technologies which we consider to be material or may be material to our business include the following:

Patent Name	Place of registration	Patent Number	Core technology involved	Intended usage or function
A servo motor and its control method (一種伺服電機及其控制方法)	PRC	ZL201610615912.9	Servo actuators	Enhancing the accuracy in angle transmission of the servo motor
Servo and robot (舵機及機器人)	PRC	ZL201811291334.3	Servo actuators	Reducing the load on the gears of the servo actuator, lowering the damages to the gears
Robot control method, device, readable storage medium and robot (機器人控制方法、裝置、計算機可讀存儲介質及機器人)	PRC	ZL201911279545.X	Robotic motion planning and control	Enhancing the walking stability of robots
Robot control method, device, readable storage medium and robot (機器人控制方法、裝置、計算機可讀存儲介質及機器人)	PRC	ZL202111214282.1	Robotic motion planning and control	Enhancing the stability of robots when subject to external force
A robot and its climbing stairs control method and device (一種機器人及其爬樓控制方法和裝置)	PRC	ZL201911266155.9	Computer vision	Enhancing the robots' ability in climbing stairs
Multi-target tracking method, device, equipment and storage medium (多目標追蹤方法、裝置、設備及存儲介質)	PRC	ZL202110640635.8	Computer vision	Enhancing the robots' ability in human body detection
A robot and its voice interaction system (一種機器人及其語音交互系統)	PRC	ZL201811441703.2	Voice interaction	Enhancing the robots' ability and efficiency in voice recognition
Speech synthesis method and apparatus and computer readable storage medium using the same	United States	US11417316B2	Voice interaction	Enhancing the robots' ability and efficiency in speech synthesis
Robot navigation method, system, robot and storage medium (機器人導航方法、系統、機器人及存儲介質)	PRC	ZL201911159641.0	SLAM and autonomous technology	Enhancing the robots' user-friendliness and intelligence during the process of navigation
A navigation map update method, device, readable storage medium and robot (一種導航地圖更新方法、裝置、可讀存儲介質及機器人)	PRC	ZL201911330291.X	SLAM and autonomous technology	Reducing the need for the robot operators to re-construct navigation maps at the working places of the robots after re-positioning
A grasping control method, device and robot based on visual servo (一種基於視覺伺服的抓取控制方法、裝置和機器人)	PRC	ZL201711431821.0	Visual servo operation and human-robot interaction	Enhancing the robots' ability in grasping moving objects
An action imitation method, device, readable storage medium and robot (一種動作模仿方法、裝置、計算機可讀存儲介質及機器人)	PRC	ZL201911227303.6	Visual servo operation and human-robot interaction	Enhancing the robots' efficiency in imitation

For details of our material intellectual property rights, see "Appendix VII — Statutory and General Information — B. Further Information about Our Business — 2. Intellectual Property Rights".

Our Group held more than 1,800 registered robotic and AI-related patents as of June 30, 2023, most of which are invention patents registered in the PRC. As advised by our PRC Legal Adviser and pursuant to the Patent Law of the People's Republic of China (《中華人民共和國專利法》), an invention patent registered in the PRC is valid for a term of 20 years from the date of filing of the application for the patent, an utility model patent registered in the PRC is valid for a term of 10 years from the date of filing of the application for the patent, and a design patent registered in the PRC is valid for a term of 15 years from the date of filing of the application for the patent. The invention patents of our Group registered in jurisdictions outside the PRC are generally valid for a term of 20 years from the dates of the filing of the applications for such patents, and the design patents of our Group registered in jurisdictions outside the PRC are generally valid for terms ranging from 15 years from the dates of publication to 25 years from the dates of the filing of the applications for such patents.

The following table sets forth (i) the number of patent applications filed by the Group and (ii) the number of patents granted to the Group respectively during the Track Record Period:

	FY2020				FY2021			FY2022			6M2023		
Technologies involved	**Number of patents held as at January 1, 2020**	**Number of patent applications filed**	**Number of patents granted**	**Number of patents held as at December 31, 2020**	**Number of patent applications filed**	**Number of patents granted**	**Number of patents held as at December 31, 2021**	**Number of patent applications filed**	**Number of patents granted**	**Number of patents held as at December 31, 2022**	**Number of patent applications filed**	**Number of patents granted**	**Number of patents held as at June 30, 2023**
AI-related technologies	10	171	13	23	121	46	69	111	37	106	30	31	137
Robotic technologies	153	228	97	250	238	154	404	73	139	543	29	35	578
Integrated robotic and AI technologies	7	80	12	19	90	50	69	83	45	114	15	22	136
ROSA	—	4	—	—	5	2	2	—	2	4	—	1	5
Others *(note)*	353	187	154	507	254	185	692	218	185	877	42	86	963
Total	523	670	276	799	708	437	1,236	485	408	1,644	116	175	1,819

Note: Other technologies include technologies relating to robotic structures, circuits, system software, functional software, exterior design, etc.

Details of our top five patent inventors are set out below:

Name	Position(s) within our Group	Number of patents invented
Xiong Youjun	Executive Director, chief technology officer and deputy general manager	403
Bai Jie	N/A (Formerly a senior engineer; left the Group in July 2021)	16
Zhao Yongsheng	Senior engineer	15
Huang Tingshuang	N/A (Formerly an electronic software engineer; left the Group in September 2016)	14
Chen Chunyu	Senior engineer	11

Despite our precautions, however, third parties may obtain and use our intellectual property without our consent. Unauthorized use of our intellectual property by third parties and the expenses incurred in protecting our intellectual property rights from such unauthorized use may adversely affect our business and results of operations. See "Risk Factors — Risks Relating to Our Business — We may not be able to prevent unauthorized use of our intellectual properties, which could harm our brand and reputation".

Our Directors confirm that we did not have any material disputes or any other pending material legal proceedings of intellectual property rights with third parties during the Track Record Period and up to the Latest Practicable Date.

EMPLOYEES

We had a total of 1,769 employees as of June 30, 2023. The following table sets forth a breakdown of our employees by function as of June 30, 2023:

Function	Number of Employees	Percentage
		(%)
Research and development	717	40.5
Sales and marketing	480	27.1
Production and procurement	339	19.2
General administration and management	233	13.2
Total	1,769	100.0

Most of our employees are based in China, primarily located at our headquarters in Shenzhen, with the rest located in our other offices in Shanghai, Beijing and Xiamen. As of June 30, 2023, we had 1,753 employees in China.

Our success deeply rests with our ability to attract, retain and motivate qualified talents, and we believe that our high-quality talent pool is one of our core strengths and competitive advantages. We recruit with high standards and rigorous procedures and through various methods, including campus recruitment, online recruitment, internal referral, and third party recruiters, to select the best-fit personnel for the corresponding positions in response to our various talent demands.

We invest in continuing education and training programs, including regular and tailor-made internal and external training, for our employees to improve their professional knowledge, and management skills, upgrade their skill sets and keep abreast of the industry standards in their respective positions. Pre-employment induction training and orientation is provided to all new hiring. We also organize activities to provide our employees with a deeper understanding of our culture.

We offer competitive remuneration package to our employees, which are generally based on their qualifications, industry experience, position and performance. In order to motivate, retain and reward talents for their contribution to the development of our Group, we have approved and adopted several equity incentive schemes since 2015. We regularly evaluate the performance of our employees and reward the well-performed with bonus and promotion.

As required by PRC laws and regulations, we participate in various employee social security schemes organized by municipal and provincial governments of the PRC, including pension, unemployment insurance, maternity insurance, work-related injury insurance, medical insurance and housing provident funds. We are required under PRC laws and regulations to make contributions to employee social security schemes at specified percentages of the salaries, bonuses and certain allowances of our employees, up to a maximum amount specified by the local government from time to time. During the Track Record Period, we were involved in non-compliance incidents in relation to social insurance and housing provident fund contributions. See "Non-compliance matters — 3. Failure to make full contributions to social insurance and housing provident funds and the use of third parties to pay the contributions" for further details.

We have established a labor union and our employees may join the labor union voluntarily. We believe that we maintain a good working relationship with our employees, and we have not experienced any significant labor disputes or any difficulty in recruiting staff for our operations during the Track Record Period.

INSURANCE

We believe we have adequate insurance coverage by putting in place all the mandatory insurance policies required by PRC laws and regulations and in accordance with the commercial practices in the smart service robotic products and services industry, such as product liability insurance for our smart service robotic products which the insurance premium is based on the estimated total sales of the Group during the period of insurance. As required by PRC laws and regulations, our employee-related insurance includes pension insurance, maternity insurance, unemployment insurance, work-related injury insurance, medical insurance. During the Track Record Period, we did not make any material insurance claim in relation to our business.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE MATTERS

We are committed to be a responsible corporate citizen to abide by applicable laws and regulations and market practice principles and to increase the wellness of the society. We place great emphasis to environmental, social and governance matters, including environmental sustainability, social responsibility and governance ("**ESG**") as an established enterprise in the smart service robotic products and services industry.

Our ESG governance structure

Our Board is fully and collectively responsible for the formation and establishment of ESG-related mechanisms and policies including reviewing our ESG strategy and reporting, overseeing our ESG issues, reviewing progress on ESG-related objectives, and assessing, prioritizing and managing key ESG-related issues. For more information relating to the qualifications and experience of our management, see the section headed "Directors, Supervisors and Senior Management — Directors" in this document. To strengthen our sustainability capabilities, improve our governance structure and enhance our corporate environmental, social and governance performance, we have already established an ESG and Sustainability Committee.

The ESG and Sustainability Committee is a special committee of our Board, whose members will be appointed by our Board, and is mainly responsible for formulating our ESG and sustainability vision, objectives, strategies and management systems, advising our Board on related work, identifying important stakeholders of our Group and important ESG issues, studying and making recommendations on sustainable development related business with our stakeholders. In addition, the ESG and Sustainability Committee will review the key trends in ESG and related risks and opportunities, follow up on the implementation of our ESG and sustainability efforts and ensure that our position and performance on ESG and sustainability issues are in compliance with relevant regulations and standards. The ESG and Sustainability Committee will hold regular meetings and report to the Board on relevant motions so as to ensure that the Board is kept regularly informed of the assessments of environmental, social and governance issues by the ESG and Sustainability Committee. In addition, as members of the committee are also members of the Board, the Board is kept fully informed of the environmental, social and governance issues being undertaken by the Company accordingly. The ESG and Sustainability Committee is also supported by representatives from various internal departments with relevant ESG functions. External ESG consultants have also been engaged to provide the necessary ESG expertise to support the deliberations of the committee during its regular meetings.

Our ESG materiality assessment

We believe that the conduct of materiality assessments is critical to the long-term development of the Company, as they allow the Company to properly analyse and consider important environmental, social and governance-related issues. Therefore, we attach great importance to our interactions with our stakeholders and are committed to developing a regular communication mechanism with them in the future, and will conduct materiality assessments to better understand their needs and expectations. We have engaged an independent ESG consultant to assist the Company in conducting a materiality assessment in accordance with Appendix 27 of the Main Board Listing Rules of the Stock Exchange to collect, analyse and summarise stakeholders' concerns in order to identify, assess and manage significant environmental, social and governance issues. We have developed a materiality assessment process as follows:

1. identify potentially significant environmental, social and governance issues that may have an impact on the Group's business or related parties based on the Group's development, Sustainability Accounting Standards Board (SASB) standards and peer industry references;
2. inviting stakeholders (directors, shareholders, investors, senior management, employees, suppliers and partners, government and regulatory bodies) to participate in questionnaires to express their concerns on each potentially significant issue;
3. analysis of the questionnaires collected and prioritisation of potential material issues; and
4. management and the Board reviewing and determining the material issues for the Company and making disclosures.

We hope that this will provide us with a more comprehensive understanding of stakeholder expectations and suggestions in the future, as well as insight into how these expectations and suggestions are reflected in management decisions, providing a basis for the development of our long-term environmental, social and governance strategy and a reference for the effective allocation of resources in the future.

Our ESG risk management

To manage our ESG risks, we have established comprehensive risk and opportunities management procedures which clarified the operational requirements for risk response measures including risk avoidance, risk reduction and risk acceptance, and enhanced risk response capabilities.

In order to comprehensively identify and respond to risks faced by our business divisions, we require each division to identify the risks that exist, establish methods to identify and respond to them, and record the results of the assessment in assessment forms to ensure that the process of risk identification and assessment by each division is conducted through effective analysis and judgment.

With reference to Appendix 27 of the Main Board Listing Rules and Appendix 2 of the ESG Reporting Guide, we have engaged an ESG consultant and started to identify, assess and manage climate-related topics that are relevant and important to our business, identify the covered climate-related risks that are applicable to our Group's business, and consider their potential impact on the industry and its response.

We have identified climate change risks and opportunities related to our business and operations in accordance with the TCFD framework. We have identified the following short-term (within 5 year), medium-term (5-15 years), and long-term (over 15 years) climate-related risks and their potential impacts on our business and financial aspect.

Risk type	Climate-related risks assessed	Risk level	Timeframe	Potential impacts on business, strategy and financial reporting	Countermeasures
Physical risks	Extreme heat	Low	Short term	The escalation of operational costs arises from heightened energy consumption and increased electricity usage, leading to regional power supply limitations and subsequent disruptions to our operations.	To minimize the impact of extremely hot weather on our business, we have implemented various measures. We have formulated the Heat Stroke Personal Accident Emergency Plan (《高溫中暑人身事故應急預案》) and undertaken the following actions: • Promoting awareness of high-temperature heat stroke among workers, ensuring they have a solid understanding of heat stroke prevention and cooling techniques. • Adjusting production shifts, increasing night shifts and reducing day shifts as necessary, to avoid working in hot environments during daytime. • In the event of high temperature and heat stroke incidents among employees, we will arrange for other personnel to take over the tasks of affected individuals.

Risk type	Climate-related risks assessed	Risk level	Timeframe	Potential impacts on business, strategy and financial reporting	Countermeasures
	Flooding	Low	Medium term	No records indicate any instances of flooding in the vicinity of the production sites; therefore, the risk of flooding has been assessed as reasonably low. In the event of a flood, the infrastructure offices and assembly locations (i.e. indoor factories) will undergo damage, resulting in increased maintenance and operational costs.	In response to the potential impact of flooding on the production sites, we have devised a contingency plan to ensure the continuity of operations. This entails the flexible adjustment of production shifts, as well as the relocation of production lines and warehouses to alternative sites, thereby mitigating the workload disruptions caused by the affected areas and maintaining the production schedule. Furthermore, we have developed the Flood Mitigation Emergency Plan (《抗洪減災應急預案》) and have implemented the following measures: • Promptly informing all workers at the production sites about the situation. • Deploying personnel to the production sites to provide assistance in flood relief efforts. • Conducting a comprehensive review of the emergency actions undertaken following the occurrence of the flooding hazard.

Risk type	Climate-related risks assessed		Risk level	Timeframe	Potential impacts on business, strategy and financial reporting	Countermeasures
	wildfire		Low	Long term	Based on the geographic location of the production sites, which is characterized as far from forests, a relatively low risk of wildfires was assessed for the business operations. In the case of frequent wildfires, road traffic may adversely affect the punctuality of product transportation.	In order to mitigate the risk of wildfires spreading to the production sites, we have devised the Fire Services Emergency Plan (《消防事故應急預案》) aimed at enhancing production safety and establishing a comprehensive management system. This plan encompasses the following measures: • Ensuring an ample supply of fire-fighting equipment, both in terms of quantity and appropriate types. • Strengthening the inspection and monitoring of critical fire safety workplaces and areas. • Delivering comprehensive fire safety education to workers, with the objective of augmenting their awareness of fire safety and fostering self-rescue capabilities.
Transition risks	Policy and regulation	Tighter regulation by the Chinese government	Low	Short term Medium term Long term	Strict government regulations have resulted in increased compliance costs for enterprises. Throughout the 14th Five-Year Plan period, China will continue to develop policies and regulations addressing climate change. Modifications to these laws and regulations may entail additional expenses as we strive to comply with more stringent rules. Moreover, regulators are expected to impose stricter environmental requirements on us.	• Continuously prioritizing awareness and understanding of China's regulatory landscape to mitigate potential regulatory risks. • Implementing the use of energy-efficient electrical equipment and production facilities, and enforcing the Environmental/Occupational Health Safety Operation Control Procedures (《環境/職業健康安全運行控制程式》) to enhance staff awareness of energy conservation and emission reduction. Reducing emissions and resource consumption to prevent additional compliance costs resulting from exceeding emission standards.

Risk type	Climate-related risks assessed		Risk level	Timeframe	Potential impacts on business, strategy and financial reporting	Countermeasures
		Strengthening greenhouse gas emissions reporting obligations	Low	Short term	The regulatory authorities are gradually strengthening the requirements for listed companies to disclose climate risk information, imposing more stringent obligations on information disclosure. As a result, operational costs will increase in order to meet these requirements.	We have enlisted the services of third-party ESG consultants to monitor updates regarding ESG and climate-related reporting guidelines, laws, and regulations. Additionally, they will assist us in implementing greenhouse gas emission calculations.
		Implementing carbon pricing regulations	Low	Medium term	Carbon pricing is gaining popularity as a policy tool to encourage low-carbon investments and curb energy consumption. We can expect the adoption of more carbon pricing regulations, such as carbon taxes, and market-based mechanisms like cap-and-trade. However, implementing a carbon price or tax would result in additional financial costs.	By strictly adhering to the latest laws and regulations governing local and regional carbon markets, as well as implementing rigorous control and monitoring measures for our carbon emissions, we can mitigate the additional financial costs associated with carbon pricing or tax.
	Market	Changes in customers' preferences	Low	Short term	The preference of customers for environmental/low-carbon products may necessitate the development of a green supply chain by our Group. Failure to meet customers' expectations with regards to these products may lead to a decline in orders, thereby resulting in lower revenue.	To align with users' preference for environmentally-friendly products, we have implemented a Sustainable Procurement Policy (《可持續採購政策》). This policy aims to foster a green supply chain and prioritize the utilization of environmentally-friendly products.

Risk type	Climate-related risks assessed		Risk level	Timeframe	Potential impacts on business, strategy and financial reporting	Countermeasures
	Reputation	Carbon emissions are closely concerned by various stakeholders	Low	Medium term Long term	Our carbon emissions are of significant concern to various stakeholders. In the context of the global low-carbon transition, any non-compliance or excessive emissions from our Group would have a negative impact on the brand image and reputation. This could result in additional costs associated with preserving the brand image and reputation.	We are committed to strict compliance with national and industry laws and regulations pertaining to carbon emissions. This includes the rigorous implementation of environmental systems such as the Environmental/Occupational Health Safety Operation Control Procedure (《環境/職業健康安全運行控制程式》) and the Corrective Measures Process Procedure (《糾正預防措施流程》). We closely monitor our carbon emissions and take proactive measures to address any issues that arise.
	Technology	Failure to keep up with new technology trends	Low	Short term Medium term	To effectively control the carbon emissions of our products, it is essential to enhance the development of environmental protection processes, optimize the utilization of new technologies, and upgrade clean production equipment to meet the demand for low-emission products. However, these efforts may lead to increased operating costs.	We shall closely monitor the latest technological advancements from equipment manufacturers and proactively explore and implement a new energy development strategy driven by artificial intelligence. We will also address any technical risks that may arise. As an example, we have recently conducted a feasibility study on utilizing hydrogen, a clean energy source, as a power supply for robots.

Climate-related opportunities assessed	Timeframe	Potential impacts on business, strategy and financial	Countermeasures
Accessing new markets . .	Short term Medium term	In April 2022, the National Development and Reform Commission, along with the National Energy Administration, released the Long-term and Medium-term Plan 2021-2035 for the Development of Hydrogen Energy Industries. This plan emphasizes that hydrogen energy is a crucial component of the future national energy system and a key area for development (《氫能產業發展中長期規劃 2021-2035》). Additionally, Artificial Intelligence (AI), as the technological core of the Fourth Industrial Revolution, has a profound and extensive impact on economic development and social progress.	We are actively exploring the incorporation of new energy sources, such as hydrogen energy, into our products. Hydrogen energy offers the advantage of zero carbon emissions during consumption. By embracing this approach, we align ourselves with China's objective of achieving "carbon peaking and carbon neutrality" while promoting green and high-quality economic development.
Resource efficiency	Short term	Enhancing the efficiency of resource utilization, including energy, water, and other resources, while minimizing consumption, can significantly assist companies in reducing operating costs.	• Actively implementing green office and operational measures. • Strengthening water conservation measures as outlined in the "Environmental Protection — Resource Consumption Management" guidelines.

Quantitative indicators

We have engaged an ESG consultant to support us in building an ESG database, collecting ESG data and conducting reviews and we follow ISO 14064 standards.

Set forth below are the environmental quantitative indicators of our Group's offices and operating production facilities at Xiamen, Wuxi, Shenzhen, Guizhou and Kunming during the Track Record Period:-

	FY2020	FY2021	FY2022(1)	6M2023
Resources consumption				
Electricity consumption (kWh) . . .	1,890,511.94	2,446,013.53	2,595,567.27	1,386,820.91
Electricity consumption intensity (kWh/million revenue)	**2,553.96**	**2,993.05**	**2,574.27**	**5,310.66(2)**
Water consumption (m^3)	13,436.60	16,133.57	16,084.26	9,958.22
Water consumption intensity (m^3/million revenue)	**18.15**	**19.74**	**15.95**	**38.13(2)**
GHG emissions				
Total GHG emissions (scope 2) (tons of CO_2 or equivalent)	1,153.40	1,421.13	1,508.02	790.90
GHG emissions intensity (scope 2) (tons of CO_2 or equivalent/million revenue) . . .	**1.56**	**1.74**	**1.50**	**3.03(2)**

Notes:

(1) The environmental quantitative indicators for FY2022 also cover our offices and operating production facilities in Liuzhou, Jiujiang, and Shijiazhuang which were newly-added in 2022.

(2) The consumption intensity for 6M2023 was higher than that of FY2022 due to the lower average monthly revenue for 6M2023 as compared with that of FY2022. The water and electricity consumption of 6M2023 remained stable as compared with the previous year.

Our ESG goals

Our business is still in a phase of rapid development, for example, with the completion of new plants, it is difficult to predict changes in our environmental performance data. Although our quantitative environmental, social and governance indicators are currently on an upward trend, we aim to "drive down energy consumption" so that our quantitative indicators will be lower in the future. To better control these quantitative targets, we will set quantitative energy efficiency targets and water efficiency targets with the assistance of our ESG consultant after [**REDACTED**], as follows:

- *Energy efficiency target*: We aim to achieve a target of reducing the growth rate of energy consumption by approximately 5-10% below the growth rate of production by 2025. More information on the measures taken to achieve this target can be found in the section "Use of Resources".
- *Water efficiency target*: We intend to reduce water consumption by approximately 7% by 2025 and raise awareness of water use among our employees in the future. For more information on the measures taken to achieve this target, please refer to the section on "Use of Resources".

In order to achieve the energy efficiency target, we have formulated various environmental management plans, such as Energy Saving and Electricity Management Plan (《節能用電管理方案》), Environmental/ Occupational Health and Safety Target Indicators and Management Plan (《環境/職業健康安全目標指標及管理方案》) and implemented various energy saving measures. We arrange the production schedule of each factory according to the sales plan and supply plan to ensure continuous production operation without interruption, which is conducive to reducing the factory's electricity consumption. For defective equipment, we fill in the defect form and handle it promptly to maintain the best operating condition of the equipment. We also regularly replace equipment when needed.

Based on the change of environment temperature, air-conditioners in workspace are not in use from November to April of the following year. Air-conditioning temperature is kept at 26°C at office area. We use LED lighting in all production sites for higher energy efficiency. The street lights in Shijiazhuang Factory are powered by solar energy. We also plan to do this in the second phase of Jiujiang factory and Liuzhou factory. For different production sites, we control the number of lights turned on based on local weather conditions. Lighting in different lines can be controlled separately to avoid unnecessary lighting. After work in offices and workshops, dedicated personnel are responsible for checking and shutting down all electrical equipment (except for products that require continuous testing).

We are planning to establish smart energy saving plans in the newly established smart factory at Liuzhou. We plan to carry out real-time energy monitoring of each production line by adding energy sensors to production equipment and various workshops. According to the equipment condition and production plan, the energy consumption plan will be adjusted in real time, and at the same time, the operation of the equipment will be reversely controlled by the energy control system to achieve energy conservation. The above plan will be implemented in the factory at Liuzhou, and will be extended to other factories after the operation is stable.

In long term, we continue to explore the use of new energy sources with zero carbon emissions in our products, such as hydrogen energy, and cooperate with industry partners on low-carbon/ clean energy solutions.

In order to achieve the water efficiency target, we cultivate employees' environmental awareness by posting water-saving signs in prominent locations in washrooms, pantries, and employee dormitories, thereby reducing water consumption. We check water pipes and faucets from time to time, and repair hidden or leaking faucets as soon as possible. Besides, dedicated personnel regularly check the water meter readings and compares the water usage over the same period to check whether there is any hidden water leakage. We are going to relocate to a new office building in Shenzhen. This building is equipped with modern water-saving devices and features a scientifically and rationally designed water supply and drainage system. Furthermore, we will widely implement water-saving measures to effectively achieve water conservation and reduction. We are also developing reasonable water management measures to efficiently save and utilize water resources. Additionally, we have plans to install water-saving devices and measures for rainwater reuse in our other production facilities with the aim of effectively reducing water consumption.

The goals will be implemented through various departments including the human resources and operation departments (manufacturing & quality centres). Based on the data collected and calculated by our ESG consultant and us, the ESG and Sustainability Committee will regularly review the establishment of the goals and progress of achievement, and report to the Board as well as make adjustments and conduct follow-up work at the appropriate time.

We recognize the impact and risk that climate change poses to our business. We are committed to mitigating the impact of climate change by continuing to comply with local environmental laws and regulations, promoting energy saving and consumption reduction measures, continuing to closely monitor our resource consumption to minimize our impact on the environment, and practicing our low carbon operations through our own practical actions.

Environmental protection

Environmental protection and management

Our approach to the environment is to "achieve pollution prevention, comply with laws and regulations, and protect the global environment". We consider the impact of our business on climate and the environment and have taken appropriate measures in our operations to comply with all applicable requirements. We strictly comply with applicable laws and regulations as required by the Quality, Environment and Safety (QES) management system in China including but not limited to the Environmental Protection Law of the People's Republic of China, the Air Pollution Prevention and Control Law of the People's Republic of China and the Energy Conservation Law of the People's Republic of China. In addition, we have put in place internal policies which set out the details of environmental impact evaluation and control, target, and program implementation for fire, noise emission, electric power consumption, hazardous waste transfer, and exhaust gas emission. Considering the nature of our operations, which are primarily in the smart service robotic products and services industry, our expenses on water and electricity consumption in our production facilities for 6M2023 did not represent more than 0.5% of our revenue in 6M2023. Therefore, we do not consider that we are exposed to significant risks related to environmental issues.

We are committed to fulfilling our corporate environmental protection responsibilities and creating a sustainable society in which people and nature live in harmony by following these laws, regulations and internal policies. Our environmental management system has obtained ISO14001 certification. We have also put in place an environmental identification and assessment control process to assess the environmental impact of our activities and services. In addition, we have an environmental occupational health and safety operational control process to effectively identify and monitor safety conditions, and regularly monitor and engage qualified third party organisations to conduct various tests such as effluent, exhaust, noise, etc.

Emissions

Our Group has established a comprehensive quality, environmental, and health & safety management system, and has adopted the Environmental/Occupational Health and Safety Operational Control Procedures to ensure compliance with relevant laws and regulations. The system details the roles and responsibilities, the control procedures and the necessary reporting. We have established an environmental laws and regulations register to ensure all the applicable laws and regulations are included. We also follow the ISO 14064 standard for determining Scope 2 greenhouse gas (GHG) emissions. We engaged third party consultant to support us in ESG data collection and verification.

Use of resources

We are committed to environmental protection and have adopted and implemented measures to ensure compliance with the ISO14001:2015 environmental management certification standard. We have also set out environmental factor identification and assessment control procedures and environmental occupational health and safety operational control procedures for effective identification and monitoring. In the early stage of our product development, we must meet the requirements of environmental protection regulations, such as ROHS\REACH\WEEE of the European Union. From the product design process and purchased items, the impact on the environment especially on the resource consumption is considered. The design process minimizes the use of materials, and the materials used are also environmentally friendly and meet the requirements.

We are considerate of the impacts of our business on climate and the environment and we are committed to operating our business in compliance with applicable laws and regulations relating to climate and the environment. We have taken appropriate measures in the operation of our business to comply with all applicable requirements. Given the nature of our operations, it is believed that we are not exposed to significant risks related to environmental issues.

Waste management

We are mindful of the importance of waste reduction and we strive to reduce the amount of waste generated to minimize the impact on the environment. In terms of waste management, hazardous waste generated from our operations will be handed over to qualified third party recycling companies for disposal or sent back to the original company for disposal. We strictly examine the qualifications of our waste disposers and sign contracts with them, requiring them to dispose of waste legally, and we review their qualifications annually. On the other hand, the general waste generated by us is categorized into recyclable and non-recyclable waste. Recyclable waste is disposed of by take-away or outsourced processing and recycling, while non-recyclable waste is disposed of by outsourcing. We strive to reduce, recycle and dispose of waste properly to minimize the environmental impact caused by our operations.

In accordance with the Quality, Environment, Occupational Health and Safety (QES) Management Manual, we consider the product lifecycle and possible environmental and occupational health and safety risks during the design and development of our products and services to ensure that there is no adverse impact on product compliance. The materials we use must also comply with environmental requirements such as the EU ROHS, REACH and WEEE regulations, taking into account the impact on the environment and in particular the impact on resource consumption. We take into account the environmental impact of our products when they are disposed of in accordance with the WEEE requirements, using designs that are easily recyclable and environmentally friendly, and taking responsibility for the cost of recycling. Our PLM System Material Qualification Management Specification (PLM系統物料認證屬性管理規範》) specifies that we have a dedicated SQE engineer to review the environmental information provided by our suppliers to ensure that the materials we purchase also meet the relevant environmental requirements. At the same time, we try to minimise the use of materials, thereby reducing the amount of waste generated.

In addition, our Group adopts environmentally friendly office practices. We also encourage our staff to separate recyclable materials for recycling and disposal through various publicity, education and guidelines on waste separation, with banners, posters and notices placed at prominent locations. In addition, in order to reduce the use of paper, we promote the secondary use of office paper, office information technology and paperless. We regularly check and monitor waste generation and resource usage, and implement appropriate improvement measures to reduce waste generation.

Resources consumption management

We are always mindful of the need to save energy effectively. Electricity is a major source of energy consumption in our operations, and reducing electricity consumption is a key focus of energy management. We manage our resource usage by implementing internal operational control procedures and are committed to energy efficiency and conservation in our daily operations. We actively introduce power saving devices and strive to promote energy conservation in our daily operations to reduce domestic electricity consumption and turn off unused electrical devices. We provide regular training to our staff on energy saving. We regularly check electricity usage as a basis for resource saving.

Water is a precious resource on earth and we are aware of the need to cherish water resources, therefore, we will try to reduce our water consumption and improve our water efficiency to avoid wasting potable water during our operation. We always keep in mind the effective practice of water management and water conservation. We will educate our staff on water conservation. To ensure that our water supply facilities are in the best working condition, we will strengthen the repair of our water supply facilities to reduce leakage. The relevant departments of our group will collect statistics on water usage calculations, analyze and regulate water conservation.

Social responsibility

Employment

Our Group strives to provide employees with a favorable working environment, promote their professional development, and ensure their well-being. We strictly comply with applicable PRC labor laws and regulations including but not limited to the Labor Law of the People's Republic of China and the Labor Contract Law of the People's Republic of China, so as to create a fair, healthy and safe working environment. For more applicable laws and regulations, please refer to the section of "Laws and Regulations — Laws and Regulations in Relation to Labor Protection, Social Insurance and Housing Provident Funds."

Recruitment, Dismissal and Employee Rights

We have developed the Recruitment Management Measures (《招聘管理辦法》), which specify the division of responsibilities among human resources department, hiring departments and related departments. We also emphasize that we have always adhered to the principles of equal competition, information disclosure and two-way selection in the open recruitment process. Whether it is in written examination, interview or recruitment conditions, we shall adhere to the principle of equal competition, ensure that recruitment information is disclosed transparently and communicate equally with candidates. At the same time, we adhere to the relevant laws, regulations, and policies on equal employment and anti-employment discrimination in various countries and regions. We provide equal employment opportunities to employees in recruitment, career development, promotion, and other aspects. We do not differentiate in the treatment of employees based on gender, age, or marital status. The main recruitment channels are campus recruitment, internal recruitment, social recruitment, referral by headhunters, internal staff recommendation (also through the open recruitment process) and on-site recruitment.

When an employee is formally employed, our Group enters into Employment Contracts (《僱傭合同》) with our employees in strict accordance with the relevant laws and regulations to establish labor relations with the employee. Our Group's Employee Handbook (《員工手冊》) clearly sets out the working hours and attendance, overtime and transfer, employee benefits, training, dismissal management, leave, and protection of rights and interests of employees. Our Group has also established the Offboarding Management Process (《離職管理流程》) which outlines appropriate procedures for resignation, termination of employment and dismissal, and clearly states the procedures from submitting resignation/termination/dismissal application, conducting exit interviews, approving related application, handling resignation handover procedures, to issuing an offboarding certificate. This can regulate and ensure proper dismissal/termination of employees in order to effectively safeguard the legitimate rights and interests of both labor and capital. When employees request to resign, the relevant personnel will conduct exit interviews with them to understand the reasons for their resignation.

In the event of unilateral termination or dismissal, we will notify the labor union in advance to ensure that the termination or dismissal is complied with relevant laws and regulations. In addition, we have established a Employee Rights Protection Group in order to protect the legitimate rights and interests of our employees. If employees have opinions on their rights and interests, they can contact the Employee Rights Protection Group, which will communicate, investigate and verify the employees' opinions with relevant parties.

Our Group prohibits the employment of child labor and forced labor in accordance with the relevant laws and regulations. Our Employee Handbook (《員工手冊》) explicitly states that employees have the right to refuse to comply with instructions that violate the provisions of the handbook and have the responsibility and right to report to their supervisors. Employees have the right to complain to the management of our company about any irregularities and any infringement of their personal interests in order to obtain fair treatment.

Remuneration, Promotion and Benefits

In terms of remuneration, we have developed the Payroll Calculation and Disbursement Process (《薪資核算及發放流程》) in accordance with relevant laws and regulations. Our remuneration package includes base salary, performance-based salary, short-term incentives and various allowances. In general, we determine the remuneration based on the qualifications, experience and position of each employee. The Payroll Calculation and Disbursement Process clearly states the basis and time on delivering bonuses to ensure proper and timely payment of bonuses. There are various short term incentive schemes which provide different types of timely incentives to departments and employees according to various dimensions, such as business results, process control, and cross-department collaboration, in order to incentivize the performance of departments and employees. In addition, we provide favourable promotion treatment to our employees and formulated the Employee Promotion Management Process (《員工晉升管理流程》). This process is designed to provide employees with a good career path to attract and retain talent, and strictly adhere to the principles of fairness and impartiality, ensuring equality of opportunity and uniform standards. As stated in the Employee Handbook (《員工手冊》), we offer a variety of employee benefits to increase their sense of belonging. The benefits are broadly classified into basic welfare, leave and other benefits. On basic welfare, we provide social insurance for those employees who meet the requirements, including basic pension insurance, work injury insurance, maternity insurance, basic medical insurance, unemployment insurance and housing provident fund schemes.

To ensure proper and timely payment of bonuses to our employees, we will update the template of our employment contract, which shall include a payment schedule of the guaranteed bonuses. On the Board level, the amount and timing of payment of bonuses shall be submitted to our Remuneration Committee for consideration and review periodically. We will assign designated personnel in our human resources department to monitor our bonus payment obligations to employees and communicate with our internal accounts department in order to ensure that the guaranteed and discretionary bonuses, if any, will be duly paid. Such designated personnel is required to update the relevant information into our internal human resources system on an annual basis upon when such bonus payment obligations arise to keep track of the latest status of our fulfilment of bonus payment obligations, and conduct the review of the bonuses paid every six months after each year end. Such designated personnel is also required to report to our chief financial officer the implementation plan and progress of the distribution of bonuses every six months. Our chief financial officer is required to ensure that the payments of such bonuses are made within the stipulated timeframe pursuant to the employment contracts with our employees. Employees are also entitled to statutory leave, annual leave, compensatory leave and other vacation benefits, and they have corresponding rights. In addition, we provide other benefits including meal allowances for working days, bereavement benefits, wedding gifts, birthday gifts and annual medical check-ups.

Development and Training

We offer a wide range of training programs to our employees and make clear in the Human Resources Control Procedures (《人力資源控制程序》) that the Personnel Center will develop an annual training schedule each year based on the needs of our employees. Internal training covers topics such as robotics, product knowledge, intellectual property, job skills, product manager training, financial management and people-to-people communication skills to develop them into talents in various fields. We also provide induction training for new employees, employee code of conduct, business code of conduct, office etiquette, compliance basics, laws and regulations to be followed, robotics and AI knowledge, and introduce new employees to our corporate culture and values to enhance their understanding of our company, industry trends, business and compliance. Trainees are assessed comprehensively to assess the effectiveness of the training. For individuals who do not meet the standards, we will conduct interviews and adopt corrective action to them.

In addition, we provide talents with a wide space for career development, and have developed UBtech Talent Development Framework (《優必選人才發展框架》). The framework provides two development paths: management talent sequence and professional talent sequence, which covers the whole cycle of management, including the introduction period, the growth period and the maturity period. We also provide a wide range of talent development projects, such as high-level officer training, mid-level officer training, reserve officer training and professional talents training. These projects are based on a variety of systems and knowledge systems. We will arrange corresponding development sequences for our employees based on the circumstances of both employees and our Company.

As of June 30, 2023, we have a total of 1,769 employees as follows:-

	Number
Total number of employees	1,769
By gender	
Male	1,142
Female	627
By age-group	
Below 30	574
30 to 50	1,180
Above 50	15
By academic background	
Undergraduate degree below	460
Undergraduate degree and/or above	1,309

Occupational health and safety

We are committed to providing a safe working environment for our employees, and our occupational health and safety management system has obtained ISO:45001 certification. In order to further improve safety management and eliminate production safety accidents, we strictly comply with the Safety Production Law of the People's Republic of China, and have developed a safety production management system to create a good safe working environment for our Group.

We allocate sufficient resources and energy to strengthen and improve safety management, and have a number of measures to protect the health and safety of employees, such as increasing the unit's safety investment, setting up special funds for safety production, arranging funds for scientific research on safety production, ensuring there are necessary funds and equipment for safety supervision, regularly conduct safe production training for our employees to improve their safety awareness and skills, establish safety production and emergency rescue plan and conduct regular drills to strengthen our emergency rescue capabilities, strengthen the routine maintenance of our facilities and equipment, and develop a maintenance plan for facilities and equipment to ensure safe operation, and establish and improve the safety rules and regulations and safety operating procedures, and educate and urge employees to strictly comply with them. We attach great importance to the health and safety of our employees and provide them with various occupational health and safety training to enhance their knowledge and protect their health and safety.

In addition, we have established a production safety accident investigation, analysis and treatment system to regulate the reporting and investigation of production safety accidents, timely investigation and analysis of the causes of accidents, and prevention and reduction of production safety accidents. If any accident happens to employees during work, we will thoroughly investigate, record and deal with it. At the same time, the safety leadership team will conduct statistical analysis of accidents and implement good preventive and countermeasures to prevent accidents from happening again. During the Track Record Period and up to the Latest Practicable Date, we have complied in all material respects with the PRC laws and regulations relating to workplace safety and have not identified any incidents that have had a material adverse effect on our operations.

Anti-corruption and Anti-bribery

Our Group is committed to complying with all applicable anti-bribery and corruption laws, rules and regulations and conducting business in an ethical and transparent manner. We have formulated the Anti-bribery management system (《反賄賂管理制度》), the Bribery risk identification, evaluation and control procedure (《賄賂風險識別、評價控制程式》), Anti-bribery compliance evaluation and control procedure (《反賄賂合規性評價控制程式》), Bribery incident reporting and investigation procedure (《賄賂事件舉報及調查程式》), Commercial contract and procurement standardized control procedure (《商業、合同、採購規範控制程式》) and Anti-money laundering internal control system (《反洗錢內控制度》). To this end, we have adopted an anti-bribery and corruption policy which describes the code of business conduct for employees, which strictly prohibits any form of bribery, and incorporating the relevant provisions of the code into the employment contracts. Our anti-bribery and corruption policy also specifies our internal prevention and investigation procedures and measures. We provide anti-bribery training to each new employee.

We have established a scientific and systematic process for assessing bribery risks, which involves regular identification, analysis, evaluation, and mitigation of bribery risks within the organization. Based on the assessed levels of bribery risks, we implement appropriate improvement measures. Each department actively identifies and stays updated on anti-bribery laws and regulations relevant to their respective activities. Furthermore, they assess compliance with these laws and regulations based on changes in their work. If any violations are found, they are promptly reported, and appropriate corrective actions are taken.

We require all senior management and key employees to sign an anti-corruption practice commitment to indicate that each of them is aware of and voluntarily abides by our anti-corruption requirements. Our human resources department performs background checks in relation to senior management or key employees during hiring or promotion process to check their backgrounds and for any criminal records. We have established a whistle-blowing program and reporting channel for employees and external third parties to report acts of corruption and to encourage anonymous and real-name whistle blowing by awarding those that provide valuable leads. We have established a whistle-blower hotline and email address and strictly protect the identity of anonymous whistle-blowers and prohibit disclosure of real-name whistle-blowers. In addition, we require our business partners, including distributors and suppliers, to sign an anti-commercial bribery undertaking. We establish a compliance committee to ensure effective operation of the Company's anti-bribery compliance mechanisms, which is entitled to veto any transaction suspected of violating anti-bribery laws and regulations.

To promote our anti-bribery culture, our Group has joined the Enterprise Anti-Fraud Alliance committee (企業反舞弊聯盟工作委員會) and Trust and Integrity Enterprise Alliance (陽光誠信聯盟), which comprise prominent enterprises in the PRC with the aim to combat commercial bribery and fraud. Employees who violate our policies are subject to penalties, including termination of employment. The Group has also been awarded a Anti-Bribery Management Certificate for the compliance of its anti-bribery management system with the standard ISO37001:2016 by the China Quality Certification Centre in August 2023.

Supply chain

Our Group adopts a transparent procurement process and selects suitable suppliers under the principle of fairness and impartiality. We have formulated different policies to regulate the process of supplier selection, introduction, evaluation and change of suppliers to ensure orderly daily management of suppliers after their introduction, and to categorize and manage supplier resources. The evaluation process includes assessing the environmental and social responsibilities and commitment to anti-corruption of new suppliers. When evaluating environmental protection criteria, for suppliers of material categories that are prone to environmental impacts, we conduct audits to evaluate whether they have obtained internationally recognized certifications for quality and environmental management systems. We also evaluate whether they have established RoHS and REACH management procedures or hazardous substance management systems, as well as whether they provide environmental management training for their employees.

Our Group's procurement considerations include, but are not limited to, research and development capabilities, quality management, supply capacity, product competitiveness, reputation, pricing and overall service, with a view to reducing procurement risks. It is mandatory for our key production category suppliers to adhere to these quality standards, as well as comply with the environmental laws and regulations enforced by the PRC and the RoHS and REACH regulations imposed by the EU. To enhance our supply chain management for environmental protection, we have further developed the Sustainable Procurement Policy 《可持續採購政策》. This policy enables us to identify and assess the environmental risks associated with our key suppliers. We give priority to products that meet environmental protection requirements and regularly evaluate suppliers' environmental and social performance. We are dedicated to maintaining sustainable and mutually beneficial relationship with our suppliers to ensure continuous improvement in their environmental practices. If suppliers do not meet our requirements, we take a proactive approach by proposing corrective actions and providing suggestions for improvement to support their remedial efforts.

During the Track Record Period, we have over 3,000 suppliers, around 90% of which are based in China and the remaining are based overseas. primarily including (i) providers of raw materials and hardware for the development, assemble and production of our smart service robotic products and services, and (ii) subcontractors in relation to services.

PROPERTIES

Our headquarters is located in Shenzhen. As of the Latest Practicable Date, we owned the land use right to nine parcels of land and leased 34 properties in the PRC. These properties are used for non-property activities as defined under Rule 5.01(2) of the Listing Rules. They mainly include premises for our research and development, assembly, production and offices.

The property valuation report from International Valuation Limited, an independent property valuer, set out in Appendix III of this document, sets out details of the properties held by our Group as of August 31, 2023. For details, see "Appendix III — Property Valuation Report".

Owned Land

As of the Latest Practicable Date, we held land use rights for nine parcels of land in the PRC with an aggregate site area of 248,150.36 sq.m. The table below shows the details of our owned land interests in the PRC as of the Latest Practicable Date:

Owner	Location	Land Usage	Approximate Gross Site Area
		(sq.m.)	
Kunming UBTECH Technology Investment Co., Limited (昆明市優必選科技投資有限公司)* ("**Kunming UBTECH**")	Kunming	Industrial	53,333.60
Kunming UBTECH	Kunming	Industrial	34,486.2[Note 1]
Shenzhen UBTECH Technology Industrial Co., Ltd.* (深圳市優必選科技實業有限公司) ("**Shenzhen UBTECH**")	Shenzhen	New Industry (including research and development, commercial, catering, dormitory, etc.)	5,919.26
Hangzhou UBTECH Industrial Co., Ltd.* (杭州優必選實業有限公司) ("**Hangzhou UBTECH**")	Hangzhou	Industrial	19,438.00[Note 2]
UBTECH (Hebei) Technology Co., Ltd.* 優必選(河北)科技有限公司	Hebei	Industrial	22,467.35
UBTECH Shanhu (Hangzhou) Industrial Co., Ltd.* 優必選山湖(杭州)實業有限公司	Hangzhou	Industrial	29,556.00

Owner	Location	Land Usage	Approximate Gross Site Area
		(sq.m.)	
Jiujiang Youbixing Technology Co., Ltd.* (九江優必行科技有限公司)	Jiujiang	Industrial	16,527.40
Jiujiang Youye Technology Co., Ltd.* (九江優耶科技有限公司)	Jiujiang	Industrial	16,895.45
Liuzhou UBTECH Intelligent Industry Co., Ltd. (柳州優必選智能實業有限公司)	Liuzhou	Industrial	49,527.10

Note 1: In June 2022, Kunming UBTECH entered into an agreement with an Independent Third Party, pursuant to which Kunming UBTECH conditionally agreed to transfer the land use right of this property ("**Kunming Owned Property 2**") to the Independent Third Party. For further details, please see "Financial Information — Other Losses and Gains, Net".

Note 2: This property has been sealed by the Hangzhou Linping District People's Court in relation to a legal proceeding which Hangzhou UBTECH is being involved in. For further details, see "Business — Legal Proceedings".

As advised by our PRC Legal Adviser, save as disclosed in the paragraphs under "Non-compliance Matters" and "Risk Factors" section, our ownership of the land use rights is in compliance with the applicable PRC laws and regulations in all material respects.

Leased Properties in the PRC

As of the Latest Practicable Date, we leased 34 properties with an aggregate gross floor area of approximately 67,139.73 sq.m in the PRC. The properties are mainly used for research and development, assembly, production and offices.

Use of Property	Approximate Gross Site Area
	(sq.m.)
Office (including research and development)	14,565.68
Assembly, storage and production	52,574.05
Total:	67,139.73

As advised by our PRC Legal Adviser, save as disclosed in "Title Defects" and "Non-compliance Matters" and "Risk Factors" sections, our PRC leased properties are in compliance with the applicable laws and regulations in all material respects.

Leased Properties in the United States

As of the Latest Practicable Date, we leased properties of approximately 12,192 square feet in the United States, primarily for general office use.

As advised by our Special U.S. Legal Advisers, our leases in respect of the U.S. properties are in compliance with applicable U.S. laws and regulations in all material respects.

Title Defects of Leased Properties

Background

As of the Latest Practicable Date, ownership certificates had been obtained by the lessors for 30 out of the 34 leased properties. For the remaining four properties, the lessors had not obtained the ownership certificates (the "**Title Defects**" and each a "**Title Defect**").

Our PRC Legal Adviser has advised us that (i) it is the property owner's responsibility to obtain the relevant ownership certificates, and we as a tenant do not have the authority nor responsibility to apply for any ownership certificate for such properties; and (ii) the absence of ownership certificates for these four leased properties did not directly come about as a result of non-compliance of any relevant PRC laws or regulations on the part of our Group.

Legal consequences and potential liabilities

Pursuant to the PRC Land Management Law (《中華人民共和國土地管理法》) and Regulations for the Implementation of the PRC Land Management Law (《中華人民共和國土地管理法實施條例》), where state-owned land is not used in accordance with the approved usage, the relevant government authority may impose a fine of not less than RMB100 but not more than RMB500 per square meter of illegally occupied land, and order withdrawal of the land. Pursuant to the PRC Civil Law Code (《中華人民共和國民法典》), a civil legal act that violates the compulsory provisions of laws and administrative regulations is invalid. Pursuant to the PRC Urban and Rural Planning Law (2019 Amendments) (《中華人民共和國城鄉規劃法(2019修正)》), where construction is carried out without obtaining permit or not in accordance with the permit, depending on the circumstances, the competent authority may suspend the construction, impose fines, request rectification of non-compliance or order demolition of the construction. As advised by our PRC Legal Adviser, as a result of the Title Defects, (i) in case the relevant lessors do not own the leased properties or have the consent from the owner of the leased properties, we may be unable to continue to us such leased properties; (ii) we may be unable to prove that the construction of the leased properties has been approved by the relevant competent authorities, as such the relevant lease agreements may be deemed invalid and we may be ordered to vacate from such leased properties; and (iii) there is a risk that the usage of the leased properties may be inconsistent with the permitted usage, and we may be unable to continue using the leased properties if the lessors are ordered to return the properties by the relevant competent authorities. The aggregate maximum penalties which may be imposed on us for the potential inconsistency with permitted usage is RMB1.23 million.

Current Status and Remedial Actions

As at the Latest Practicable Date, we had not received any material claim by third-party rights holder nor been subject to any administrative penalties by the relevant competent authorities in relation to the Title Defects.

In respect of the four leased properties with the Title Defects, as they are currently mainly used as office (including research and development) or product testing premises, our Directors consider that such leased properties are replaceable and the relevant equipment can be relocated. In the event that we cannot continue to lease and use such leased properties as a result of the Title Defects, we will be able to identify alternative properties for leasing in the relevant area, and the relocation will not have any material adverse effect on our operation.

We have devised contingency relocation plans for the leased properties subject to the Title Defects. For further details, see "Contingency relocation plans of defective leased properties".

Views of our Directors

Our Directors are of the view, and our PRC Legal Adviser concurs, that the Title Defects would not have a material and adverse effect on our business and results of operations, taking into consideration (i) in respect of the four leased properties with Title Defects, as they are mainly used as office (including research and development) or product testing premises, such leased properties are replaceable and the relevant equipment can be relocated, and the relocation will not have any material adverse effect on our operation; and (ii) Mr. Zhou Jian, Ms. Wang Lin and Mr. Xiong Youjun have agreed to indemnify us for the economic losses we may incur as a result of the Title Defects.

LEGAL PROCEEDINGS

We may be involved, from time to time, in legal proceedings arising from the ordinary course of our operations.

One of the wholly owned subsidiaries of our Company, Hangzhou UBTECH, was involved in a legal proceeding brought by Zhejiang Hualin Construction Group Company Limited* (浙江華臨建設集團有限公司) ("**Zhejiang Hualin**"), which is an Independent Third Party principally engaged in building construction in the PRC. Hangzhou UBTECH entered into a construction contract (the "**Construction Contract**") with Zhejiang Hualin on November 16, 2021, pursuant to which Hangzhou UBTECH engaged Zhejiang Hualin as the principal contractor for construction works on the land located in Hangzhou with a gross floor area of 70,747 sq.m. for a total provisional contract price of RMB150 million (subject to adjustments). Pursuant to the Construction Contract, the construction works shall commence in December 2021 and be completed in August 2023.

The construction works commenced in December 2021, however, the construction works on the land had been discontinued since June 2022 mainly due to COVID-19. After considering our latest business needs, we commenced our negotiation with the local government and in December 2022, Hangzhou UBTECH and the relevant Hangzhou governmental authority entered into an agreement for surrender of the land use rights to the local government. Hence, the construction works were terminated and Hangzhou UBTECH had to negotiate with Zhejiang Hualin as to the outstanding amount payable to Zhejiang Hualin in relation to the discontinuation of construction works on such land (including the outstanding construction fees for the completed construction works and relevant compensations). After consultation with an independent construction consultant engaged by Hangzhou UBTECH, Hangzhou UBTECH offered to Zhejiang Hualin that the amount of outstanding amount payable to Zhejiang Hualin was approximately RMB23 million. As Zhejiang Hualin did not agree with such assessment, in May 2023, Zhejiang Hualin has commenced legal proceedings against our Company and Hangzhou UBTECH for an order:

(i) to terminate the construction contract signed between the construction company and Hangzhou UBTECH on November 16, 2021 in relation to construction works on the land located at Wanchen Community and Qianyuan Community, Linping Street, Yuhang District, Hangzhou City, Zhejiang Province, the PRC;

(ii) for Hangzhou UBTECH Industry to pay to the construction company approximately RMB26.57 million for construction work already carried out by the construction company for Hangzhou UBTECH and interest levied on such an amount based on the 1-year loan prime rate announced by the National Interbank Funding Center from July 1, 2022 until the date of settlement of such amount by Hangzhou UBTECH;

(iii) for Hangzhou UBTECH to pay to the construction company damages of approximately RMB2.87 million for losses sustained by the construction company from the suspension of construction work up to February 28, 2023;

(iv) for Hangzhou UBTECH to pay to the construction company damages of approximately RMB11.69 million for losses sustained by the construction company from the termination of the aforementioned construction contract;

(v) that the construction company shall have the right of priority in payment for the cost of the construction work carried out or the auction price of the construction work carried out, interest levied on the construction work carried out, losses sustained from the suspension of construction work and losses sustained from the termination of the aforementioned construction contract; and

(vi) for litigations costs to be paid to the construction company.

The total amount claimed by the construction company against Hangzhou UBTECH under the aforementioned legal processing amounted to approximately RMB41.14 million, of which RMB26.57 million was for construction cost and RMB14.56 million was for suspension of work and termination of construction contracts. The full amount was recognized under other payables of the

Group. The amount for construction work already carried out by the construction company of RMB26.57 million was recognized as other payables and other receivables as the amount will be recovered by the disposal consideration paid from the relevant local government. The amount of losses sustained by the construction company of RMB14.56 million, including (i) the loss due to the suspension of construction work of RMB2.87 million; and (ii) the loss due to the termination of the construction contract of RMB11.69 million, were recognized as other payables and other losses.

On 6 May 2023, Hangzhou Linping District People's Court issued a summons in relation to the aforementioned legal proceeding to our Company.

Representatives of our Company, Hangzhou UBTECH and the construction company entered into pre-litigation mediation in relation to the aforementioned legal proceedings at the Hangzhou Linping District People's Court on 20 June 2023, and the parties agreed to defer to the court's determination regarding the construction work fees to be paid to and damages sustained by the construction company.

The relevant parties have undergone mediation under the direction of a judge on November 10, 2023 and have reached a settlement arrangement after the mediation process, pursuant to which Hangzhou UBTECH has agreed to pay a sum of approximately RMB30 million to Zhejiang Hualin as a settlement (the "**Settlement Arrangement**"). As of the Latest Practicable Date, the Settlement Arrangement has been formalized and recognized in a civil judgment issued by the Hangzhou Linping District People's Court.

Save for the aforementioned legal proceeding, as of the Latest Practicable Date, our Group was not involved in any litigation, arbitration, administrative proceeding or claim of material importance pending or threatened by or against our Group or any of our Directors, that would have a material adverse effect on our results of operations or financial conditions.

NON-COMPLIANCE MATTERS

We are subject to a wide range of PRC laws and regulations in the ordinary course of business. For details, see "Laws and Regulations" in this document. We have been advised by our PRC Legal Adviser that during the Track Record Period and up to the Latest Practicable Date, save as disclosed under "Non-compliance Matters" and "Risk Factors" section, we have complied with the relevant PRC laws and regulations in all material respects that are material to our operations in the PRC, and there were no material breaches or violations of laws or regulations applicable to us that would have a material adverse effect on our business or results of operations.

Set forth below are summaries of certain incidents of non-compliance with the PRC applicable laws and regulations during the Track Record Period and up to the Latest Practicable Date, which our Directors believe will not have a material adverse impact on our business or results of operations.

Non-compliance	Background	Legal consequences and liabilities	Current Status and Remedial Actions	Views of our Directors	Enhanced internal control measures
1. Inconsistency with permitted usage of certain leased properties.	During the Track Record Period and up to the Latest Practicable Date, (i) in respect of five of our leased properties in the PRC located in Chongqing, Guizhou, Liuzhou, Xiamen and Kunming respectively ("**Chongqing Leased Property**", "**Guizhou Leased Property**", "**Liuzhou Leased Property**", "**Xiamen Leased Property**" and "**Kunming Leased Property**"), we had used them as our production facilities; and (ii) in respect of one of our leased properties in the PRC located in Hubei ("**Hubei Leased Property**"), we had used it as our office premise, which are inconsistent with their permitted usage prescribed under the relevant property ownership certificates, permits or licenses (the	Pursuant to the PRC Land Management Law (《中華人民共和國土地管理法》) and Regulations for the Implementation of the PRC Land Management Law (《中華人民共和國土地管理法實施條例》), where state-owned land is not used in accordance with the approved usage, the relevant government authority may impose a fine of not less than RMB100 but not more than RMB500 per square meter of illegally occupied land, and order withdrawal of the land. Pursuant to the PRC Urban and Rural Planning Law (2019 Amendments) (《中華人民共和國城鄉規劃法(2019修正)》), where construction is carried out without obtaining permit or not in accordance with the permit, depending on the circumstances, the competent authority may suspend the construction, impose fines, request rectification of non-compliance or order demolition of the construction. Pursuant to the PRC Administrative Penalty Law (2021 Amendments) (《中	During the Track Record Period and up to the Latest Practicable Date, we have not been subject to any administrative penalties or ordered to vacate the leased properties by the relevant competent authorities because of the Usage Defects. In respect of the Liuzhou Leased Property, we have obtained a written confirmation from the Liuzhou Northern Ecological New Area Management Committee that, among other things, (i) it was aware of the Usage Defect of the Liuzhou Leased Property; (ii) it would not impose any administrative penalty on us, including but not limited to ordering demolition or relocation, cessation of use of leased property, or fines, nor order the relevant lessor to return the property; and (iii) the Liuzhou Leased Property was a legal construction approved by the competent authority. As advised by our PRC Legal Adviser, Liuzhou	Our Directors are of the view, and our PRC Legal Adviser concurs, that the Usage Defects would not have a material and adverse effect on our business and results of operations or financial conditions, taking into consideration (i) in respect of the Liuzhou Leased Property and Xiamen Leased Property, the risk of us being subject to any administrative penalties or being ordered to vacate the properties is remote based on the written confirmation from or interview with the relevant competent authorities; (ii) in respect of the Kunming Leased Property, the risk of us being subject to any fine is remote based on the written confirmation from the relevant competent authority; (iii) in respect of the Chongqing	To address and minimize defects in relation to our leased properties, we have adopted the following enhanced internal control measures: (i) designate responsible personnel to carry out overall monitoring and management of the leased property defects, which includes following up with the progress of rectifying the defects; (ii) compile a register to record and document the details and status of leased properties with legal defects. Designated staff will follow up with the status of such

Non-compliance	Background	Legal consequences and liabilities	Current Status and Remedial Actions	Views of our Directors	Enhanced internal control measures
	"**Usage Defects**"). The permitted usage of: (a) Chongqing Leased Property is office premise; (b) Guizhou Leased Property is pharmaceutical manufacturing; (c) Liuzhou Leased Property is research and development, and office premise; (d) Xiamen Leased Property is storage; (e) Kunming Leased Property is commercial use; and (f) Hubei Leased Property is industrial, transportation and storage. The reason of the non-compliance was that our employees responsible for handling the leases did not fully understand the relevant regulatory requirements and did not check the permitted usage of the properties when we entered into the leases. As of the Latest Practicable Date, (i) the lease of Chongqing Leased Property and Guizhou Leased	華人民共和國行政處罰法》(2021修訂)), where an illegal act has not been found within two years, administrative penalty shall be exempted. The period of time prescribed shall be counted from the date on which the illegal act is committed; if the act is of a continual or continuous non-compliance matter, it shall be counted from the date on which the act is terminated. As advised by our PRC Legal Adviser, the Usage Defects may affect the validity or enforceability of the relevant lease agreements, and we may be subject to administrative penalties by the relevant competent authorities, including fines and being ordered to vacate the leased properties. As advised by our PRC Legal Adviser, the default provisions of the relevant lease agreements have not stated which party shall be liable for the administrative penalties. If we were punished by the relevant authorities, we, as the lessor would be liable for penalties. Even though we no longer lease the Chongqing Leased Property and Guizhou Leased Property,	Northern Ecological New Area Management Committee is the competent authority for land management matters in respect of the Liuzhou Leased Property. Based on the above, our PRC Legal Adviser is of the view that the risk of us being subject to administrative penalty by the relevant competent authority or being ordered to vacate the Liuzhou Leased Property due to the Usage Defect is remote. In respect of the Xiamen Leased Property, (a) as confirmed by Xiamen Huli District Construction Bureau through an interview, it would not impose any administrative penalty on us due to the Usage Defect; and (b) as confirmed by Xiamen Natural Resources and Planning Bureau Zhishu Branch Office through an interview, (i) it would not impose any administrative penalty on us; (ii) it would not order the owner of the land on which the Xiamen Leased Property is located to return such land; and (iii) we can continue to use Xiamen Leased Property for production. As advised by	Leased Property, Guizhou Leased Property and the Kunming Leased Property, we have rectified the defects by ceasing the production and lease of the Chongqing Leased Property and Guizhou Leased Property and converting the usage of the Kunming Leased Property to office (including research and development) premise which is a permitted use; (iv) in respect of Hubei Leased Property, as it is used as office premise, such leased property is replaceable and the relevant equipment can be relocated, and the relocation will not have any material adverse effect on our operation; and (v) Mr. Zhou Jian, Ms. Wang Lin and Mr. Xiong Youjun have agreed to indemnify us for the economic losses we may incur as a result of the Usage Defects.	defects and will make regular reports to our senior management; and (iii) maintain a compliance checklist stipulating the necessary certificates, licenses or permits which should be obtained from the lessors for our leased properties. Such checklist will be reviewed by our PRC Legal Adviser. Before entering into new leases, we will request the relevant lessors to provide all the necessary documents, and if the necessary documents cannot be provided we will consult our legal advisers to evaluate the relevant legal risks.

Non-compliance	Background	Legal consequences and liabilities	Current Status and Remedial Actions	Views of our Directors	Enhanced internal control measures
	Property expired and we no longer leased such properties; (ii) the lease of Liuzhou Leased Property and Xiamen Leased Property are subsisting and we are continuing to use them as production facilities; (iii) the lease of Kunming Leased Property is subsisting but we have already converted its use to office (including research and development) premise; and (iv) the lease of Hubei Leased Property is subsisting and we are continuing to use it as office premise. The company-level revenue of our subsidiaries which leased the Chongqing Leased Property, Guizhou Leased Property, Liuzhou Leased Property, Xiamen Leased Property and Kunming Leased Property, which had been used as production facilities, amounted to	and have converted the use of the Kunming Leased Property into permitted usage, considering the rectifications of the relevant Usage Defects were carried out within the two-year period prior to the Latest Practicable Date, we are still subject to the risk of administrative penalties in respect of such historical defects. Under the PRC laws and regulations, the aggregate maximum fine which our Group may be subject to in respect of all the Usage Defects is approximately RMB7.0 million.	our PRC Legal Adviser, Xiamen Huli District Construction Bureau and Xiamen Natural Resources and Planning Bureau Zhishu Branch Office are the competent authorities for the construction and land compliance matters in respect of Xiamen Leased Property respectively. Based on the above, our PRC Legal Adviser is of the view that the risk of us being subject to administrative penalty by the relevant competent authority or being ordered to vacate the Xiamen Leased Property is remote. In respect of Kunming Leased Property, we have obtained a written confirmation from the Kunming Chenggong District Natural Resource Bureau that it would not impose fines or other administrative penalties on us due to the Usage Defect. As advised by our PRC Legal Adviser, Kunming Chenggong District Natural Resource Bureau is the competent authority for land management matters in respect of the Kunming Leased Property. Based on the above, our PRC		

Non-compliance	Background	Legal consequences and liabilities	Current Status and Remedial Actions	Views of our Directors	Enhanced internal control measures
	RMB452.8 million, RMB264.0 million, RMB243.7 million, and RMB120.2 million during FY2020, FY2021, FY2022 and 6M2023 respectively. The company-level revenue of our subsidiaries which leased the Liuzhou Leased Property and Xiamen Leased Property, being the leased properties with subsisting defects, amounted to RMB368.6 million, RMB225.2 million, RMB210.9 million and RMB118.0 million during FY2020, FY2021, FY2022 and 6M2023 respectively. The expiry dates of Liuzhou Leased Property, Xiamen Leased Property, Kunming Leased Property and Hubei Leased Property are August 31, 2025, May 31, 2028, July 31, 2022, December 31, 2023 respectively. We are continuing to use the		Legal Adviser is of the view that the risk of us being subject to fine by the relevant competent authority due to the Usage Defect is remote. Further, in respect of the Chongqing Leased Property, Guizhou Leased Property and the Kunming Leased Property, we have rectified the defects by (i) ceasing the production of Chongqing Leased Property in October 2021; (ii) completing the relocation of the production line of Guizhou Leased Property in November 2022; and (iii) converting the usage of the Kunming Leased Property to office (including research and development) premise which is a permitted use since November 2022. In respect of Hubei Leased Property, as it is currently used as office premise, our Directors consider that such leased property is replaceable and the relevant equipment can be relocated. In the event that we cannot continue to lease and use such leased property as a result of the Usage Defect, we will be able to identify alternative property for leasing in the relevant		

Non-compliance	Background	Legal consequences and liabilities	Current Status and Remedial Actions	Views of our Directors	Enhanced internal control measures
	Kunming Leased Property as agreed with the relevant lessor and in the process of negotiating with the relevant lessor to enter into a renewed lease agreement.		area, and the relocation will not have any material adverse effect on our operation. We have devised contingency relocation plans for the Liuzhou Leased Property, the Xiamen Leased Property and the Hubei Leased Property. For further details, see "Contingency relocation plans of defective leased properties".		
2. Delays in commencement of constructions on certain owned properties	During the Track Record Period and up to the Latest Practicable Date, in respect of four of our owned properties in the PRC, we had failed to commence constructions on such owned properties before the date prescribed under the relevant land use right grant contracts (the "**Construction Delays**") primarily due to adverse impact of the COVID-19 pandemic on the development progress.	In accordance with PRC Urban Real Estate Administration Law (《中華人民共和國城市房地產管理法》), where land use right is granted for land development, such land development must be conducted in accordance with the land usage and development period agreed under the land use right grant contracts. If the development does not commence within one year after the agreed date, a land idle fee equivalent to less than twenty percent of the land use right grant price may be levied; if the development does not commence within two years after the agreed date, the land use right may be withdrawn without compensation. In	As of the Latest Practicable Date, we had not been subject to any penalty by the relevant competent authorities in relation to the Construction Delays. (i) Kunming Natural Resources and Planning Bureau has confirmed in writing, in respect of Kunming Owned Property 1 and Kunming Owned Property 2 respectively; (ii) Bureau of National Land Planning and Construction of Qingshanhu Science and Technology Management Committee of Hangzhou, Zhejiang has confirmed in writing, in respect of the Hangzhou Owned Property; and (iii)	Our Directors are of the view, and our PRC Legal Adviser concurs, that the Construction Delays would not have a material and adverse effect on our business and results of operations, taking into consideration (i) as of the Latest Practicable Date, we had not been subject to any penalty by the relevant competent authorities in relation to the Construction Delays; (ii) the risk of the relevant competent authorities imposing any administrative penalties on us is remote in	Not applicable as the Construction Delays were primarily caused by the adverse impact of the COVID-19 pandemic on the construction progress, which was not within our control. We already have in place, and will continue to implement, appropriate internal control measures including (i) when we enter into new land use right grant contracts in the future, we will review and evaluate the terms of the contracts to ensure that the terms, such as the stipulated dates for commencing and

Non-compliance	Background	Legal consequences and liabilities	Current Status and Remedial Actions	Views of our Directors	Enhanced internal control measures
		accordance with the Interim Regulations of the PRC on Grant and Assignment of the Use Right of State-owned Urban Land (《中華人民共和國城鎮國 有土地使用權出讓和轉讓暫行條例》), failure to develop and use the land in accordance with the terms and conditions of the relevant contract, the relevant government authorities may order rectification, and according to the circumstances, may issue warning, fines or order withdrawal of the land use right without compensation. As advised by our PRC Legal Adviser, (i) in respect of three of the owned properties located in Kunming, Shenzhen and Hangzhou respectively ("**Kunming Owned Property 1**", "**Shenzhen Owned Property**", and "**Hangzhou Owned Property**"), as we have commenced constructions within one year after the prescribed dates, we may be subject to warning and fines; and (ii) in respect of the other owned property located in Kunming (being the Kunming Owned Property 2), as we have commenced construction more	Nanshan Administrative Bureau of Shenzhen Planning and Land Resources Commission has confirmed through an interview in respect of the Shenzhen Owned Property that, among other things, they were aware of, and would not impose administrative penalty on us due to, the Construction Delays. As advised by our PRC Legal Adviser, (a) Kunming Chenggong Natural Resources Bureau; (b) Nanshan Administrative Bureau of Shenzhen Planning and Land Resources Commission; and (c) Bureau of National Land Planning and Construction of Qingshanhu Science and Technology Management Committee of Hangzhou, Zhejiang are the competent authorities for land management matters in respect of the relevant owned properties. Based on the above, our PRC Legal Adviser is of the view that the risk of the relevant competent authorities issuing warning or fines on us as a result of the Construction Delays of the Shenzhen	respect of each of the owned properties subject to the Construction Delays, based on the confirmations from the relevant competent authorities; and (iii) Mr. Zhou Jian, Ms. Wang Lin and Mr. Xiong Youjun have agreed to indemnify us for the economic losses we may incur as a result of the Construction Delays.	completing the constructions, are reasonable and feasible; and (ii) our construction management department will hold regular meetings with the relevant constructors and construction supervision companies to monitor and discuss the status of the constructions and the construction supervision companies will make monthly reports to ensure that we comply with relevant requirements under the contracts.

Non-compliance	Background	Legal consequences and liabilities	Current Status and Remedial Actions	Views of our Directors	Enhanced internal control measures
		than two years after the prescribed date, we may be subject to warning, land idle fee of up to RMB6.1 million and fines.	Owned Property, Hangzhou Owned Property and the Kunming Owned Property 1 is remote; and (ii) the risk of the relevant competent authority imposing warning, fines or land idle fee as a result of the Construction Delay on the Kunming Owned Property 2 is remote. We plan to develop (i) Kunming Owned Property 1 and Hangzhou Owned Property into production facilities and office premises; and (ii) Shenzhen Owned Property into research and development facilities and our new headquarters, and have obtained the permits required for commencing, and have commenced, development work for each of such owned properties. We entered into an agreement in June 2022 with an Independent Third Party to transfer the land use right of Kunming Owned Property 2 to such Independent Third Party subject to the fulfilment of certain conditions. The permits required for commencing development work for Kunming Owned Property 2 have been obtained, and the		

Non-compliance	Background	Legal consequences and liabilities	Current Status and Remedial Actions	Views of our Directors	Enhanced internal control measures
			development work has commenced in May 2023. As at the Latest Practicable Date, one condition under the aforesaid agreement has yet to be fulfilled, namely, the condition that the Independent Third Party must have (i) invested at least RMB50 million in the Kunming Owned Property 2 or (ii) obtained approval from the Kunming Municipal Government for the early registration of the transfer of the land use right of Kunming Owned Property 2 despite not having invested at least RMB50 million in the Kunming Owned Property 2.		
3. Failure to Make Full Contributions to Social Insurance and Housing Provident Funds and the Use of Third Parties to Pay the Contributions	During the Track Record Period, social security insurance and housing provident fund contributions for some of our employees were not made timely or in full by our Company and some of our subsidiaries in accordance with the relevant PRC laws and regulations because (i) we had not taken into account the performance	According to the PRC Social Insurance Law (《中華人民共和國社會保險法》), we may be required by the relevant government authority to make up the outstanding social insurance contribution with an additional late payment fee at a daily rate of 0.05% of the outstanding contribution from the due date within a given period, and if we fail to do so, we may be subject to a fine ranging from one to three times	During the Track Record Period and up to the Latest Practicable Date, we had not received any orders or demands from the relevant government authorities requesting us to pay the shortfall in social insurance or housing provident fund contributions or any penalties and there had been no complaints from our Group's employees regarding the non-compliance of social insurance	Our Directors are of the view that such non-compliance would not have a material adverse effect on our business and results of operations, considering that: (i) we had not been subject to any administrative penalties during the Track Record Period and up to the Latest Practicable Date; (ii) we were neither	In order to prevent future potential non-compliance incidents in relation to social insurance and housing provident fund contributions, we have enhanced our internal control measures, including: (i) reviewing and monitoring the status of our social

Non-compliance	Background	Legal consequences and liabilities	Current Status and Remedial Actions	Views of our Directors	Enhanced internal control measures
	bonus and overtime payment when calculating our social insurance and housing provident funds contributions; and (ii) we had engaged third parties to pay social insurance and housing provident funds contribution on our behalf, which is not compliant with the relevant PRC laws and regulations, as some of our employees worked at cities where we have not established branches or subsidiaries or where the employing entities are not located. In FY2020, FY2021 and FY2022, contributions made through third-party agencies amounted to RMB1.4 million, RMB1.8 million and RMB1.6 million, representing approximately 1.83%, 1.67%, and 1.44% of our total social insurance and housing provident funds contributions in PRC during the same periods. As of June 30, 2023, the	of the total amount of the outstanding contribution. According to Regulations on Management of Housing Provident Fund (《住房公積金管理條例》), we may be ordered by the relevant government authority to make up the outstanding contributions within the prescribed time limit, and failing which we may be subject to a fine from RMB10,000 to RMB50,000. Although we believe that the third-party human resources agencies we engaged have paid on our behalf the required amount of the social security insurance and housing provident funds contributions for these affected employees, the relevant competent government authorities may determine that our use of such agency arrangements does not satisfy the requirements under the relevant PRC laws and regulations, and thus we may be subject to additional contributions, late payment fees and/or penalties imposed by the relevant PRC authorities for failing to discharge our obligations in relation to	and housing provident fund contributions. We have made full provisions for the outstanding contributions in our consolidated financial statements in the amount of RMB3.0 million, RMB3.9 million, RMB4.1 million and RMB0.8 million for FY2020, FY2021, FY2022 and 6M2023 respectively. We have obtained written confirmation from the relevant competent authorities that we had not been subject any administrative penalties due to any breach of the applicable laws and regulations, in relation to outstanding contribution of social insurance and housing provident funds. Through an interview with Shenzhen Social Insurance Fund Administration and Shenzhen Housing Provident Fund Management Center, the competent authorities for matters relating to social insurance and housing provident fund regarding our Company and subsidiaries located in Shenzhen, our	aware of any employee complaints filed against us nor involved in any labor disputes with our employees with respect to social insurance and housing provident funds during the Track Record Period and up to the Latest Practicable Date; (iii) as of the Latest Practicable Date, we had not received any notification from the relevant PRC authorities requiring us to pay for the shortfalls or any overdue charges with respect to social insurance and housing provident funds; (iv) as advised by our PRC Legal Adviser, the risk of us being ordered to make up the contributions or being penalized by the relevant authorities is remote; (v) we have made full provisions for the outstanding contributions in our consolidated financial statement during the Track Record Period; and (vi) the	insurance and housing provident fund contributions on a regular basis; (ii) monitoring closely and maintaining close communication with the government authorities as to any updates of the laws, regulations and policies from time to time so as to ensure that we can respond to any changes with respect to social insurance and housing provident fund requirements; and (iii) consulting our PRC legal counsel on a regular basis for advice on relevant PRC laws and regulations.

Non-compliance	Background	Legal consequences and liabilities	Current Status and Remedial Actions	Views of our Directors	Enhanced internal control measures
	number of employees for which we engaged third-party agencies for paying social insurance or housing provident funds was 54, representing 3.05% of the total number of our employees employed in the PRC as of June 30, 2023.	payment of social insurance and housing provident funds as an employer or be ordered to rectify. As of June 30, 2023, (a) in respect of the outstanding social insurance and housing provident fund contributions, the potential late payment fees that we may be liable for amounted to RMB9.9 million. If we are ordered by the competent government authorities to pay the outstanding contributions and potential late payment fees, our Directors confirmed that we would do so within the prescribed period. In the event we fail to make such payment within the period as requested by the relevant government authority, we may be liable for a maximum fine of RMB48.7 million in addition to the late payments fees of RMB9.9 million; and (b) in respect of the use of third parties to pay the social insurance and housing provident contributions, if we are ordered by the competent government authorities to pay additional contributions, our Directors confirmed that we would do so within the prescribed period. In	actual status in relation to social insurance and housing provident fund contributions was disclosed to the authorities, which had not imposed any penalty on us after being informed of the non-compliance. Based on the above, our PRC Legal Adviser are of the view that the risk of us being ordered to make up the contributions or being penalized by the relevant authorities for our outstanding contribution of social insurance and housing provident funds is remote. Since 2023, we have been in the process of adjusting the contribution base of social insurance and housing provident funds for our employees with a view to fully comply with the relevant PRC laws and regulations. As advised by our PRC Legal Adviser, the adjustment of the contribution base is usually made during a designated time period each year and such time period varies in different regions pursuant to the local requirements. We will adjust the contribution base as soon as the administrative windows	contributions made through third-party agencies only represented a relatively low proportion of our total contributions in PRC during the Track Record Period, and the number of employees for which we engaged third-party agencies for paying the contributions was relatively small.	

Non-compliance	Background	Legal consequences and liabilities	Current Status and Remedial Actions	Views of our Directors	Enhanced internal control measures
		the event we fail to make such payment within the period as requested by the relevant government authority, the maximum fine that we may be liable for amounted to RMB2.2 million. As advised by our PRC Legal Adviser, we do not expect to incur fines arising from the outstanding amounts of social insurance and housing provident funds contributions and use of third parties to pay the social insurance and housing provident funds contributions if we make such payment within the prescribed time period when we are ordered to do so by competent government authorities.	open for our applications for the adjustment of the contribution base. We have completed adjustments of contribution base of social insurance and housing provident funds for our employees in Shenzhen and expect to complete such adjustments for our employees in other cities by next year's opening of administrative windows around July 2024.		

Contingency relocation plans of defective leased properties

Leased properties used as production facilities

In respect of the Liuzhou Leased Property and Xiamen Leased Property which are used as production facilities, although the risk of us being ordered to vacate such properties is remote, we have devised contingency relocation plans in the event that we are ordered by the relevant competent authorities to vacate from those leased properties.

Relocation cost and time

The relocation cost mainly comprises the logistics expenses, renovation expenses, and installation and testing fees for the new sites, which will be funded by our internal resources. The relocation process includes, among other things, identifying and entering into lease agreement for the new sites, renovation of the new sites, and moving of the production machines from the existing to new location. The table below set out the breakdown of the estimated relocation cost and estimated time required to complete the relocation for each of the affected production facilities:

Leased property	Estimated relocation cost	Estimated time required to complete relocation
Liuzhou Leased Property	RMB10.1 million	not more than 6 months
Xiamen Leased Property	RMB8.6 million	not more than 6 months

Estimated impact on our revenue

Our Xiamen production plant has a designed annual production capacity of 960,000 units of servo actuators, 110,000 units of small-size education smart robots and 11,000 units of humanoid education smart robots, and in FY2022 321,919 units servo actuators, 41,260 units of small education smart robots and 4,738 units of humanoid education smart robots were produced. We estimate that the time of stoppage of production for the Xiamen production plant due to the relocation will be approximately one month during the moving of the production machines from the existing to new location. Our production plant in Shijiazhuang has a similar designed annual production capacity as compared to the Xiamen production plant. Based on the designed annual production capacity of our Shijiazhuang production plant and the expected production volume of the Xiamen production facility, we anticipate that the production of the Xiamen production facility can be substantially taken up by our Shijiazhuang production plant during the relocation period. Therefore, our Directors are of the view that there will not be any material loss of revenue resulting from the relocation of our Xiamen production facility.

Our Liuzhou production plant is in operation for the production of vacuum cleaning robots since May 2023, and is expected to produce wellness and elderly care smart robots. We estimate that the time of stoppage of production for the Liuzhou production plant due to the relocation will be approximately one month during the moving of the production machines from the existing to new location. Our production plant in Shenzhen has production capacity of vacuum cleaning robots and wellness and elderly care smart robots, and our production plant in Anqing, which is under construction, is expected to have production capacity of vacuum cleaning robots. Based on the designed production capacity of our production plants in Shenzhen and Anqing and the expected production volume of the Liuzhou production facility, we anticipate that the production of the Liuzhou production facility can be substantially taken up by our Shenzhen and Anqing production plants during the relocation period. Therefore, our Directors are of the view that there will not be any material loss of revenue resulting from the relocation of our Liuzhou production facility.

Leased properties used as office premises for testing

In respect of five leased properties (including the Hubei Leased Property) which are used as office (including research and development) or product testing premises and subject to Title Defects and/or Usage Defects, we have devised contingency relocation plans in the event that we are ordered by the relevant competent authorities to vacate from those leased properties.

Relocation cost and time

The relocation cost mainly comprises the logistics expenses and renovation expenses, which will be funded by our internal resources. The total estimated relocation cost for all the six leased properties will be approximately RMB2.0 million. The estimated time required to complete the relocation of each of the leased property will range from approximately two weeks to three months, subject to the renovation work required.

Estimated impact on our revenue

As these lease properties are used as office or product testing premises, our Directors consider that during the period of relocation, the relevant office or testing functions can be performed at our other office or product testing premises. Therefore, our Directors are of the view that there will not be any material loss of revenue resulting from the relocation of such leased properties.

GOVERNMENT COOPERATION PROJECTS

As of the Latest Practicable Date, we failed or are expected to fail to fulfill certain conditions under the agreements, which include realizing a production value or cumulative revenues value of no less than a fixed amount over a fixed period, or operating the project company for no fewer than a fixed period, in relation to 15 government cooperation projects. Regarding seven of such agreements entered into prior to the Track Record Period, despite our Group's best efforts to fulfil them, we failed or are expected to fail to fulfil certain conditions contained therein mainly because the targets set out in such conditions were overly optimistic, since (a) the New Generation of Artificial Intelligence Development Plan (《新一代人工智能發展規劃》) was newly released in 2017 when implementation plans had not yet been released and (b) the education smart robotic products of our Group were newly launched in 2017 and the parties to such agreements lacked previous track record to evaluate whether such conditions in relation to education smart robotic products and services were realistic or not. On the other hand, regarding eight of such agreements entered into during the Track Record Period, we failed or are expected to fail to fulfil certain conditions contained therein mainly due to the outbreak of COVID-19 in the PRC, which prevented our Group from negotiating with and implementing measures for education bureaus and schools of such relevant local governments and management committees in order to achieve such targets and conditions, as such education bureaus and schools had to prioritize their resources to tackle the outbreak of COVID-19 during the Track Record Period. As of the Latest Practicable Date, we received (i) government grants of RMB126.5 million with a total of five government cooperation projects, RMB125.6 million of which were recorded as other payables and accruals as we had failed or are expected to fail to fulfil certain conditions applicable to the grant of such government grants, with RMB8.0 million returned to the relevant local government in October 2023; and (ii) leasing concessions of RMB7.9 million with a total of seven government cooperation projects.

As advised by our PRC Legal Adviser, we are in breach of the respective agreements in relation to such government cooperation projects. In view of such breach of agreements, we had engaged a PRC litigation legal adviser ("**PRC Litigation Legal Adviser**"), namely Guangdong Sun Law Firm (廣東國暉律師事務所), to review all the relevant agreements, and were advised that (i) for those government cooperation projects (being nine out of the 15 projects mentioned above) which our Group received subsidies (i.e. government grants and/or leasing concessions) from the relevant local government and/or management committee, in the case of (a) (being two out of such nine projects) we had either entered into a termination agreement with the relevant local government, under which both parties would not be subject to any liabilities which may arise from any breach of such government cooperation agreement or obtained confirmation from the local government which confirmed that the government cooperation agreement had been terminated and both parties will not make any claims against each others in relation to the breach of contract; in the case of (b) (being six out of such nine projects) we had received written confirmations from the relevant local governments and/or management committees which confirmed, among others, there is no breach of contract or other circumstances under which we may be held liable for breach of contract nor is there any withdrawal by the counterparty of any subsidies to our Group or subsidiaries or there is no failure to fulfil obligations under the agreements or they will not make any claims in relation to the breaches against our Group, hence the likelihood for the relevant local governments and/or management committees commencing legal proceedings against our Group is very low; and in the case of (c) (being one out of such nine projects) since our Group and the relevant local government and/or management committee failed to reach a consensus, there is a chance that the relevant local government and/or management committee may commence legal proceedings against our Group for breach of contract. As advised by the PRC Litigation Legal Adviser, notwithstanding that the counterparties had not commenced any legal actions against our Group as of the Latest Practicable Date, save as the aforementioned case (a), our Group is subject to potential liabilities of breach of the relevant agreements, and the maximum amounts and liabilities that may be claimed by the local governments and/or management committees against our Group are the return of the relevant government grants and leasing concessions under the relevant agreements, which amounted to government grants of RMB118.5 million and leasing concessions of RMB7.3 million. As over 90% of the government grants received by our Group under the aforementioned agreements in relation to the relevant government cooperation projects had already been recognized as other payables and accruals in the consolidated audited accounts of our Group as of December 31, 2020, 2021 or 2022 and June 30, 2023, and the leasing concessions received by our Group under the aforementioned agreements in relation to the relevant government cooperation projects are immaterial for which no provisions were made, our Directors consider that the breaches of these agreements will not have any material adverse legal and financial impact on our Group; and (ii) for those government cooperation projects (being six out of the 15 projects mentioned above) which our Group has not received any subsidy at all, as advised by the PRC Litigation Legal Adviser, as neither party to the agreements of such government cooperation projects has made any progress or met its obligations under the terms of the agreements in relation to the relevant government cooperation projects, the likelihood for the local governments and management committees commencing legal proceedings against our Group for breach of contract is very low. According to the PRC Litigation Legal Adviser, if any such local governments and/or management committees do commence legal proceedings against our Group for breach of contract, their chances of a successful monetary claim are very low since the relevant local governments and/or management committees have no calculable economic loss or the economic loss is immaterial. As such, our Directors consider the breaches of these agreements will not have any material adverse legal and financial impact on our Group.

As of the Latest Practicable Date, in relation to those agreements which have not been terminated, the relevant local governments and management committees have not demanded us to return the subsidies we received. In the event that our Group suffers damages as a result of breaches of any of the aforementioned agreements in relation to government cooperation projects, to the extent such damages suffered by our Group had not been recorded as other payables and accruals in the consolidated audited accounts of our Group or the audited accounts of any of the members of our Group for December 31, 2020, 2021 or 2022 or June 30, 2023, Mr. Zhou Jian has irrecoverably agreed to indemnify our Group for any liabilities and/or compensation which may arise from any such damages incurred by our Group from breaches of agreements in relation to such government cooperation projects.

LICENSES, PERMITS AND APPROVALS

As advised by our PRC Legal Adviser, during the Track Record Period and up to the Latest Practicable Date, we had obtained all material certificates, licenses, approvals and permits from relevant authorities for our operations in all material respects. We are required to renew such certificates, licenses, approvals and permits from time to time or to obtain new certificates, licenses, approvals and permits as we will continuously develop, produce and sale new products, and we do not expect any material difficulties in such renewals so long as we comply with the applicable requirements and conditions set by the relevant laws and regulations. The following table sets forth a list of our material licenses and permits for our operation:

No.	License/permit Holder	Name of License, Permit	Issuing Authority	Term of validity/ Registration (issuing) date
1..	Our Company	Registration Certificate of Customs Declaration Entity (海關報關單位註冊登記證書)	Shenzhen Customs	2015.07.23
2 .	Our Company	Operating License of Publication (出版物經營許可證)	Shenzhen Nanshan District Press and Publication Bureau (深圳市南山區新聞出版局)	2018.10.22 — 2023.12.31(Note)
3 .	Our Company	Record Certificate for II Medical Devices Operation (第二類醫療器械經營備案憑證)	Shenzhen Administration for Market Regulation (深圳市市場監督管理局)	2020.03.03
4..	Shanghai UBJ Education Technology Co., Ltd.* (上海優必傑教育科技有限公司) (Shanghai UBJ)	Operating License of Publication (出版物經營許可證)	Shanghai Press and Publication Bureau (上海市新聞出版局)	2021.04.07 — 2024.03.31
5..	Shanghai UBJ	High-tech Enterprise Certificate (高新技術企業證書)	Science and Technology Commission of Shanghai Municipality (上海市科學技術委員會), Shanghai Municipal Finance Bureau (上海市財政局) and Shanghai Municipal Office of the State Administration of Taxation (國家稅務局上海市稅務局)	2021.11.18 — 2024.11.18
6..	Our Company	High-tech Enterprise Certificate (高新技術企業證書)	Shenzhen Science and Technology Innovation Commission (深圳市科技創新委員會), Shenzhen Finance Bureau (深圳市財政局) and Shenzhen Provincial Office of the State Administration of Taxation (國家稅務局深圳市稅務局)	2021.12.23 — 2024.12.23

Note: We have applied to the Shenzhen Nanshan District Press and Publication Bureau (深圳市南山區新聞出版局) for the renewal of the Operating License of Publication (出版物經營許可證). To the best of our Directors' knowledge, there should not be any legal or other impediment for the renewal of this license.

RISK MANAGEMENT AND INTERNAL CONTROL

Our Board is responsible for the overall effectiveness of our risk management and establishing our internal control system and reviewing its effectiveness. We have established and we maintain risk management and internal control systems consisting of policies and procedures that are appropriate for our business operations, and we are dedicated to continuously improving and implementing these systems to ensure our policies and implementation are effective and sufficient.

Other than the enhanced internal control measures that we adopt to address and prevent the recurrence of non-compliance incidents in relation to leased properties, construction, social insurance and housing provident funds as disclosed in "Non-compliance matters — Enhanced internal control measures", we have also adopted and implemented comprehensive risk management policies in various aspects of our business operations such as financial reporting, information system, compliance and intellectual property, human resources and investment management.

In preparation for the [**REDACTED**], we have engaged an independent third party consultant (the "**Internal Control Consultant**") to perform a review over selected areas of our internal controls over financial reporting in October 2022 (the "**Internal Control Review**"). The scope of the Internal Control Review performed by the Internal Control Consultant was agreed between us and the Internal Control Consultant. The selected areas of our internal controls over financial reporting that were reviewed by the Internal Control Consultant included entity-level controls and business process level controls, including (1) Sales, accounts receivable and collection; (2) Procurement, accounts payable and payment; (3) Inventory managements; (4) Production and costing; (5) Research and Development; (6) Human resource and payroll; (7) Fixed assets and construction management; (8) Cash and treasury management; (9) Insurance; (10) Financial reporting and disclosure controls; (11) Taxes; (12) Intangible assets and intellectual properties; (13) IT General Controls; (14) Contract management.

The Internal Control Consultant performed the follow-up reviews in December 2022 to January 2023 to review the status of the management actions taken by us to address the findings of the Internal Control Review (the "**Follow-up Review**"). The Internal Control Consultant did not have any further recommendation in the Follow-up Review.

The Internal Controls Review and the Follow-up Review were conducted based on information provided by the Group and no assurance or opinion on internal controls was expressed by the Internal Control Consultant.

Having considered the report prepared by our Internal Control Consultant, the Directors confirmed that all of the major recommendations provided by the Internal Control Consultant have been followed and corrective actions were taken accordingly to address our internal control deficiencies and weaknesses. Our Directors are of the view that our enhanced internal control measures are adequate and effective to ensure compliance with relevant laws and regulations going forward.

Financial Reporting Risk Management

Our finance department is responsible for overseeing the financial reporting risk management of our Group. We have in place a series of accounting policies in connection with our financial reporting risk management, such as financial report management policies, budget management policies, financial statements preparation policies and financial department and staff management policies. We have various procedures in place to implement accounting policies, and our financial department reviews our management accounts based on such procedures. We also provide regular training to our financial department staff to ensure that they understand our accounting policies.

Data Privacy and Security Risk Management

We have formulated IT security-related policies and management procedures in order to establish clear procedures in relation to IT-related aspects of our operations such as the operation and maintenance of our information system, personal information security management and network and database management.

We also collect certain types of data which may be considered as personal information under the applicable laws and regulations. We believe that appropriate collection, storage and protection of end user data is critical to our success. As such, we have implemented relevant internal procedures and policies to ensure our IT infrastructure is secure enough to protect the end user data and avoid unauthorized leakage or loss of such data.

During the Track Record Period and up to the Latest Practicable Date, we did not experience any material system failure in our IT infrastructure, or any material leakage or loss of end user data. See "Data Privacy and Security" above for further details.

Our IT department is responsible for ensuring the security of our IT infrastructure and our data compliance joint work group is responsible for ensuring that the collection and protection of end user data are in compliance with our internal rules and the applicable laws and regulations.

Compliance and intellectual property rights risk management

We have designed and adopted strict internal procedures to ensure the compliance of our business operations with the relevant laws and regulations, as well as the protection of our intellectual property rights. In accordance with these procedures, our legal department is responsible for providing legal advice in relation to contracts we enter into with our customers and suppliers. Our legal department also works with our business department and examines the contract terms and reviews all relevant documents for our business operations, including licenses and permits obtained by the counterparties or us to perform contractual obligations and all the necessary underlying due diligence materials, before we enter into any contract or business arrangements.

We also have maintained detailed internal procedures to ensure that our legal department reviews our products and services, including upgrades to existing products, for regulatory compliance purpose before they are released to the public. Our legal department, business department and internal control department are also responsible for obtaining all the governmental approvals, permits and licenses for our business operations, including preparing and filing all necessary documents with relevant government authorities within the prescribed regulatory timelines, whereas our intellectual property department is responsible for making all necessary applications, renewals or filings for trademark, copyright and patent registration to the relevant authorities in time.

During the Track Record Period and up to the Latest Practicable Date, certain incidents of non-compliance with the PRC applicable laws and regulations relating to (1) our leased properties in the PRC; (2) our owned properties in the PRC; and (3) social insurance and housing provident fund contributions have occurred. In order to address, minimize and prevent the recurrence of such incidents of non-compliance, we have also enhanced our internal control measures accordingly. See "Non-compliance Matters" above for further details.

Human resource risk management

We invest in continuing education and training programs, including regular and tailor-made internal and external training, for our employees in different departments. Through these trainings arranged by our human resources department, we ensure that skill sets of our employees are updated constantly. We maintain strict standard in recruiting to ensure that the quality of the new hires and we conduct periodic performance reviews for all our employees.

We have in place an employee handbook approved by our management and distributed to all our employees, which contains internal rules and guidelines regarding best commercial practice, confidentiality, work ethics, fraud prevention mechanism, negligence and corruption.

We also have in place an anti-corruption policy to safeguard against any corruption within our Company. The policy explains potential corruption conducts and our anti-corruption measures. Our internal reporting channel is kept open and available for our staff to report any corruption acts on an anonymous basis. Our business, finance, legal and internal control departments are responsible for overseeing the implementation of the anti-corruption policy and investigating the reported incidents in order to take appropriate measures.

BUSINESS ACTIVITIES IN RESPECT OF COUNTRIES WITH INTERNATIONAL SANCTIONS EXPOSURE

During the Track Record Period, we sold consumer-level robots and other hardware devices to customers located in Belarus, Egypt, Hong Kong, Iraq, Russia, Serbia, Turkey and Ukraine (excluding Crimea, Luhansk, Donetsk, Zaporizhzhia and Kherson regions) and purchased certain promotional service from a service provider in Turkey. All of these countries are subject to certain forms of International Sanctions programmes administered by the Relevant Sanctions Authorities. In particular, as advised by our International Sanctions Legal Advisers, Russia has been subject to sweeping sanctions by the Western countries since its military aggressions in Ukraine in February 2022. In addition, Belarus has also been subject to various sanctions measures imposed by many Western countries due to human rights violations, public corruption and its active support of Russia's military aggression in Ukraine. We did not sell any products to the Crimea, Luhansk, Donetsk, Zaporizhzhia and Kherson regions of Ukraine during the Track Record Period. As such, even though these regions are currently subject to various sanctions measures due to their annexation to Russia, they are not relevant to our sanctions risks assessment and thus are being excluded from the Relevant Countries. With respect to Ukraine, we have had business dealing with a customer located in Kyiv, Ukraine, during the Track Record Period. According to our International Sanctions Legal Advisers, there are certain forms of sanctions measures related to Ukraine. Therefore, Ukraine is included in "Relevant Countries" for the purposes of assessing our sanctions risks.

To the best knowledge of our Directors, for FY2020, FY2021, FY2022 and 6M2023, our revenue derived from the sales to the Relevant Countries amounted to approximately RMB2.99 million, RMB5.13 million, RMB13.20 million and RMB3.00 million, respectively, representing approximately 0.40%, 0.63%, 1.31% and 1.15% of our total revenue for the same periods, respectively.

Our sales to Russia are mostly AiRROBO vacuum cleaner and accessories, and Jimu series used in family education, STEAM training and competition settings. Our revenue generated from the sales to customers located in Russia amounted to RMB0.81 million, RMB1.88 million, RMB3.06 million and RMB2.42 million, representing approximately 0.11%, 0.23%, 0.30% and 0.93% of our total revenue for FY2020, FY2021, FY2022 and 6M2023, respectively. We only recorded a negligible amount of revenue from sales to Belarus customers in FY2021 and did not have any sales to Belarus in FY2020, FY2022 and 6M2023. In addition, we paid a very small amount of fee (i.e., approximately RMB20,000) for certain promotional services rendered to us by a Turkey service provider in FY2021, representing no more than 0.01% of the selling and marketing expenses of the Group in 2021. Other than such fee paid in 2021, there was no other transaction with this Turkey service provider during the Track Record Period, and we have ceased business dealings with this service provider since the end of FY2021.

Our sales to Russia during the Track Record Period were carried out both through online sales via self-operated stores on third-party e-commerce platforms and offline sales to six customers (who resell our products to end users in Russia). In respect of online sales to Russia during the Track Record Period, a substantial portion was made through a platform operated by a PRC company, while an insignificant portion was made through a platform operated by a Latvian company. The payments for these online sales are conducted through online payment systems designated by the platforms. The PRC company has its own payment platform system and since January 2023, our sales made through this PRC platform are all settled in RMB. The payments from the Latvian company are conducted via a U.S. financial services provider and we ceased the business dealing with the Latvian platform since January 2023. With respect to Russian offline sales, starting from March 2022 and as of the Latest Practicable Date, such payments have either been switched to RMB or made in USD from the accounts of non-sanctioned banks of the Russian customers or their designated paying agents.

In order to ensure timely delivery, the PRC online platform requires us to engage a logistic service provider ("**Service Provider**") to transport relevant products to Russia. The Service Provider is a PRC supply chain management company unaffiliated with us. The Service Provider is responsible for cross border transportation of the goods to Russia and the associated customs clearance and declaration, as well as storage service of the goods in Russia. We are responsible for packing the goods and transporting them to the Service Provider in the PRC. The Service Provider subsequently (i) verifies the quantity of the goods before accepting them, (ii) transfers the goods from the PRC to Russia, and (iii) stores the goods in Russia before they are delivered to purchasers in Russia. The PRC platform itself is responsible for domestic delivery of our products to purchasers in Russia. In terms of offline sales to customers in Russia, we normally transport the goods to carriers in China and have practically no relationship with Russian local logistics or other providers.

As part of our sanctions and export control compliance measures, during any new customers, new suppliers and new service providers onboarding process, we typically create profile of these new entities, and carry out screening of such entities against the various sanctions and export control lists maintained by the OFAC and BIS. Such screenings are first conducted by the relevant business team, and then the legal and compliance team will perform a second check. Only after it is confirmed that the entity is not from a Comprehensively Sanctions Country, nor on the BIS Lists or the SDN List, will the entity be cleared to have business with our Group.

International Sanctions Law Analysis

Application of U.S. Economic Sanctions Law to Our Relevant Activities

Our International Sanctions Legal Advisers have advised us that, based on the due diligence procedures that have been carried out to assess the sanctions risk, as well as the factors set out below, (i) none of our Group nor any of our counterparty customers, suppliers or service providers during the Track Record Period and up to the Latest Practicable Date was a Sanctioned Target listed on the SDN List or other restricted parties lists maintained by OFAC; and (ii) our Group's business dealings with our counterparty customers and service providers during the Track Record Period and up to the Latest Practicable Date did not constitute Primary Sanctioned Activities or give rise to Secondary Sanctionable Activities:

1. our Company is incorporated in the PRC, and except for a few subsidiaries incorporated in Hong Kong and the U.S., all of our subsidiaries are incorporated in the PRC; thus, none of our group companies are located, incorporated, organized, or domiciled in the Sanctioned Countries or Relevant Countries;
2. neither of our Company nor any of our subsidiaries is designated as a Sanctioned Target;
3. we have conducted screening as part of our shareholder admitting process to ensure none of our shareholders is located in Sanctioned Countries or is on the SDN List or other restricted parties lists maintained by OFAC;
4. none of the Directors or senior management of our Company are U.S. Persons;
5. our Company is not owned 50% or more, or controlled by one or more U.S. Persons;
6. although our U.S. subsidiaries have employed U.S. Persons, none of these U.S. employees have been involved in any way (either directly or indirectly) in any sales of our products to the Relevant Countries (including the negotiation, approval or on-going performance of these sales); in addition, no financing or financial assistance has been received by our Group, either directly or indirectly, from any entity, body or corporation incorporated or located in the U.S. (except for indirect minority equity investment in our Company);
7. we have conducted screening as part of our new customers, new suppliers and new service providers onboarding process to ensure, which is confirmed by our International Sanctions Legal Advisers, that none of our counterparties in relation to sales to the Relevant Countries (including the paying agents designated by the customers and banks involved for the Russian offline sales, and the two platform operators and the online payment system operators for the Russian online sales) are on the SDN List or other restricted parties lists maintained by OFAC;

8. in respect of the Russian sales, since March 2022 when Russia started to be subject to sweeping sanctions imposed by the U.S. and as of the Latest Practicable Date, the payments of such sales have either been switched to RMB or made in USD from non-Russian financial service providers or from the accounts of non-sanctioned banks of the Russian counterparties and their designated paying agents, and thus such sales did not give rise to a U.S. Primary Sanctioned Activity;

9. our business activities with the Relevant Countries during the Track Record Period are in low volume as revenue from customers in the Relevant Countries was no more than 1.31% of our total revenue in each year, in particular, with respect to Russian sales, each transaction is in low value with sales amount ranging from USD0.13 to no more than USD394 for online sales, and USD140 to no more than USD157,329 for offline sales. Therefore, such transactions are unlikely to rise to the level of "significant" or "material" for purpose of relevant U.S. secondary sanctions regimes, and, thus, should not amount to a Secondary Sanctionable Activity; and

10. we generally deliver our goods to carriers in China in respect of our transactions with customers in the Relevant Countries and we do not have direct involvement with shipping arrangement, warehousing maintenance, goods delivery, insurance or other operations in the Relevant Countries which may give rise to a Secondary Sanctionable Activity.

Application of U.S. Export Controls Rules to Our Business

The BIS controls exports, re-exports and transfers (in-country) of commercial and dual-use products, software and technology. U.S. export controls measures are implemented by the United States Export Administration Regulations (the "**EAR**"). The EAR applies to exports of commodities, software and technology from the U.S. to foreign countries, to re-exports from one foreign country to another, and to in-country transfer from one person to another person that occurs outside the United States within a single foreign country.

We are committed to high standard of export control compliance:

1. On 30 December 2019, our board of directors has reviewed and unanimously passed the "Proposal on the Statement and Commitment of the Company's Board of Directors to Support Compliance of the Company". Our chairman of the Board, Mr. Zhou, has signed the Management Commitment Statement of Export Control Compliance dated 25 February 2021. In the above-mentioned Proposal and the Statement, our management undertakes to abide by all relevant export control laws and regulations in connection with our business activities and establish and implement export control compliance mechanism based on the "full control principle";

2. We have also established the Export Control Compliance Rules. When we purchase items (including services) from suppliers and service providers, we will create an internal profile for each supplier and and service provider collect the information of the supplier and service provider (such as incorporation certificate, qualification, financial information of the supplier and service provider) and items (such as whether the items are export controlled items, and if so, the ECCN codes of the items, and the actual and potential usage of the items);

3. Before any purchase transaction, according to our internal Export Control Compliance Rules, the suppliers and service providers should be screened against various OFAC sanctions lists and BIS Lists. The purchasing department shall further check the proposed purchase items against (i) the Catalogue of Dual-use Items and Technologies Subject to the Administration of Import and Export Licenses jointly issued by the PRC Ministry of Commerce and the PRC General Administration of Customs and (ii) the Commerce Control List issued by the BIS. If the purchased items are subject to export control, the suppliers will be required to execute an export control compliance confirmation letter which includes confirmation of ECCN codes and provide export licenses of the items if applicable or confirmation from the supplier that the sales of the items will not violate U.S. export control regulations.

Under the robust compliance measures we have adopted and implemented, our Group does not: (i) import technology, software, parts or components that are subject to EAR export control directly from the United States into the PRC; (ii) sell our products to customers on the BIS Lists; (iii) incorporate 10% or more controlled U.S.-origin technology, software, parts or components into our products, or (iv) sell a direct product of U.S.-origin technology or software classified under any ECCN on the CCL (or produced by a plant or "major component" of a plant that is itself a direct product of such U.S. technologies and software). In addition, none of our products are sold to military end-users or are intended for military use. All of our Group's manufacturing facilities are located in the PRC and all of our Group's products are manufactured in the PRC. Therefore, our International Sanctions Legal Advisers have advised us that our business activities and sales in China and our sales to the Relevant Countries during the Track Record Period and up to the Latest Practicable Date are not subject to material risk in respect of U.S. export/re-export controls.

Application of Sanctions Laws and Export Control Rules of other Relevant Sanctions Authorities to Our Relevant Activities

Our Company is incorporated in the PRC; except with a few subsidiaries incorporated in Hong Kong and the U.S., all of our subsidiaries are incorporated in the PRC. Therefore, neither our Company nor any of our subsidiaries are incorporated in the E.U., U.K. and Australia. In addition, none of our Directors and senior management is nationals of the E.U., U.K.. and Australia. Our International Sanctions Legal Advisers have therefore advised us that E.U. U.K. and Australian sanctions do not apply to our Group due to lack of jurisdiction.

In addition, none of our counterparties from the Relevant Countries is listed as designated persons or entities in the sanctions list of the U.N., E.U., U.K. or Australia. Further, our business activities in the Relevant Countries are limited to sale of consumer-level robots and other hardware devices for household and educational use and purchase of promotional service, which do not involve export-controlled products. We also do not directly import any products, technology, software, part or components from the E.U., U.K. or Australia. Therefore, our International Sanctions Legal Advisers have advised us that, our activities with the Relevant Countries during the Track Record Period and up to the Latest Practicable Date did not implicate the prohibitions or wider restrictions under International Sanctions measures administered and enforced by the E.U., U.K., U.N. and Australia.

Analysis Conclusion

In summary, our International Sanctions Legal Advisers have advised us that, the Relevant Activities of our Group during the Track Record Period and up to the Latest Practicable Date did not result in and are not subject to any material sanctions risk to the Relevant Persons in respect of the International Sanctions of the U.S., E.U., U.K., U.N. and Australia.

In respect of our sales to Russia during the Track Record Period, as advised by our International Sanctions Legal Advisers, Russia is not a Comprehensively Sanctioned Country as at the Latest Practicable Date. The sales of our consumer-level robots and other hardware devices to Russia during the Track Record Period, subject to the strict compliance with our internal control measures regarding International Sanctions, do not implicate violations of International Sanctions. Therefore, while we do not intend to increase the levels of our business dealings in respect of the Relevant Countries, ensuring our continued compliance with our internal control measures regarding International Sanctions, we would still be able to conduct business with the Relevant Countries, including Russia in spite of (but in compliance with) the recent International Sanctions on Russia as a result of the war in Ukraine. Even if the complete cessation of business with Russia is required in the future to comply with International Sanctions, given the immaterial transaction amount to Russia, our Directors are of the view that any such cessation will not have any material impact on our Group's financial position and business operations.

Sanctions and Export Control Compliance Measures

We will continue to implement our internal control measures with respect to sanctions and export control which were established prior to or during the Track Record Period:

- Continue to commit to a compliance culture and continue to adhere to the principle set out under the Management Commitment Statement of Export Control Compliance;
- In respect of governance structure, we have established a compliance committee and a compliance center on 15 July 2020. The center consists of one director and four staff members from our compliance and internal audit departments. The team of the compliance center possesses professional knowledge and experience regarding sanctions and export control compliance. According to our internal Export Control Compliance Rules, relevant business departments and the compliance team are both responsible for monitoring our exposure to sanctions and export control risks. The relevant business departments should conduct the first round of screening when onboarding the potential counterparties, and the compliance center will inspect the business dealings again later;
- We will continue to evaluate the sanctions and export control risks prior to determining whether we should embark on any business and investment opportunities subject to International Sanctions and Export Control risks.
  - o In particular, we will continue to review the information of the customers and set up an internal profile for each customer. The relevant business team and the compliance center will screen the customer against the various lists of restricted parties and countries maintained by the United States. No purchase order would be accepted and no product delivery will proceed unless and until the checking is cleared;
  - o Similarly, when we purchase items or procure services from suppliers and service providers, we will continue to adhere to the supplier and service provider onboarding process and the internal Export Control Compliance Rules as described above; and
  - o Before any new investor becomes the shareholder of the Company, we review and evaluate the sanctions risks of such new shareholders and their beneficial owners by screening them against various sanctions lists;
- Including compliance clauses in contracts with our customers, suppliers and service providers or request a separate commitment letter from them.
  - o We request customers to undertake that (i) any export, re-export, sale or transfer to a third party is carried out in compliance with applicable export control laws and regulations; (ii) products will not be exported, re-exported, sold or transferred directly or indirectly, to any embargoed or sanctioned countries or regions; (iii) products shall not be used in prohibition activities and should be used for civil end-users and purposes; and
  - o We request suppliers and service providers to undertake that (i) they will comply with all applicable sanctions and export control laws and regulations; (ii) the purchased products are currently not subject to export control restrictions, and (iii) the suppliers shall give timely notice to us if the purchased products may become subject to any sanctions or export control and shall assist us to obtain export licenses or other required qualifications;
- Our compliance center regularly collects updates of recent legal development in the fields of International Sanctions and export control from public information in order to have an intimate knowledge of changes in relevant rules and policies, assist our management with our business decision and prevent relevant compliance risks;
- The compliance and legal departments are tasked to organize multi-level and all-round training lessons for each of our managements and employees to enhance their relevant knowledge. For example, there are training lessons targeting executives, new employees, staffs in the purchasing department, the sales department, the functional department and the research and development department. These training lessons are designed to ensure (i) awareness of sanctions risk, (ii) timely and effective identification of actual and potential

violations of sanctions and periodic sanctions alerts; and (iii) timely reporting of such sanctions violations and, in case of a major escalation of sanctions which might affect our business operations, timely reporting of such sanctions escalation to our management;

- We also have an internal daily learning platform from which the managements and employees can learn the latest news and updates of laws and regulations regarding sanctions and export control; and
- According to our internal Export Control Compliance Rules, we will assess employee's compliance of export control and the assessment will be taken into account for staff evaluation and promotion.

In addition, we have adopted the following enhanced internal control and risk management measures to minimise sanctions risks which may arise from our continuous overseas sales to the Relevant Countries:

- We have conducted periodic refreshed screening of existing customers, suppliers and service providers from high-risk countries or regions;
- We have screened counterparties against the various lists of restricted parties and countries maintained by the European Union, the United Nations or Australia (in addition to the U.S.), including, without limitation, any government, individual or entity that is the subject of any sanctions and export control of which the lists are publicly available; and
- We have included sanctions compliance clause in sales contracts and purchase orders with the counterparties, requesting them to undertake: (i) to comply with all sanctions imposed by the U.S., the E.U., the U.N., the U.K., Australia and other economic sanctions applicable to them or our operations; (ii) not to sell, distribute or deliver our products to any Sanctioned Target, and (iii) not to take any actions which could cause them or any of our companies/individuals to violate any applicable sanctions.

In order to further minimise our International Sanctions risks that may arise from our business dealings with counterparties in overseas countries and protect the interest of our Group and our Shareholders, we plan to adopt the following enhanced internal control and risk management measures:

- identifying key employees, senior management and Board members with overseas nationality to advise them of their potential International Sanctions implications under their national sanctions regimes;
- carrying out additional due diligence on counterparties that are from countries or regions with relatively high sanctions risk to confirm that they are not owned or controlled as to 50% or more by persons who are on the SDN List or listed as the subject of any sanctions by the Relevant Jurisdictions.
- our Directors will continuously monitor the [**REDACTED**] we receive from the [**REDACTED**], as well as any other funds raised through the Stock Exchange, to ensure that such funds will not be used to finance or facilitate, directly or indirectly, activities or business with, or for the benefit of, Sanctioned Countries or Sanctioned Targets where this would be in breach of International Sanctions.

View of the Internal Control Consultant

The Internal Control Consultant has obtained and examined the Group's internal policies in relation to export control compliance and customer/supplier background search, as well as samples of relevant internal control measures. The Internal Control Consultant is of the view that, the Group's internal control measures are in line with the internal policies, and the Internal Control Consultant did not have any further recommendation in the Internal Control Review.

BUSINESS SUSTAINABILITY AND MEASURES TO ACHIEVE PROFITABILITY

	FY2020	FY2021	FY2022	6M2022	6M2023
				(Unaudited)	
Revenue *(RMB'000)*	**740,226**	**817,230**	**1,008.3**	**283,523**	**261,139**
Gross profit margin *(%)*[(1)]	44.7	31.3	29.2	13.7	20.2
Net margin *(%)*[(2)]	(95.5)	(112.3)	(97.9)	(181.7)	(209.8)

Notes:

(1) Gross profit margin equals to gross profit for the year/period divided by revenue for the year/period and multiplied by 100%.

(2) Net margin equals net loss for the year/period divided by revenue for the year/period and multiplied by 100%.

Revenue growth

During the Track Record Period, we generated revenue primarily from the sales of (i) education smart robotic products and services, (ii) logistic smart robotic products and services, (iii) general service smart robotic products and services, and (iv) consumer-level robots and other hardware devices. Our revenue increased from RMB740.2 million to RMB817.2 million between FY2020 and FY2021, from RMB817.2 million to RMB1,008.3 million between FY2021 and FY2022. Our revenue decreased from RMB283.5 million to RMB261.1 million between 6M2022 and 6M2023. The majority of our revenue generated during the Track Record Period was derived from the sales of education smart robotic products and services, which accounted for 82.7%, 56.5%, 51.2%, 62.8% and 29.0% of our total revenue for FY2020, FY2021, FY2022, 6M2022 and 6M2023, respectively.

Net-loss

Despite our growth in revenue, we experienced net-loss during the Track Record Period. For FY2020, FY2021, FY2022, 6M2022 and 6M2023, we incurred net losses of RMB707.0 million, RMB917.5 million, RMB987.4 million, RMB515.2 million and RMB547.9 million, respectively. The net losses were primarily due to the decrease in gross profit margin during the Track Record Period and the substantial expenditures in relation to (i) our R&D expenses, primarily comprised of employee benefit expenses for our R&D staff, to enhance our core technologies and product and service offerings to maintain our established position in the smart service robotic products and services market, see "Research and Development" above for details on our R&D philosophy, capabilities and achievements; (ii) our selling and marketing expenses, primarily consisting of employee benefit expenses for sales staff and advertising and promotion expenses, incurred to enhance our brand reputation and expand our customer and end-user base, and (iii) our general and administrative expenses which are mainly attributable to employee benefit expenses for our administrative staff and depreciation for our right-of-use assets and property, plant and equipment and amortization of intangible assets. In particular, as a percentage of our total revenue, our R&D expenses accounted for approximately 57.9%, 63.3%, 42.5%, 72.3% and 85.9% of our total revenue in FY2020, FY2021, FY2022, 6M2022 and 6M2023, and we expect to maintain a relatively high level of R&D expenses in the future to enhance our R&D capabilities and robotic and AI technologies for our products and services. For FY2020, FY2021, FY2022, 6M2022 and 6M2023, the total employment benefit expenses in relation to our R&D, selling and marketing and general and administrative staffs amounted to RMB674.1 million, RMB866.2 million, RMB828.0 million, RMB420.5 million and RMB447.2 million, respectively.

According to Frost & Sullivan, since it is estimated that AI technologies will become increasingly common in smart service robotic products and services by introducing flexibility and learning capabilities to more applications, with the full potential of the smart service robotic products and services market yet to be realized, there is an increasing demand for smarter smart service robotic products and services offerings, which will continue to contribute to the increasing popularity and market size of the smart service robotic products and services market in China and the world. As such, we believe that continual investments in R&D in relation to AI technologies is necessary to improve the functionalities and performance of smart service robots to achieve sufficient human-resemblance to meet customer demands and preferences, and commercialization of core technologies utilized in humanoid robots throughout various stages in the R&D process will enable us to reap financial and reputational benefits from our R&D efforts while reinforcing our position as a humanoid robots provider.

As such, in addition to seeking to optimize our operational efficiency by reducing our expenses, we have also been focused on enhancing our R&D capabilities and robotic and AI technologies to enhance the quality of our products and services offerings and expand our customer and end-user bases.

Operating net cash outflow

We experienced net cash outflows from operating activities during the Track Record Period. For FY2020, FY2021, FY2022, 6M2022 and 6M2023, we had net cash used in operating activities of RMB602.6 million, RMB680.7 million, RMB543.5 million, RMB115.1 million and RMB526.5 million, respectively, including R&D expenses, selling and marketing expenses, general and administrative expenses to develop and promote our new products and services. Given the nature of our industry, we have been and intend to continue investing heavily on our R&D efforts which we believe are critical to our long-term success. As such, we expect to continue to have net cash outflows from operating activities in the near future. We anticipate that we will only become profitable when we can obtain sufficient purchase orders and expand our sales to take advantage of economies of scale.

Measures to achieve profitability

In order to maintain our established position in the smart service robotic products and services market and achieve profitability, we intend to enhance our financial performance by (i) continuously growing our revenue and business scale through (a) enhancing the selection and market presence of our smart service robotic products and services offerings, (b) commercializing our products and services for application in new use scenarios of different sectors, (c) expanding our sales network and market penetration; and (ii) effectively managing our cost and expenses. Despite our continued efforts to increase our business scale, create value for our customers and end-users and effectively manage our cost and expenses, we may continue to incur net losses in the near future including the financial year ending December 31, 2023, primarily due to our substantial expenditures in relation to our R&D expenses, selling and marketing expenses and general administrative expenses.

(i) Continuously growing our revenue and business scale

Throughout our R&D process of developing core technologies to improve the functionalities and performance of smart service robots to achieve sufficient human-resemblance to meet customer demands and preferences, we have commercialized such core technologies to new use scenarios in order to enhance our revenue generated from the products and services from and business scale of our existing business segments.

(a) Enhancing the selection and market presence of our smart service robotic products and services offerings

According to Frost & Sullivan, the market size of smart service robotic products and services globally and in China reached USD23.5 billion and RMB51.6 billion in 2022, respectively, growing at a CAGR of 19.8% and 27.9% between 2018 and 2022, whereas the market size of smart service robotic products and services globally and in China are expected to reach US$62.8 billion and RMB183.2 billion in 2028, respectively, growing at a CAGR of 17.8% and 23.5%, respectively. As such, we believe that there is sufficient market demand for smart service robotic products and services and we intend to enhance the selection and market presence of our smart service robotic products and services offerings by developing and launching new and upgraded smart service robotic products and services and implementing effective marketing initiatives, details of which are as follows.

Education smart robotic products and services

In order to enhance the selection of our smart service robotic products and services in the education sector, we intend to invest in the R&D in our education smart robotic products and services with a view to maintaining our leading position in the education smart robotic products and services industry and expand the application of humanoid robots in this sector. As supported by Frost & Sullivan, we are of the view that our education smart robotic products and services are capable of satisfying market demand of government education bureaus, business enterprises and schools as they are designed for the purpose of facilitating the teaching of AI education, which is the subject matter that the relevant government policies are seeking to promote. According to Frost & Sullivan, the current AI educational curriculum in the PRC is still in its infancy and the majority of education smart robotic products and services offerings in the market only consist of hardware tools and lack the necessary AI education software, tools and teaching resources and practical application scenarios for educational institutions to effectively implement an AI educational curriculum. In this connection, our Directors believe that we are in a competitive position as we are China's No. 1 provider of education smart robotic products and services (in terms of revenue in 2022) and are able to offer comprehensive education smart robotic products and services to our customers by combining our education smart robots and AI education software (such as uCode — a graphical block-based visual programming tool for students aged 7 to 14 years old; and uPython — a programming tool for Python robot beginners) together with our ancillary services. As part of our products and services offerings, we also provide teaching and learning resources such as textbooks, teacher's manuals and training modules as well as add-on components, expansion packs and ancillary hardware that complement our education smart robotic products and enrich the use scenarios of our education smart robotic products. This also allows schools to adjust the teaching of AI education in accordance with their changing needs and policy requirements on an ongoing basis. Our Directors also believe that we are able to capture future market demand because our product portfolio has transformed from predominantly education smart robotic products and other hardware accessories to a complete education smart robotic products and services offering which consist of hardware (i.e. smart robotic products) and software (i.e. AI education platform, AI education curriculums, AI education software tools, etc.) components, which can be constantly upgraded and expanded to facilitate the teaching of different aspects of AI education, such as coding through various programming languages, in a user-friendly, convenient and cost-efficient manner.

Examples of smart robotic products and services which we may develop and launch for our education smart robotic products and services segment include, but are not limited to, (i) uSim (an easy to use and accessible simulation creation platform), (ii) next generation education platform (upgraded version to achieve digital teaching management to enhance teaching and learning efficiency), (iii) uKit Explore 3 (upgrade with enhanced AI computational power and multimodal configurations) and (iv) next generation humanoid robot for education (upgraded version with increased AI and motor capabilities) in conjunction with our existing education smart robotic products and services offerings to enhance accessibility to AI education and user experience of our education smart robotic products and services. Our products and services are designed for students to learn the basics of programming language through a user-friendly and visualized platform. In particular, our *uSim* is designed to lower the entry barrier of AI education as it provides a simulation creation platform for learners to apply their programming skills without purchasing physical devices. See "Our Business Strategies – Further advance our R&D capabilities to enhance our core technologies and products and services offerings – (ii) Our smart service robotic products and services for application in different sectors – (a) Education smart robotic products and services" above for details. We intend to sell such new and upgraded education smart robotic products and services to (i) our existing customers and (ii) new PRC and overseas customers, which may include government and non-government educational bureaus and SOEs.

Since government educational bureaus were our major customers during the Track Record Period, we adopted multi-level marketing initiatives which we believe have brought us tender and business opportunities and facilitated the building up of our reputation in the education sector and business relationship with government educational bureaus. During the Track Record Period, we participated in 17, 16, six and six educational events and exhibitions, and participated in 13, 46, 40 and 39 educational competitions. Our Directors consider that following the lifting of lockdown measures in the PRC, we will be able to participate in more industry events, exhibitions and competitions to enhance our exposure and reach out to more potential customers. See "Marketing – Multi-level marketing initiatives in the education sector" for details. We believe that our continuing marketing efforts will enable us to enhance our access to tender opportunities and put us in a competitive market position and give us tender opportunities in order to enhance the market presence of our education smart robotic products and services.

We generally source new education smart robotic products and services business through direct engagement or tendering from new customers such as government educational bureaus based on opportunities which we acquired through our marketing initiatives.

The following table shows the details of our tendering for education smart robotic products and services projects during the Track Record Period:

	FY2020	FY2021	FY2022	6M2023
Number of tenders submitted	13	23	12	2
Number of tenders awarded	11	20	6	2
Success rate *(Note)*	84.6%	87.0%	50.0%	100.0%

Note: Tender success is calculated by dividing the number of tenders awarded in respect of the tenders submitted during the stated financial year by the number of tenders submitted during the same financial year.

Government educational bureaus in the PRC in each province and/or city generally conduct tenders at irregular intervals with no fixed or periodic schedule based on the government policies and the relevant financial budget at different levels of the PRC Government in different provinces and/or cities according to the experience of our Directors.

Based on our tender submissions during the Track Record Period, criteria and considerations required or taken into account in the tenders by tenderees typically include (i) technical specifications of the products and services offerings, (ii) pricing, (iii) ancillary services such as after-sale services, technical support and staff training, (iv) product demonstration performance, (v) accreditations and recognitions obtained from government authorities and international authoritative certification organizations and (vi) past performance and experience in similar education smart robotic products and services projects. In particular, our Directors are of the view that we have historically performed well in relation to criteria (i) and (v) primarily because we can offer comprehensive education smart robotic products and services to customers by combining education smart robots which utilize our full-stack core technologies and AI education software (such as uCode — a graphical block-based visual programming tool for students aged 7 to 14 years old; and uPython — a programming tool for Python robot beginners) together with ancillary services, and have won more than 140 technology awards, honorary qualifications and recognitions during the Track Record Period. See "Awards and Recognition" below for further details. Given our proven track record in the education smart robotic products and services industry in the PRC, our Directors believe such historical performance in fulfilling customer orders strengthens our chances of obtaining tenders.

During the Track Record Period, our number of tenders submitted and awarded for education smart robotic products and services projects varied across financial years. The number of tenders submitted and awarded in FY2020 and FY2022 were lower than that in FY2021, which were attributed to the relatively severe outbreak of COVID-19 and the enhanced restricted social distancing policies imposed in China in both FY2020 and FY2022. These policies resulted in the temporary closure of schools in certain provinces of China in the relevant years/period. Our tender success rate remained relatively stable at 84.6% and 87.0% in FY2020 and FY2021, respectively, but decreased to 50.0% in FY2022 primarily since we were awarded tenders which have a relatively larger contractual value with our tendering efforts being focused on tenders with a relatively larger contractual value in FY2022 instead of equally among all tenders that we have submitted. In FY2022, the total contractual value of the six tenders that we obtained were approximately RMB158.2 million whereas the total contractual value of four out of the six tenders that we failed to obtain were approximately RMB5.2 million. Our tender success rate for education smart robotic products and services projects then increased to 100.0% in 6M2023. In order to make more tendering submissions to obtain more business opportunities for our education smart robotic products and services, we intend to (i) organize and participate in more industry and educational seminars, exhibitions and demonstrations in order to establish UBTECH as a leading education smart robotic products and services provider, raise the general awareness of AI education and better inform the general public of the importance of AI education; and (ii) follow closely the latest policy developments in relation to AI education in the PRC to ensure that our education smart robotic products and services are tailor-made to enable our customers to fully understand and localize the policy requirements and needs in relation to AI education and teach AI education in accordance with such policies in an effective and efficient manner. We also have a history of cooperation with government educational bureaus, significant R&D efforts on new education smart robotic products and services, enhanced after-sales services, and marketing initiatives to enhance our market exposure. By continuing these efforts, building stronger relationships with existing and potential customers, and participating in domestic and overseas exhibitions, major national events and industry events to demonstrate our products' capabilities, we believe we can secure more contracts for our education smart robotic products and services.

Furthermore, in order to increase the business scale of our education smart robotic products and services in the PRC, we intend to target government educational bureaus from certain provinces that we did not have significant transaction volumes during the Track Record Period to promote our products and services and STEAM education. Leveraging on our Group being China's No. 1 provider of education smart robotic products and services (in terms of revenue in 2022) according to Frost & Sullivan, we believe that we are capable of tapping into the market potential in the PRC and expand our geographical coverage to more customers (in particular government educational bureaus overseeing over 30 cities of 15 provinces in the PRC, such as (i) Ganzhou City and Jiujiang City of Jiangxi Province, (ii) Qingyang City and Lanzhou City of Gansu Province, and (iii) Dongguan City and Jiangmen City of Guangdong Province, where we do not have existing customers). We plan to undergo negotiations with such government educational bureaus to explore potential business opportunities and enter into government cooperation agreements with them. The growth potential for demand in education smart robotic products and services in these cities is expected to be relatively high since these cities have a large base of school-age population in primary and secondary schools according to Frost & Sullivan.

According to Frost & Sullivan, (i) with the promotion of artificial intelligence education by the government and the expansion of artificial intelligence laboratories and programming laboratories in schools, the market base for education smart robotic products and services will continue to expand, and it is expected the market size will reach RMB7.0 billion by 2028 representing a CAGR of 20.4% from 2022 to 2028; and (ii) the education smart robotic products and services industry will continue to be driven by government policy support, the prevalence of innovation in the teaching process and the increased willingness of institutional customers to spend in the field of education.

Logistics smart robotic products and services

Leveraging on the successful commercialization of our education smart robotic products and services, we applied the robotic and AI technologies (e.g. our SLAM technology) and have extended our footprint into the logistics sector since late FY2020 with a view to capture the growing market of the logistics industry, in particular warehouse logistics. Although our logistics smart robotic products and services segment was only established in late FY2020, our number of customers had increased from two customers in FY2020 to 12 customers in FY2021, and to nine customers in FY2022, and increased from seven customers in 6M2022 to nine customers in 6M2023. Furthermore, we were awarded with 17, 62, 71 and 30 projects and we have completed two, 43, 22 and 24 projects in FY2020, FY2021, FY2022 and 6M2023, respectively. Furthermore, the increase of our revenue from logistics smart robotic products and services from RMB12.7 million for

FY2020 to RMB190.8 million for FY2021 was driven by the increase in number of projects completed from two in FY2020 to 43 in FY2021, whereas the increase of our revenue from RMB190.8 million for FY2021 to RMB263.4 million for FY2022 was driven by the completion of certain projects of higher revenue during the year for a sizeable end-user in automobile industry despite the decrease in number of projects completed, from 43 projects in FY2021 to 22 projects in FY2022. Our revenue from logistics smart robotic products and services increased from RMB41.1 million for 6M2022 to RMB76.8 million in 6M2023, primarily due to the increase in revenue-generating projects from nine in 6M2022 to 24 in 6M2023. Examples of smart robotic products and services which we may develop and launch for our logistics smart robotic products and services segment include, but are not limited to, (i) next generation unmanned forklift AMR (unmanned forklift AMR capable of point-to-point materials handling), (ii) outdoor driverless logistics vehicles (capable of transportation of components, semi-finished products and finished products in outdoor scenarios) and (iii) next generation AMR robot (with improved performance, reliability and stability). See "Our Business Strategies – Further advance our R&D capabilities to enhance our core technologies and products and services offerings – (ii) Our smart service robotic products and services for application in different sectors – (b) Logistics smart robotic products and services" above for details. We intend to sell such new and upgraded logistics smart robotic products and services to our existing and new customers, which include new energy vehicle and component manufacturers, e-commerce platforms, logistics service providers that need to enhance their operational efficiency.

According to Frost & Sullivan, the demand of logistics and mobile smart robotic products and services will continue to grow at a high speed in the future. It is expected that the market size will reach RMB58.9 billion by 2028 at a CAGR of 30.4% from 2022 to 2028. The logistics and mobile smart robotic products and services industry will continue to be driven by the transformation of the manufacturing industry in China, the rise of the new retail and e-commerce industry, and increasing demands due to the shortage of labor.

Our logistics smart robotic products and services are currently generally targeted towards new energy vehicle manufacturers. Looking forward, we intend to capture the growth of various manufacturing industries as a result for rising demand for intelligent manufacturing processes and enhanced manufacturing efficiency and leverage on our success and experience in the new energy vehicle manufacturing industry to expand into other manufacturing industries.

Other sector-tailored smart robotic products and services

In order to address the challenges faced by elderly care facilities, we began to launch our wellness and elderly care smart robotic products and services in small batches and began to sell in the second half of 2022. Examples of smart robotic products and services which we may develop and launch for our wellness and elderly care smart robotic products and services segment include, but are not limited to, (i) next generation wellness and elderly care smart cloud-based platform (improve speed of information feedback from platform, management of emergency situations for the elderly), (ii) next generation walking assistance smart robot (with more rehabilitation functions for walking assistance and improved hardware design and algorithms) and (iii) next generation companion smart robot (further improved responsiveness to provide more interactions with users). We also intend to develop and launch (i) next generation general service smart robotic products and services, which consist of universal chassis that can be equipped with different upper bodies to perform different functions; and (ii) next generation inspection smart robot, which enables indoor and outdoor inspection and security monitoring. See "Our Business Strategies – Further advance our R&D capabilities to enhance our core technologies and products and services offerings – (ii) Our smart service robotic products and services for application in different sectors – (c) Other sector-tailored smart robotic products and services" above for details. We intend to sell such new and upgraded wellness and elderly care smart robotic products and services to new customers mainly comprising of local governments, SOEs, wellness service providers and overseas elderly care service providers; whereas we intend to sell such new and upgraded general services robotic products and services to new and existing customers to be used for various commercial purposes, such as meal delivery, hotel delivery, automatic cleaning and safety inspection.

According to Frost & Sullivan, driven by the advancement of technologies and iteration of sensors, wellness and elderly care smart robots look to be commercialized, with there being much room for growth in the wellness and elderly care smart robotic products and services market, and the market size will reach RMB6.5 billion by 2028 representing a CAGR of 32.5% between 2022 and 2028. According to Frost & Sullivan, there remains substantial areas of innovation and opportunities for disruption in the wellness and elderly care smart robotic products and services industry as there are currently limited players with mature and leading core technologies in this field to address these market potentials.

We have newly expanded our presence in the smart service robotic products and services market into various use scenarios in different sectors, such as the logistics smart robotic products and services industry in late FY2020 and the wellness and elderly care smart robotic products and services industry in the second half of 2022. We believe based on our experience in the commercialization of smart service robotic products and services for the application in different use scenarios across different sectors, we are capable of continuously growing our revenue and business scale by enhancing the selection and market presence of our logistics smart robotic products and services and wellness and elderly care smart robotic products and services.

Consumer-level robots and other hardware devices

According to Frost & Sullivan, driven by the continuous upgrades of appearance and functionality of personal/domestic use smart service robots for non-commercial tasks as well as the compelling application at a competitive price, it is expected that the market size of personal/domestic smart service robotic products and services would reach RMB57.4 billion in 2028, representing a CAGR of 18.8% between 2022 and 2028. In particular, according to Frost & Sullivan, it is expected that the prevalence of "lazy economy" and the enhancement in core technologies and quality of components will continue to drive the demand for user-friendly household devices such as vacuum cleaners in the future.

Against such favorable trends, we intend to enhance our existing offerings of consumer-level robots and other hardware devices upon the advancement of our R&D capabilities, examples of which include (i) next generation vacuum cleaner (increased strong suction to effectively and efficiently pick up debris, pet hair and food crumbs), (ii) pool cleaning robot (with simple and easy-to-use wireless design with AI intelligent algorithm) and (iii) lawn mower (allow effective hands-free outdoor lawn moving with autonomous navigation and route planning outdoors). See "Our Business Strategies – Further advance our R&D capabilities to enhance our core technologies and products and services offerings – (ii) Our smart service robotic products and services for application in different sectors – (d) Consumer-level robots and other hardware devices" above for details.

We intend to sell the aforementioned robotic products with coordination among our sales partners, which consist of our sales channels including distributors and self-operated online stores, and believe that the combination of our business strategy to enhance our brand awareness and market penetration with our existing marketing initiatives will enable us to offer our robotic products to a larger number of PRC and overseas customers. See "Our Business Strategies – Enhance brand awareness and market penetration", "Sales – Our sales networks" and "Marketing" above for details.

Furthermore, we intend to enhance our brand awareness and market penetration in the PRC and overseas by establishing more regional offices, branch offices and showrooms across the PRC and overseas to enhance our accessibility to end-users and receive feedback from potential customers. In particular, we plan to expand our market presence in the overseas markets of the smart service robotic products and services industry to further elevate our brand awareness and market penetration and establish ourselves as a domestic and overseas provider of smart service robotic products and services. See "Our Business Strategies – Enhance brand awareness and market penetration" above for details.

Life-sized humanoid service robots

In order to continuously grow our revenue and business scale, we intend to (i) upgrade our existing core technologies that can be applied to our humanoid robots and (ii) develop and utilize new core technologies in relation to our humanoid robots upon the advancement of our R&D capabilities to further enhance the functionalities and performance of our human robots to launch humanoid robots with sufficient human-resemblance to meet future market demands, customer preferences and technology requirements. See "Our Business Strategies – Further advance our R&D capabilities to enhance our core technologies and products and services offerings – (i) Core technologies utilized in our humanoid robots" above for details.

During the Track Record Period, we have sold (i) a life-sized humanoid robot Walker-2 for educational purposes in FY2021, (ii) (a) a Walker, a Walker-1, a Walker-2 and two units of Walker X for educational purposes, (b) a Walker-2 for general commercial purposes such as greeting and display and (c) two units of Walker X for general commercial purposes such as greeting and guiding in FY2022 and (iii) a Walker-2 for educational purposes in 6M2023. Moving forwards, we intend to continue to sell our life-sized humanoid robots primarily for educational and general commercial purposes.

With the advancement of our R&D capabilities in relation to the core technologies utilized in our humanoid robots to enhance the functionalities and performance of our humanoid robots, we believe that it would also induce a spill-over effect on the functionalities and specifications of our core technologies which can be utilized in other use scenarios and the proliferation of the application of human robots in different use scenarios of different sectors.

(b) Commercializing our products and services for application in new use scenarios of different sectors

We are dedicated to creating value for customers and end-users by commercializing our products and services for application in new use scenarios of different sectors in order to achieve bringing UBTECH service robots to every home and industry.

We believe that the smart service robotic products and services market will continue to mature as consumer preferences and demand in the smart service robotic products and services industry further develop upon the proliferation of smart service robotic products and services offerings while technological advancements enhance the operational and production efficiencies in the industry. According to Frost & Sullivan, the continuous decrease in the costs of robotic parts due to breakthroughs in manufacturing technologies is expected to facilitate easier commercialization of products and services in the smart service robotic products and services industry.

According to Frost & Sullivan, as stated in Implementation Plan for "Robotics+" Application Action 《"機器人+"應用行動實施方案》 issued by the MIIT and various other PRC governmental departments in January 2023, it is proposed that the depth and breadth of application of service robots and special robots in the industry is expected to significantly increase, which would benefit various industry such as manufacturing, agricultural, construction, energy, logistics, etc.; and that the ability of robots to promote high-quality economic and social development would be significantly enhanced. As such, against such market backdrop and demand for quality smart service robotic products and services in various sectors in the future, we believe we can strengthen our market share in the smart service robotic products and services industry by leveraging on our commercialization capabilities in the smart service robotic products and services industry and track record in continuously developing smart service robotic products and services that can be used in various key industries.

(c) Expanding our sales network and market penetration

In order to diversify our revenue stream both in the PRC and overseas markets, we intend to leverage on our direct sales force and enhance our brand awareness and market penetration in the PRC and overseas by establishing a total of 12 showrooms and 19 branch offices and regional offices across the PRC and overseas to enhance our accessibility to end-users and receive feedback from potential customers. In particular, we plan to expand our market presence in the overseas markets of the smart service robotic products and services industry to further elevate our brand awareness and market penetration and establish ourselves as a domestic and overseas provider of smart service robotic products and services. See "Our Business Strategies – Enhance brand awareness and market penetration" for details.

Our Directors believe that we are well-positioned to generate sustainable revenue and our above mentioned strategies, namely (a) enhancing the selection and market presence of our smart service robotic products and services offerings; (b) commercializing our products and services for application in new use scenarios of different sectors; and (c) expanding our sales network and market penetration are realistic and achievable due to the following reasons:

– ***Education smart robotic products and services.*** During the Track Record Period, we provided our education smart robotic products and services to seven major customers who are government educational bureaus (such as provincial-level departments of education and education bureaus) in the PRC, respectively, which allocated our education smart robotic products and services to over 240 schools in the PRC for educational purposes. We believe that demand from government educational bureaus, which are responsible for allocating teaching materials and equipment to schools for educational purposes in different regions of the PRC, will continue to be one of our major drivers for our education smart robotic products and services, enable us to expand the geographic coverage of our education smart robotic products and services in accordance with the locations of such institutions and there are business opportunities for us to grow our business.

  According to Frost & Sullivan, there were approximately 227,000 schools (such as public and private compulsory education, high school and higher education level schools) in the PRC as of December 31, 2022 and the education smart robotic products and services industry has benefited, and will continue to benefit, from a number of policies and initiatives of the PRC government such as (i) Opinions on Strengthening Scientific Education in Primary and Secondary Schools in the New Era (關於加強新時代中小學科學教育工作的意見) issued in 2023 which requires the improvement of school teaching and services through utilizing AI, virtual reality and other related technologies; (ii) Implementation Plan for "Robotics+" Application Action (《"機器人+"應用行動實施方案》) issued in 2023 which seeks to cultivate and introduce high end R&D talents and standardized talents for robot application, strengthen international exchange of talents, and build leading talents and innovation teams; (iii) Guidance on Accelerating Scene Innovation to Promote High-level Application of Artificial Intelligence for High-quality Economic Development (關於加快場景創新以人工智能高水平應用促進經濟高質量發展的指導意見) issued in 2022 which sets scenario innovation as the development goal of both AI technology upgrades and new paths for industrial growth and puts forward specific measures to improve innovation capabilities and strengthening the supply of innovation elements for AI scenarios in the field of education; and (iv) The 14th Five Year Plan for National Informatization (十四五國家信息化計劃) issued in 2021 which proposed to develop education and training related to digital skills by providing diversified digital skills training programs for the public and promoting and popularize digital skills education for all.

  According to Frost & Sullivan, as the State Council only released the relevant policy in 2017, namely the New Generation of Artificial Intelligence Development Plan (《新一代人工智能發展規劃》), which (i) requires primary and secondary schools to gradually promote AI programming education and (ii) encourages the community to participate in developing and promoting educational and entertaining AI programming teaching software, the PRC

Government gradually provided funds and support to primary and secondary schools to set-up AI-related courses since 2017. However, only a limited number of the governments, such as the governments in the following provinces or cities, have announced relevant policies as of the Latest Practicable Date according to Frost & Sullivan:

Province/City	**Details of policy**	**Implementation timeline**	**Number of schools in the province/city (Note)**
Zhejiang Province	Zhejiang Digital Education Conference held in 2023 stated that AI will become a basic and compulsory course in primary and secondary schools.	According to the policy, it is expected that 1,000 AI experimental schools will be established by 2025.	Around 6,000
Shenzhen City	The "Arrangements and Requirements for the Popularization of Artificial Intelligence Teaching in Primary and Secondary Schools of Nanshan District" was published during the AI-education promotion and exchange meeting held in Nanshan District, Shenzhen City in March 2021, which stipulates that the teaching of AI should be arranged in the mandatory courses of the fifth year of primary school, the first year of junior high school, and senior high school, and that five class hours of learning per semester should be guaranteed for senior high school.	According to the policy, every student will be able to access AI education by the end of 2023.	Around 900

Province/City	Details of policy	Implementation timeline	Number of schools in the province/city (Note)
	The "Implementation Plan for Promoting Artificial Intelligence Education in Primary and Secondary Schools in Longhua District (for Trial Implementation)" officially issued by the Bureau of Education of Shenzhen Municipality of Longhua District requires that AI education should be gradually incorporated into the compulsory curriculum for primary and secondary school students in the entire district from September 2023.	According to the policy, it is expected that the popularization of AI education in grades 4 to 8 will be achieved in Longhua District in 2025, with the establishment of 50 AI experimental schools and 20 AI education demonstration schools.	
Beijing City	In 2019, the Beijing Municipal Education Commission released the Action Plan for Promoting the Integration of Artificial Intelligence and Education in Beijing (《北京促進人工智能與教育融合發展行動計劃》), which aims to support the construction of AI innovation centers, promote the integration of AI into practical activities, and support the offering of AI disciplines in universities.	The Action Plan proposes that the quality of talent training and the capabilities of innovation in the field of AI will be significantly improved by 2025. Moreover, AI and education will be mutually and efficiently empowered in Beijing to provide talent guarantee and scientific and technological support for China to be in the forefront of innovative countries by 2035.	Around 1,600

Province/City	Details of policy	Implementation timeline	Number of schools in the province/city (Note)
Shanghai City	The Shanghai Municipal Education Commission has also introduced policies to encourage primary and secondary schools to include AI in their education curriculum. In addition, Shanghai has established the Shanghai Artificial Intelligence Education Alliance in 2019, which aims to promote the application of AI in the field of education.	According to Frost & Sullivan, the relevant government authority did not specify the implementation timeline for the policy.	Around 1,700
Guangdong Province	The Guangdong Provincial Department of Education has released the "Information Technology Curriculum Standards for Primary and Secondary Schools in Guangdong Province (2019 Edition)" (《廣東省中小學資訊技術課程標準(2019年版)》), which incorporates artificial intelligence into the compulsory content of the primary and secondary school IT curriculum.	According to Frost & Sullivan, the relevant government authority did not specify the implementation timeline for the policy.	Around 16,000

Province/City	Details of policy	Implementation timeline	Number of schools in the province/city (Note)
Hunan Province	The "Notice on the Issuance of the Standard of Fees for Primary and Secondary Schools in Changsha City in the Spring of Year 2021" (《關於印發長沙市2021年春季中小學收費標準的通知》) states that the city is adding "artificial intelligence education" activity books for grades 3 to 6 and "programme writing education" activity books for grades 7 to 9. The Hunan Provincial Department of Education has released the "Information Technology Curriculum Standards for Primary and Secondary Schools in Hunan Province (2019 Edition)" (《湖南省中小學資訊技術課程標準(2019年版)》), which includes artificial intelligence as a compulsory part of the primary and secondary school IT curriculum.	According to Frost & Sullivan, the relevant government authority did not specify the implementation timeline for the policy.	Around 11,000

Note: The number of schools in the province/city is estimated according to publicly available information by Frost & Sullivan.

As the number of local governments which have announced policies to promote AI-related courses remain relatively low, the penetration rates of smart robotic products and services in the education smart robotic products and services industry in the PRC were approximately nil, 1%, 3%, 4%, 6% and 8% in the years ended December 31, 2017 to 2022, respectively, according to Frost & Sullivan. Such penetration rates remained low during the aforementioned period according to Frost & Sullivan primarily because (i) while the State Council released the first AI education related policy, namely the New Generation of Artificial Intelligence Development Plan in 2017, local governments of provinces and cities such as Zhejiang Province and Shenzhen City only gradually announced its policies to promote or include AI education as a compulsory part of school curriculum in the past two to three years, which resulted in a low penetration rate of smart robotic products and services in the education smart robotic products and services industry in the PRC; and (ii) the adoption of education smart robotic products and services requires relatively high investment from local governments and schools which resulted in the overall slow application in the educational scenario.

Looking forward, the penetration rate of smart robotic products and services in the education smart robotic products and services industry in the PRC is expected to rise and reach approximately 46% by 2028 by facilitating the teaching of AI education in schools according to Frost & Sullivan primarily due to the (i) decreasing investment cost of AI education as more market players will engage in providing related products and services which will lower the overall price of education smart robotic products and services; (ii) advancement of technologies in the design of smart service robots which enhances the functionalities and performance of smart service robots and their capabilities in accommodating the needs of various application scenarios in the education smart robotic products and services industry; and (iii) increase in demand for AI education taught in a user-friendly and cost-efficient manner, due to increasing awareness of the general public of the application of AI technologies in day-to-day scenarios such as AI-empowered programmes such as ChatGPT which can facilitate the completion of complex tasks in a manner with high human-resemblance.

Furthermore, the penetration rate of 46% by 2028 is achievable according to Frost & Sullivan as evidenced by the fact that local government or cities have gradually announced the inclusion of AI-related courses to become a basic and compulsory course in recent years. As of the Latest Practicable Date, three provinces/cities have announced plans to promulgate or have already promulgated policies which mandated AI-related courses to become a basic and compulsory course for primary and secondary schools. Such penetration rate is also supported by historical trend. In particular, the number of schools that purchased and/or applied education smart robotic products and services as the teaching tools to conduct AI-related courses increased from approximately 2,600 in 2018 to approximately 18,000 in 2022 at a CAGR of 62.21% according to Frost & Sullivan. Based on the above, according to Frost & Sullivan, under the trend of the increasing number of policies to promote the development of AI education, it is expected that schools will expend more resources to develop AI-related courses, and it is also expected that more provinces/cities will offer AI education as a basic and mandatory curriculum or elective curriculum by 2028. All such developments are expected to contribute to the expected penetration rate of education smart robotic products and services of 46%, representing approximately 82,000 schools.

Despite we only launched our education smart robotic products and services in 2017, we have developed into one of the market leaders and ranked the first and accounted for 22.5% of the China's education smart robotic products and services industry in terms of revenue in 2022. Our Directors believe that our historical success was partially due to the efforts of our direct sales force and our multi-level marketing initiatives which comprised of participation in national education exhibitions and organizing provincial and municipal AI education exhibitions and exchange sessions for primary and secondary schools. Our direct sales force built up business relationships with our customers including government educational bureaus over the years to seek business opportunities and to keep abreast to the industry information which ensure we are ahead of our competitors to any tender opportunities and other relevant information. Thus apart from continuously invest in R&D to enhance our products' functions and maintain our established position, we intend to adopt similar marketing initiatives to increase our exposure in the education sector and attract new business opportunities. In particular, we intend to set up regional offices and branch offices in various cities in the PRC which will allow us to (i) better identify potential business opportunities in the local regions and obtain up-to-date market intelligence and industry information; and (ii) provide better customer services, by more promptly reacting to our customers' requests and enquiries, and thus to maintain closer relationship with our existing and potential customers in the local regions.

The revenue generated from our education smart robotic products and services decreased from RMB612.2 million in FY2020 to RMB461.8 million in FY2021, representing a decrease of 24.6% from FY2020 to FY2021, which underperformed against China's education smart robotic products and services industry which decreased by 8.0% from FY2020 to FY2021, primarily due to, according to the best information and knowledge of our Directors, decrease in demand due to the emphasis of education bureaus and schools throughout China on tackling the outbreak of COVID-19 and the temporary suspension of investments in smart education projects in certain provinces in China amidst the outbreak of COVID-19 in FY2021 as the top five provinces of the PRC which had the highest contribution to the revenue generated from our education smart robotic products and services for FY2021 (namely Zhejiang Province, Jiangsu Province, Shandong Province, Hebei Province and Fujian Province) were some of the most severely affected regions of the PRC by the COVID-19 outbreak in 2021 according to Frost & Sullivan. Revenue generated from our education smart robotic products and services increased from RMB461.8 million in FY2021 to RMB516.7 million in FY2022, representing an increase of 11.9% from FY2021 to FY2022, which outperformed against China's education smart robotic products and services industry which remained stable at RMB2.3 billion from FY2021 to FY2022, since none of the top five provinces of the PRC which had the highest contribution to the revenue generated from our education smart robotic products and services for FY2022 (namely Hebei Province, Hunan Province, Zhejiang Province, Guangxi Province and Jiangsu Province) were one of the top five provinces/municipalities that were most affected by the COVID-19 pandemic in China in FY2022 according to Frost & Sullivan.

To maintain our market position, we will continue to seek for business opportunities by entering into more government cooperation agreements. Since January 1, 2023 and up to the Latest Practicable Date, we have entered into 10 cooperation agreements with local government authorities and SOEs which set out commitments of such government authorities and SOEs such as (i) strategic cooperation to facilitate the promotion of AI education or (ii) prioritising purchasing education smart robotic products and services from our Group within a specified period with actual purchase orders being subsequently formalized through purchase orders, which is not uncommon market practice according to Frost & Sullivan. Among these cooperation agreements, we have entered into one framework sales contract under one of the government cooperation agreements, pursuant to which the counterparty shall purchase robotic products from our Group and the procurement amount for the three years from April 2023 shall be RMB450 million (of which RMB80 million is in relation to education smart robotic products and services), the details of which are subject to the placing of purchase order. Based on the above, our Directors believe that we are capable of converting such government cooperation agreements into actual demand for our smart service robotic products and services and we expect there will be continuous and sufficient demand for our education smart robotic products and services going forward.

– ***Logistics smart robotic products and services.*** Replicating our experience in commercializing education smart robotic products and services, we launched our logistics smart robotic products and services in late 2020, recorded revenue of RMB12.7 million, RMB190.8 million, RMB263.4 million, RMB41.1 million and RMB76.8 million for FY2020, FY2021, FY2022, 6M2022 and 6M2023, respectively.

We provided our logistics smart robotic products and services on a project-by-project basis and we primarily received our logistics smart robotic products and services projects through tender and direct engagement. The following table shows the details of our tendering for logistics smart robotic products and services projects during the Track Record Period:

	FY2020	FY2021	FY2022
Number of tenders submitted	Nil	3	5
Number of tenders awarded	Nil	0	2
Success rate *(Note)*	Nil	0	40.0%

Note: Tender success is calculated by dividing the number of tenders awarded in respect of the tenders submitted during the stated financial year by the number of tenders submitted during the same financial year. We did not submit any tenders for logistics smart robotic products and services projects in 6M2023.

We only launched our logistics smart robotic products and services in late FY2020 and those contracts attributable to our logistics smart robotic products and services revenue in FY2020 were obtained mainly through MAE. It is our strategy to lower our pricing to compete with existing established market players to penetrate the market and gain market shares in a short period of time. We intend to continue to adopt a similar pricing strategy to gain market shares in the near term. In the future our Directors are of the view that as we continue to expand our market shares and presence in the industry, we will be able to increase our price to normal industry level. Furthermore, as (i) we have established relationships and gained project experience with well-known companies during the Track Record Period due to our pricing strategy; and (ii) our logistics smart robotic products and services have been utilized by large companies such as vehicle manufacturers, this can be regarded as credit to our ability to offer quality products and services and satisfy requirements of well-known and large companies, which in turn allow us to combine our experience in the industry with our core technologies to launch our new products such as next generation unmanned forklift AMR and AMR robot and outdoor driverless logistics vehicles, thus attract more tender opportunities and secure more potential projects in the long term.

The following table shows the details on the number of logistics smart robotic products and services projects awarded to us and completed during the Track Record Period:

	FY2020	FY2021	FY2022	6M2023
Number of projects as at the beginning of year/period *(Note 1)*	Nil	15	34	83
Number of new projects *(Note 2)*	17	62	71	30
Number of projects completed *(Note 3)*	2	43	22	24
Number of projects as at the end of year/period *(Note 4)*	15	34	83	89

Notes:

1. "Number of projects as at the beginning of year/period" means the number of new projects carried forward from the previous year/period.
2. "Number of new projects" means the number of new projects awarded to our Group during the relevant year/period indicated.
3. "Number of projects completed" means the number of projects where the percentage of completion reached 100% during the relevant year/period.
4. "Number of projects as at the end of year/period" means the number of projects as at the beginning of year/period plus number of new projects minus number of projects completed during the relevant year/period indicated.

The following table shows the details on the contract value of logistics smart robotic products and services projects awarded to us and completed during the Track Record Period:

	FY2020	FY2021	FY2022	6M2023
	RMB'000	RMB'000	RMB'000	RMB'000
Contract value as at the beginning of year/period *(Note 1)*	Nil	109,368	129,323	250,500
Contract value of new projects *(Note 2)*	122,058	210,741	384,615	119,898
Revenue recognized *(Note 3)*	12,690	190,786	263,437	76,801
Contract value as at the end of year/period *(Note 4)*	109,368	129,323	250,500	293,598
Average value per new project	7,180	3,399	5,417	3,997
Average revenue per project	6,345	4,437	11,974	3,200

Notes:

1. "Contract value as at the beginning of year/period" means the total contract value carried forward from the previous year/period.
2. "Contract value of new projects" means the total contract value of new projects awarded to our Group during the relevant year/period.
3. "Revenue recognised" means the total revenue recognised form projects during the relevant year/period.
4. "Contract value as at the end of year/period" means the contract value as at the beginning of year/period plus the total contract value of new projects awarded to our Group minus total revenue recognised during the relevant year/period.

Our contract value as at the end of year/period increased by 18.2% from RMB109.4 million as at December 31, 2020 to RMB129.3 million as at December 31, 2021, further increased by 93.7% to RMB250.5 million as at December 31, 2022, and further increased by 17.2% to RMB293.6 million as at June 30, 2023. This is in line with our marketing efforts in logistics smart robotic products and services during the Track Record Period. Our number of projects as at the end of year/period increased from 15 as at December 31, 2020 to 34 as at December 31, 2021 and further to 83 as at December 31, 2022 and to 89 as at June 30, 2023.

It is our strategy to lower our pricing to compete with existing established market players to penetrate the market and gain market shares in a short period of time. While such pricing strategy may inevitably put pressure to our gross profit margin, our Directors believe that it allows us to penetrate the market and gain market shares within a short period of time. This allowed us to rank seventh and accounted for 2.2% of China's logistics and mobile smart robotic products and services industry in terms of revenue in 2022 according to Frost & Sullivan. We intend to continue to adopt similar pricing strategy to gain market shares in the near term. Our Directors believe that as we continue to expand our market shares and presence in the industry, we will be able to increase our price to normal industry level. Since FY2021, our weighted average gross profit margin for new logistics smart robotic products and services projects obtained in the relevant financial year recorded an increasing trend. We will continue to obtain new projects with higher gross profit margin through tendering and direct engagement in order to improve our gross profit margin of logistics smart robotic products and services.

For FY2020, FY2021, FY2022 and 6M2023, one, six, 11 and 11 end users who are vehicle manufacturers utilized our logistics smart robotic products and services, which included both traditional and new energy vehicle manufacturers. We believe vehicle manufacturers, in particular new energy vehicle manufacturers, will be one of the drivers for the demand of our logistics smart robotic products and services, as according to Frost & Sullivan there is an increasing trend for vehicle manufacturers to incorporate logistics smart robotic products and services into its warehousing and production process as traditional labor may not be able to provide consistent and safe handling of vehicle components, semi-finished products and finished products due to their heavy and fragile nature. In particular, according to Frost & Sullivan, with the rising demand of new energy vehicles such as electric vehicles, there are 17 new energy vehicle manufacturers with new energy vehicles production qualifications in the PRC as of December 31, 2022, and it is expected that the market size will reach RMB58.9 billion by 2028, with a CAGR of 30.4% from 2022 to 2028. According to Frost & Sullivan, it is expected that the market size of logistics and mobile smart robotic products and services in new energy vehicle-related manufacturing industries, measured by revenue, will reach RMB2.3 billion by 2028, with a CAGR of 36.8% from 2022 to 2027. Meanwhile, the annual sales volume of new energy vehicles is expected to reach 12.7 million units by 2028 according to Frost & Sullivan, representing a CAGR of 18.2% from 2022 to 2028. Therefore, fuelled by the development of new energy vehicle-related manufacturing industries and the annual sales volume of new energy vehicles, the market demand for logistics and mobile smart robotic products and services from customers in new energy vehicle-related manufacturing industries is expected to continue to climb in the future according to Frost & Sullivan.

While we face competition with existing established market players, our Directors believe we are able to capture further market shares as we can offer products with comparable functions at competitive prices. Furthermore, our Directors believe that (i) our project experience during the Track Record Period; and (ii) our ability to offer quality products and services and satisfy requirements of well-known and large companies, as evidenced by our logistics smart robotic products and services being utilized by different companies including one of the largest China-based new energy vehicle manufacturer during the Track Record Period, allow us to further attract more tender opportunities and secure more potential projects in the long term.

As of the Latest Practicable Date, we had 62 logistics smart robotic products and services projects, contracts of which were secured and signed during the Track Record Period and up to the Latest Practicable Date but revenue of which were not at all and/or fully recognized during the Track Record Period, among which (i) 89 projects were obtained during the Track Record Period, and (ii) 19 and 46 projects were obtained and completed, respectively, subsequent to June 30, 2023 and up to the Latest Practicable Date. It is expected that 53 of the aforementioned projects will be completed in FY2023 with contract value of not less than RMB175.0 million and the remaining 9 projects with contract value of RMB65.0 million will be completed after FY2023. Our customers of the aforementioned projects consists of enterprises in various industries mainly including, but not limited to, new energy vehicle manufacturing, vehicle manufacturing, battery manufacturing, tyre manufacturing and other logistics services, and the types of these customers include large-scale enterprise listed on reputable stock exchange(s), state-owned enterprises, renowned foreign-owned enterprises and private enterprises.

– ***Other sector-tailored smart robotic products and services.*** The major types of use scenarios of our other sector-tailored smart robotic products and services include (i) general service smart robotic products and services (which mainly cover (a) inspection smart robotic products and services and (b) reception smart robotic products and services); (ii) wellness and elderly care smart robotic products and services; and (iii) life-sized humanoid service robots.

Our other sector-tailored smart robotic products and services are targeted to fulfil the various business needs of our enterprise-level customers in different use scenarios. For FY2020, FY2021, FY2022 and 6M2023, 118, 123, 103 and 39 enterprise-level customers purchased our other sector-tailored smart robotic products and services. According to Frost & Sullivan, in the PRC, certain industries of our other sector-tailored smart robotic products and services, including inspection smart robotic products and services industry, reception smart robotic products and services industry, and wellness and elderly care smart robotic products and services industry, are either at its early stage of commercialization or fragmented (i.e. there are limited products and services providers at this stage), as such there remains substantial areas of innovation and opportunities for disruption as there is currently limited players with mature and leading core technologies in these sectors to address the market potentials. We will continue to develop and launch products with quality and functionalities to capture market shares and set the selling prices at a level so as to achieve optimal gross profit margins. In this connection, we intend to continue to invest in R&D to launch new products including next generation general service smart robotic products and services such as commercial cleaning smart robots, delivery smart robots and next generation walking assistance smart robot.

(i) General service smart robotic products and services

According to Frost & Sullivan, with the adoption of IoT, AI and cloud computing, the market size of the inspection smart robotic products and services industry in China is anticipated to reach RMB30.9 billion by 2028, representing a CAGR of 20.9%. Our inspection smart robots such as AIMBOT series and ATRIS Series are designed to perform inspection tasks such as safety and security patrol, monitoring environmental conditions and equipment inspection. They can be deployed in various outdoor environments such as industrial parks as well as dangerous or harsh environments such as electrical substations and data and equipment centre. Due to the harsh environment conditions such as noise and temperature, enterprises are more willing to deploy inspection smart robots to perform day-to-day inspection and monitoring tasks with better consistency and to minimize the involvement of labor to perform dangerous tasks onsite. To address such rising demand, with our technology accumulation in outdoor 3D mapping and positioning technologies, motion planning and control technologies, and visual recognition, we intend to upgrade the functions and performance of our inspection smart robots (such as model G100 of ATRIS Series) to enable unmanned operations and provide them with sufficient battery-life and other capabilities in order to meet indoor and outdoor inspection and security monitoring needs.

Furthermore, we intend to develop next generation general service smart robotic products such as commercial cleaning smart robots and delivery smart robots. The general service smart robots will consist of universal chassis that can be equipped with different upper bodies to perform different functions. As a reflection of our R&D capabilities, in June 2023, our delivery smart robots had been used for trial application in a resort in Zhuhai City. Furthermore, we also intend to enhance the delivery and after-sales service of our delivery smart robots. We intend to simplify the map building and editing functions so that our engineers can guide the customer through the delivery process remotely which can enhance overall efficiency.

(ii) Wellness and elderly care smart robotic products and services

We only launched our wellness and elderly care smart robotic products and services in the second half of 2022 and recorded insignificant revenue during the Track Record Period, which underperformed compared to the industry since it contained market players with more established track records in relation to wellness and elderly care smart robotic products and services compared to us. According to Frost & Sullivan, the number of elderly population aged 60 and over is expected to continue to grow from 2022 to 2035 and will reach 400 million in 2035, accounting for more than 30% of China's total population in 2035. Therefore, China is facing challenges in the shortage of long term care workers and an increasing trend in an aging population. Given the increasing labor costs and expected relatively slow growth of the supply of long term care workers, Frost & Sullivan is of the view that there will be demand for wellness and elderly care smart robots that have the capabilities of performing laborious and repetitive rehabilitation tasks to ensure the accuracy and consistency of services. Furthermore, according to Frost & Sullivan, talking robots that interact with the elderly could be introduced into elderly care facilities to help fight loneliness and mental illnesses. Thus, we intend to launch new products that can minimize the need for care-workers such as (i) next generation wellness and elderly care smart cloud-based platform, (ii) next generation walking assistance smart robot and (iii) next generation companion smart robot. See "Our Business Strategies – Further advance our R&D capabilities to enhance our core technologies and products and services offerings – (ii) Our smart service robotic products and services for application in different sectors – (c) Other sector-tailored smart robotic products and services" above for details. We also intend to actively cooperate with established companies that have built-up business relationships with hospitals and elderly care facilities to tap into the wellness and elderly care smart robotic products and services market as we believe their customer networks will promote our market presence in a short period of time. To this end, we have established a health-tech joint venture company, namely Youdi Health Technology (Shenzhen) Co., Ltd.* (優邸健康科技(深圳)有限公司) on June 16, 2023, with a leading elderly care service provider group in Japan established in 1999, which operates over 300 elderly care facilities in Japan and also has business operations in relation to elderly care consulting business and co-operation of elderly care facilities in China, for the cooperation in relation to wellness and elderly care products and services. The business scope of the joint venture company includes provision of elderly care related services, smart elderly products, AI system and elderly care consulting. The Japanese company has business presence in relation to elderly care services across Shanghai, the Yangtze River Delta, the Pearl River Delta and the Beijing-Tianjin-Hebei region. Moreover, we also entered into a sales contract with a company controlled by an established elderly care facilities operator in the PRC under which we agreed to provide, among others, smart companionship services, smart medicines delivery services and smart inspection services to the counterparty.

(iii) Life-sized humanoid service robots

During the Track Record Period, we sold our Walker for educational purposes and general commercial purposes such as greeting, displaying and guiding. The main functions of our life-sized humanoid robot Walker sold during the Track Record Period include demonstration, walking, greeting, shaking hands, dancing, doing yoga or Tai Chi, voice interaction, drawing, guiding, waitressing, IoT smart home control, and receptionist services. According to Frost & Sullivan, domestic demand for life-sized humanoid service robot in the PRC is expected to increase with the support of government policies, such as (i) the Action Plan for the Innovative Development of the Robot Industry in Beijing (2023-2025) (《北京市機器人產業創新發展行動方案(2023–2025年)》) published by the General Office of Beijing Municipal People's Government in June 2023, which aimed to significantly enhance the innovative capabilities of the robotics industry in Beijing City by 2025 through means such as establishing an ecosystem consisting of humanoid robot development and technological services platforms in order to facilitate the small-scale production of 100 units of humanoid service robot prototypes with functionalities and capabilities to be applied in three to four different types of use scenarios by 2025, and (ii) the Shenzhen Action Plan for Accelerating the High Quality Development and High Level Application of Artificial Intelligence (2023-2024) (《深圳市加快推動人工智能高質量發展高水平應用行動方案(2023–2024年)》) published by the General Office of the CPC Shenzhen Municipal Committee and the General Office of the Shenzhen Municipal People's Government in May 2023, which supports key enterprises to continuously carry out R&D and applications of embodied intelligence in robotics and aims to build more than five joint laboratories for AI research and to accelerate the formation of the Guangdong Humanoid Robot Manufacturing Innovation Centre. We were also selected by the Department of Industry and Information Technology of Guangdong Province in April 2023 to lead the establishment of the Guangdong Province Humanoid Robotics Innovation Centre, which we believe shows industry recognition of our core technologies in relation to our humanoid robots. Furthermore, our Directors are of the view that there are business opportunities for our Walker series in the global humanoid robotic products and services industry. According to Frost & Sullivan, with the continuous R&D focusing on humanoid robot technologies and systems as a result of the increased awareness of and investments from technological companies, the development of new technologies such as ChatGPT will bring new opportunities to the global humanoid robotic products and services industry and there will be increasing applications of humanoid robots in various fields, such as education and entertainment, wellness and elderly care, disinfection, and logistics to accomplish the complex and human-like tasks in the future. Furthermore, according to Frost & Sullivan, in the long run, not only will humanoid robots become more capable to facilitate human-robot interaction but life-sized humanoid robots can be used to take on repetitive and dangerous tasks in various use scenarios including manufacturing, logistics, inspection, healthcare, maintenance and disaster response to minimize the involvement of labors in dangerous tasks. According to Frost & Sullivan, as pilot programs, some humanoid robots are serving customer drinks and snacks at self contained kiosks in Spain while other humanoid robots are providing services in healthcare settings such as communicating patient information and measuring vital signs, which either our Walker series are also capable of fulfilling or we already possess the necessary core technologies to enable such functionalities. Our Group will from time to time promote the functions of our Walker through demonstration to potential customers to understand their needs on use scenarios. For example, we have sent our R&D staff together with our Walker, to Saudi Arabia and demonstrated the functions and possible use scenarios of our Walker at the offices of a potential customer.

According to Frost & Sullivan, the global humanoid robotic products and services industry is still at an early stage with a few market players and limited use scenarios. Our Directors believe that our Walker series will be a driving factor of our other sector-tailored smart robotic products and services. Our revenue from Walker series and others amounted to RMB2.3 million, RMB12.8 million and RMB51.9 million in FY2020, FY2021 and FY2022, respectively, representing a CAGR of 182.6%, and recorded revenue from Walker series and others which amounted to RMB0.3 million and RMB7.2 million in 6M2022 and 6M2023, respectively. Our Directors believe our success in commercializing our Walker series have demonstrated the market demand for humanoid robots and we are well-positioned to capture the growth of the market due to our full-stack of technologies accumulated throughout the years and ability to commercialize our Walker series. We will continue to invest in R&D to advance core technologies utilized in humanoid robots to stay ahead in the global humanoid robotic products and services industry.

– ***Consumer-level robots and other hardware devices.*** According to Frost & Sullivan, driven by the prevalence of "lazy economy", the emergence of vacuum cleaners are able to liberate consumers from household chores by providing autonomous cleaning services. In this regard, China's vacuum and floor cleaning robotic products market is anticipated to reach RMB39.2 billion by 2028, representing a CAGR of 18.4% from 2022 to 2028. Despite the vacuum and floor cleaning robotic products industry being highly concentrated, we recorded a significant increase in revenue generated from RMB12.9 million in FY2021 to RMB73.6 million in FY2022 from our AiRROBO vacuum cleaner which was launched in 2021. In light of such market growth and the sales performance of our vacuum cleaner, we intend to utilise our core technologies such as USLAM to upgrade our AiRROBO vacuum cleaner with better precision mapping and positioning functions, obstacle avoidance functions and stronger sweeping, moping and vacuuming abilities. In addition, our AiRROBO cat litter box which was launched in the 4th quarter of 2022 became our new revenue source with revenue of RMB7.1 million and RMB14.6 million in FY2022 and 6M2023, respectively. We will continue to launch more consumer-level robots and other hardware devices with comparable functions and technologies at competitive prices to compete against competitors in different consumer-level robots and other hardware devices markets in the PRC. For example, we intend to develop pool cleaning robot and lawn mower in 2023 to expand our product lines of consumer-level robots and other hardware devices. Such products are intended to capture the overseas markets such as North America. According to Frost & Sullivan, pool cleaning robots have become increasingly demanded as a result of the growing popularity of swimming pools and awareness of the benefits of pool maintenance, and the global pool cleaning robot market is anticipated to reach USD0.9 billion by 2028, representing a CAGR of 25.1% from 2022 to 2028. Furthermore, the growing demand for lawn maintenance and garden activities is expected to fuel the market growth of the global lawn mower market according to Frost & Sullivan, and the market size is expected to reach USD0.5 billion by 2028, representing a CAGR of 33.3% from 2022 to 2028. With (i) the simple and easy-to-use wireless design and AI algorithms that will improve cleaning efficiency and quality for our pool cleaning robot and (ii) the ability to allow effective hands-free outdoor lawn mowing and autonomous navigation, outdoor route planning, parameter identification and obstacle avoidance for our lawn mowers, our Directors believe that our competitively priced pool cleaning robots and lawn mowers will be capable of capturing market demand in the relevant industries and the revenue generated from our consumer-level robots and other hardware devices is expected to continue to grow.

To reach out to more consumers and increase accessibility of our consumer-level robots and other hardware devices, we will also enhance our brand awareness and optimize our sales channels by establishing more regional offices, branch offices and showrooms across the PRC and overseas to reach out to more consumers.

(ii) Effectively managing our costs and expenses

We believe that our ability to manage and minimize operational costs and expenses while increasing the scale of our operations is essential to the success and future of our business and profitability.

During the Track Record Period, our cost of sales amounted to RMB409.5 million, RMB561.3 million, RMB714.2 million, RMB244.7 million and RMB208.5 million for FY2020, FY2021, FY2022, 6M2022 and 6M2023, respectively. We intend to implement the following measures to reduce our cost of sales:

- We intend to continue to implement measures to reduce our cost of sales by lowering our cost of raw materials and consumables and subcontracting fees. During the Track Record Period, our cost of raw materials and consumable goods used, mainly included compliers, PCB boards, electronic parts, plastic parts and electromechanical parts, which represented the largest portion of our cost of sales, accounted for 53.1%, 62.6%, 64.2%, 54.6% and 61.0% of our total cost of sales for FY2020, FY2021, FY2022, 6M2022 and 6M2023, respectively. As a means to further enhance our sustainability and reduce cost of raw materials and consumables, we (i) pursue acquisition and/or investment opportunities in upstream suppliers of raw materials, hardware and/or services in the smart service robotic products and services industry to enhance our overall business performance, operational and cost efficiencies. Such vertical integration has proven to be effective during the Track Record Period as we were able to lower our subcontracting fees from RMB105.8 million to RMB63.8 million from FY2021 to FY2022 upon the acquisition of Shanghai UBJ, which resulted in an increase in gross profit margin from sales of education smart robotic products and services from 44.8% to 56.1% from FY2021 to FY2022; and (ii) maintain a register of alternative suppliers of raw materials and consumable goods which is updated on a regular basis in order to ensure that the cost of raw materials and consumables used in our production processes are in line with the latest market trends, minimize our production costs and safeguard against unexpected price and supply fluctuations.
- During the Track Record Period, our sales volume of robotic products were over 190,000 units, 160,000 units, 260,000 units, 90,000 units and 130,000 units in FY2020, FY2021, FY2022, 6M2022 and 6M2023, respectively, with average cost per unit of approximately RMB1,000, RMB1,300, RMB900, RMB1,100 and RMB700, respectively. Our Directors believe that as we increase the sales volume of our products, we expect to further lower our cost of sales due to improved economies of scale and operational efficiency. We intend to take advantage of the increased purchase amounts of raw materials (eg. PCB boards and electronic parts) upon achieving mass production of our smart service robotic products and services to negotiate and obtain bulk purchase discounts from our suppliers. Furthermore, we are able to leverage on the increasing sales volume of our AiRROBO vacuum cleaner and AiRROBO cat

litter box since their launch during the Track Record Period and obtain bulk purchase discounts in relation to their raw materials (e.g. switchboards, plastic components and casings) from the relevant suppliers.

- We intend to utilize additional machineries in order to further leverage on robotic technologies to achieve automation of certain procedures throughout the assembly, testing and packaging stages of the production process of our smart service robotic products. For example, the relevant workforce stationed at certain procedures during the assembly process of our smart service robotic products which involve repetitive tasks, such as the installation of screws and transportation of materials, can be assisted or replaced by appropriate machineries. Our Directors believe that this initiative not only enables us to reduce labour costs and better manage our cost of sales, but can also enhance the precision and efficiency of our production process to ensure better quality of our smart service robotic products.

Our R&D expenses accounted for 57.9%, 63.3%, 42.5%, 72.3% and 85.9% of our total revenue for FY2020, FY2021, FY2022, 6M2022 and 6M2023, respectively. We expect to continue to evaluate and monitor the effectiveness and efficiency of our R&D expenses in order to improve our operational efficiency. Although we expect to maintain a relatively high level of R&D expense in the future to enhance our R&D capabilities and robotic and AI technologies for our products and services, we also expect our R&D expenses as a percentage to our total revenue to experience a general decreasing trend in the long term since (i) we possess a full stack of modularized robotic and AI technologies, some of which are currently not fully utilized in the commercialization for our products and services due to, according to the best information and knowledge of our Directors, the current standards of such core technologies exceeding the necessary requirements to satisfy current consumer preferences and demand in the smart service robotic products and services industry and we believe that they are capable of meeting future changes in consumer preferences and demand in the smart service robotic products and services industry upon the proliferation of smart service robotic products and services offerings resulting from the increase in demand for more advanced products and services, (ii) employee benefit expenses, which is the largest component of our R&D expenses during the Track Record Period, generally do not change proportionately with revenue growth. We have also implemented measures to remove underperforming employees, as well as to assess the organizational structure of each department on a regular basis and set headcount limits in accordance with the Group's actual business needs. We also intend to conduct regular assessments on the performance of our R&D staff and cost-benefit analysis on the relevant employee benefit expenses in order to ensure that their remuneration packages reflect their performance levels and are consistent with market standards; (iii) we expect returns from our upfront R&D investments during the Track Record Period in terms of new and upgraded core technologies, products and services, which can be commercialized and are expected to generate future revenue for us; and (iv) as we conduct more R&D projects in relation to various core technologies, products and services, our R&D capabilities and efficiencies are expected to improve due to economies scale as the results of such R&D projects are expected to lead to technological breakthroughs which can facilitate and synergize with the future R&D of additional core technologies, products and services of the Group. We also plan to continue investing in our product and services R&D capabilities, particularly with respect to our core technologies, in order to enhance our technologies utilized under our products and services and reinforce our established position in the industry. See "Our Business Strategies" above for further details.

Our selling and marketing expenses accounted for 42.3%, 43.8%, 35.8%, 60.5% and 72.7% of our total revenue for FY2020, FY2021, FY2022, 6M2022 and 6M2023, respectively. We expect to continue to evaluate and monitor the effectiveness and efficiency of our selling and marketing expenses in order to improve our operational efficiency and for our selling and marketing expenses as a percentage to our total revenue to experience a general decreasing trend in the long term due to the following reasons:

- Leveraging our commercialization capabilities in the education smart robotic products and services industry, we have been gradually and continuously developing smart service robotic products and services that can be used in various key industries, including education, logistics, general service (such as guiding assistance and security patrol smart robots), and wellness and elderly care. As a result, we believe that our experience in launching new products and services in different use scenarios across different sectors will enable us to strengthen our market position in the smart service robotic products and services industry and enhance our brand awareness and market penetration into existing and new industries without incurring significant selling and marketing expenses;

- During the Track Record Period, certain customers of our smart service robotic products and services were (i) governmental bodies such as education bureaus and local management committees; and (ii) SOEs which were engaged in multiple business disciplines. As such customers tend to have more financial resources available and greater needs for our products and services in terms of quantity and variety across different governmental bodies under the same local government (for governmental bodies) or across different business segments or group companies (for SOEs), we intend to improve our sales and marketing efficiency by promoting to such customers (i) the up-selling of our smart service robotic products and services by encouraging the purchase of products and services which have a higher price due to enhanced technological specifications and with additional functionalities to cater to their specific needs; and (ii) the cross-selling of our smart service robotic products and services by encouraging the purchase of products and services which (a) are complementary to or (b) are under a different business segment of our Group from their original purchase. Our Directors believe that such up-selling and cross-selling will create new business opportunities for us, foster a closer business relationship with such customers and increase the average value per purchase order and their frequency, which will in turn enhance our revenue streams in a more cost effective manner;

- We have implemented measures to remove underperforming employees, as well as to assess the organizational structure of each department on a regular basis and set headcount limits in accordance with the Group's actual business needs. We also intend to conduct regular assessments on the performance of our sales and marketing staff and cost-benefit analysis on the relevant employee benefit expenses in order to ensure that their remuneration packages reflect their performance levels and are consistent with market standards;

- During the Track Record Period, we have participated in various major national and international events which allows us to benefit from word-of-mouth marketing and minimizes our selling and marketing expenses. Such events include (i) participation on China's CCTV Spring Festival Gala in 2021, (ii) selected as the sole official intelligent robot partner of the Floriade China Pavilion at the World Horticultural Expo 2022 in the Netherlands in April 2022, (iii) invited to deploy nine of our humanoid Alpha Mini robots to participate in one of the opening ceremony performances of the Beijing Winter Olympic Games in 2022, and (iv) appointed as the sole official AI-robotics partner in the China Pavilion of Dubai World Expo in 2021 to 2022. Our Directors believe that the same marketing effects can also be achieved from our online social media presence, participation in exhibitions and showrooms and various sponsorships. We believe that we will be able to participate in similar events and marketing activities in the future, thus reduce our recurring selling and marketing expenses in the long term;

- According to Frost & Sullivan, we are (i) ranked 3rd in the smart service robotic products and services industry in China (in terms of revenue in 2022) with a market share of 2.8%; and (ii) China's No. 1 provider of education smart robotic products and services (in terms of revenue in 2022) with a market share of 22.5%. As such, we expect that we are capable of utilizing our established position to attract and retain customers and end-users of our products and services and reduce expenses on marketing and promotions in the long term; and

- We plan to continue to expand our market presence in the consumer-level robots and other hardware devices segment in response to the growing popularity of smart service self-learning and smart home initiatives by focusing on consumer trends, customer needs and value-for-money, which will enable us to transact directly with end-users and improve our sales and marketing efficiency in the long term.

Our general and administrative expenses (excluding one-off expenses for the acquisition of a subsidiary) amounted to approximately RMB212.1 million, RMB325.9 million, RMB306.1 million, RMB162.5 million and RMB177.6 million, respectively, representing for 28.6%, 39.9%, 30.4%, 57.3% and 68.0% of our total revenue for FY2020, FY2021, FY2022, 6M2022 and 6M2023, respectively. We expect to manage both the absolute number of general administration and management staff and the percentage to the total number of employees in the coming future. We intend to achieve this by continuing to evaluate and monitor the effectiveness and efficiency of our general and administrative expenses in order to improve our operational efficiency. In particular, we have implemented measures to remove underperforming employees, as well as to assess the organizational structure of each department on a regular basis and set headcount limits in accordance with the Group's actual business needs. We also intend to conduct regular assessments on the performance of our general administration staff and cost-benefit analysis on the relevant employee benefit expenses in order to ensure that their remuneration packages reflect their performance levels and are consistent with market standards. As such, we expect our general and administrative expenses as an absolute amount and a percentage to our total revenue to experience a general decreasing trend in the long term since employee benefit expenses, which is the largest component of our general and administrative expenses during the Track Record Period, generally do not change proportionately with revenue growth.

However, we may not be able to achieve or subsequently maintain profitability in the future. We believe that our future revenue growth will depend on, among other factors, our ability to develop new technologies, enhance customer experience, establish effective commercialization strategies, compete effectively and successfully and develop new products and services. See "Risk Factors – Risks Relating to our Business – We have incurred significant operating losses and net losses during the Track Record Period, and may not be able to achieve or subsequently maintain profitability in the future."

Awards and Recognition

The following table sets forth major awards and recognitions we received during the Track Record Period.

Award/Recognition	Award Year	Awarding Institution/Authority
The 9th Annual Capek Award for Brand Excellence (第九屆恰佩克獎年度卓越品牌獎)	2023	China Mechatronics Technology Application Association
Bronze Award in the MedTech category in the "2023 Edison Awards"	2023	The Edison Awards
2022 CSR Practice Innovation Company of the Year	2022	21st Century Business Herald
"The 19th People's Artisan Brand" Award	2022	People.cn
First Prize for our "Autonomous navigation and operation of robots based on natural interaction" project	2022	China Association of Inventions
Wassi, healthcare robot — Best Design Award	2022	FORTUNE China
First Prize of Science and Technology Progress of Guangdong Province in 2021	2022	People's Government of Guangdong Province, China
Outstanding Partner of World Robot Conference	2022	Chinese Institute of Electronics
WAIC2021 - Pioneer Award	2022	World Artificial Intelligence Conference

Award/Recognition	Award Year	Awarding Institution/Authority
AI Tianma-Leadership	2021	Shenzhen Artificial Intelligence Industry Association
Service Robotic Product Innovation Award	2021	China Artificial Intelligence and Robotics Developers Conference (CAIRDC)
20 Most Socially Influential Start-ups in China	2021	FORTUNE China
Top 10 Robotics Companies in the World that will Gain More Prominence in 2022	2021	Analytics Insight
Walker - one of the most ground-breaking and innovative robotic inventions over the past century	2021	24/7 Tempo
The 10 Most Innovative Robotics Companies of 2020	2020	Fast Company
Leaderobot 2020 China Robotics Science Leadership Award	2020	Leaderobot Expert Review Committee
Wu Wenjun Artificial Intelligence Science and Technology Progress Award (Enterprise Technology Innovation Engineering Project)	2020	Chinese Association for Artificial Intelligence
International Renowned Brand Certificate	2020	United Nations Industrial Development Organization Centre for South-South Industrial Cooperation (China) and Shenzhen Top Brand Evaluation Committee

IMPACT OF COVID-19 OUTBREAK

Our business operations of the following aspects have been affected by COVID-19 since its global outbreak.

Our financials

According to Frost & Sullivan, the global smart service robotic products and services market has been witnessing constant growth over the past years, due to the rise in adoption of smart robots in various scenarios during the COVID-19. Against such shift in market demand, we launched the anti-pandemic models of Cruzr, ATRIS, ADIBOT and AIMBOT. These anti-pandemic models are added with new functionalities, including body-temperature measurement, screening, mask detection and autonomous disinfectant patrol.

Since 2020, we have also introduced a new line of smart service robots, such as the ADIBOT Series, anti-pandemic model of Cruzr and anti-pandemic model of AIMBOT with additional functionalities, including body temperature measurement, QR code scanning and disinfection screening. Thus, our revenue generated from our sale of general service smart robots increased from RMB36.3 million in FY2020 to RMB77.4 million in FY2021 primarily due to the increase in demand of these products amidst the outbreak of COVID-19. However, although the demand for our education smart robotic products and services decreased due to force majeure events such as pandemics, we believe that these events did not have any material or adverse effect on our business operations and financial performance.

Our supply chain and production

Following the COVID-19 outbreak, we tried to minimize the impact caused by the disruption of transportation to our operations by procuring from alternative suppliers located in other cities.

Moreover, the purchases from our top five suppliers in each year/period during the Track Record Period amounted to RMB144.3 million, RMB195.0 million, RMB188.2 million and RMB105.8 million, respectively, representing 35.2%, 34.7%, 26.3% and 50.7% of our total cost of sales for the respective years/period, whereas the purchases from our largest supplier in each year/period during the Track Record Period amounted to RMB73.9 million, RMB93.7 million, RMB60.5 million and RMB44.8 million, representing 18.0%, 16.7%, 8.5% and 21.5% of our total cost of sales for the respective years/period. During the Track Record Period, the COVID-19 outbreak since the first quarter of 2020 has put extra strain on our supply chain locally and globally, causing increasing costs and more frequent delays. As a result, the delivery of (i) certain components to us and (ii) our products and services to certain customers have experienced delays of more than one month. The additional fees in relation to logistics services incurred as a result of the COVID-19 outbreak in FY2021 and FY2022 amounted to approximately RMB5.0 million. Nevertheless, our Directors consider that we did not encounter any major difficulties regarding our supply chain as we had no heavy reliance on any particular supplier during the Track Record Period.

As to our production, we temporarily suspended our production facilities in Shenzhen in FY2020 and FY2022 on a few occasions in view of COVID-19. Our Directors believe that the suspensions did not have a material impact on our overall operations and financials, as our production and inventory levels were sufficient to support our operations. As of the Latest Practicable Date, all of our production facilities have resumed operations.

Industry

According to Frost & Sullivan, the global economy was affected by the outbreak of COVID-19. However, the market demand for certain types of products such as disinfection smart robots increased temporarily. It is expected that such market trend will last for the foreseeable future as COVID-19 has affected the everyday lifestyle of people. Thus, since 2020, we introduced new line of robots, which are designed to assist our customers to implement anti-pandemic measures amidst the outbreak of COVID-19, such as our anti-pandemic model of Cruzr and AIMBOT with additional functionalities, including body temperature measurement, QR code scanning and disinfection.

Overall business prospects

Our Directors consider that although the COVID-19 pandemic had restricted our participation at industry marketing events and exhibitions, especially international events which allowed us to reach out to our international audience, and has severely affected our sales volume and revenue derived from overseas markets, the COVID-19 pandemic has brought about new opportunities to our business landscape and to explore contactless interactions in our daily lives. In particular, our wellness and elderly care smart robotic products and services can assist users who require precise and constant care-taking and our education smart robotic products and services promote learning and education without the restriction of borders and time.

Our Directors anticipate there will be a recovery of the general economic environment and rebound in market demands, and we will be able to resume participating at international marketing events and exhibitions to promote, sale and deliver our products and services overseas and thereby increase our revenue contribution from overseas countries.

OVERVIEW

Upon [**REDACTED**], we will continue to carry out certain transactions with connected persons (as defined under Chapter 14A of the Listing Rules) and such transactions will constitute continuing connected transactions of our Group under Chapter 14A of the Listing Rules.

CONNECTED PERSON

The table below sets out certain details about our connected persons who will have transactions with the Group upon [**REDACTED**] and the nature of their relationship with the Group.

Name of our connected person	Nature of the connected person's relationship with the Group and details of our connected person
MAE or its subsidiaries	MAE is a company listed on the Shenzhen Stock Exchange (stock code: 002009.SZ) and directly and indirectly holds a total of 30.97% of the equity interest in Wuxi Uqi, a subsidiary of our Company. As such, MAE is a substantial shareholder of our subsidiary and thus a connected person pursuant to Rule 14A.07(1) of the Listing Rules.

NON-EXEMPT CONTINUING CONNECTED TRANSACTION

Master Purchase Agreement

Description of the transactions

On November 23, 2023, Wuxi Uqi and MAE entered into a Project Engineering Services and Products Framework Agreement (the "**Framework Agreement**"), pursuant to which Wuxi Uqi agreed to supply, and MAE agreed to purchase relevant smart robotic products and services required for the completion of MAE's contracted engineering projects, including but not limited to the engineering design, implementation and delivery in relation to such projects (the "**MAE Products and Services**"), for a term commencing on the [**REDACTED**] until 31 December 2025.

Pursuant to the Framework Agreement, Wuxi Uqi agreed to supply the MAE Products and Services to MAE at prices to be determined by negotiations according to the principles of fairness and reasonableness, with references to the following factors: (i) the prevailing market prices of similar products and services supplied to MAE by independent third parties, (ii) the total contract amounts involved, (iii) the specifications of equipment required, (iv) the amount of personnel required and (v) the time required to supply the MAE Products and Services. The parties agreed that they may enter into further agreements setting out additional specific terms and conditions pertaining to the MAE Products and Services ("**Further Agreements**"); however, the terms and conditions set out in the Framework Agreement (including as to pricing and the term) shall be deemed to be included in any such Further Agreements.

Historical transaction amounts

The MAE Group purchased the MAE Products and Services from Wuxi Uqi during the Track Record Period. For each of FY2020, FY2021, FY2022 and 6M2023, the aggregate amounts incurred by the MAE Group for the purchase of the MAE Products and Services from Wuxi Uqi amounted to approximately RMB12.7 million, RMB175.0 million, RMB251.2 million and RMB71.4 million, respectively.

Reasons for and benefits of the transactions

For details of the reasons for and the benefits of providing the MAE Products and Services to the MAE Group, please see "Business — Overlapping of Customers and Suppliers — Overlapping Relationship with MAE Group — Reasons and Benefits".

Proposed annual caps

For each of the financial years ending December 31, 2023, 2024 and 2025, it is estimated that the maximum purchase price payable by the MAE Group to Wuxi Uqi in respect of the purchase of the MAE Products and Services shall not exceed RMB294.0 million, RMB122.0 million and RMB82.0 million, respectively.

Basis of determination of annual caps

In determining the aforementioned annual caps, our Directors have considered (i) the historical transaction amounts during the Track Record Period, (ii) the prevailing market prices of similar products and services supplied to the MAE Group by independent third parties, (iii) the total contract amounts involved, (iv) the specifications of equipment required, (v) the amount of personnel required, (vi) the time required to supply the MAE Products and Services and (vii) the average historical amounts during the Track Record Period.

Listing Rules implications

For the purpose of Rule 14.07 of the Listing Rules, given that one or more of the applicable percentage ratios of the transactions contemplated under the Framework Agreement are more than 25%, the transactions contemplated under the Framework Agreement will constitute non-exempt continuing connected transactions which are subject to the announcement, circular and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules upon [**REDACTED**].

WAIVER FROM STRICT COMPLIANCE WITH THE LISTING RULES

As one of the applicable percentage ratios pursuant to Rule 14.07 of the Listing Rules in respect of the Framework Agreement are more than 25%, the transactions contemplated under the Framework Agreement shall be subject to the announcement, circular and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As (i) the Framework Agreement is expected to continue on a recurring and continuing basis and in the ordinary course of business of our Group, (ii) the Framework Agreement was entered into prior to the [**REDACTED**] and has been disclosed in this document for our potential investors, and (iii) our potential investors will participate in the [**REDACTED**] on the basis of the full disclosure of the Framework Agreement in this document, our Directors consider that compliance with the announcement, circular and independent Shareholders' approval requirements in respect thereof immediately after the [**REDACTED**] would be impractical and unduly burdensome, and would create unnecessary administrative costs on our Group.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange [has granted], a waiver to us under Rule 14A.105 of the Listing Rules from compliance with the announcement, circular and independent Shareholders' approval requirements in respect of the Framework Agreement.

In the event of any future amendments to the Listing Rules imposing more stringent requirement than those applicable as of the Latest Practicable Date on the continuing connected transactions referred to in this section, we will take immediate steps to ensure compliance with such new requirements within a reasonable time.

CONFIRMATION FROM OUR DIRECTORS

Our Directors (including our Independent Non-executive Directors) are of the view that the Framework Agreement, which had been and will be entered into in the ordinary and usual course of our business and on normal commercial terms or better, are fair and reasonable and in the interests of our Group and our Shareholders as a whole. They are also of the view that the proposed annual caps for the Framework Agreement are fair and reasonable and in the interests of our Group and our Shareholders as a whole.

CONFIRMATION FROM THE SOLE SPONSOR

The Sole Sponsor has reviewed the relevant information and historical figures prepared and provided by our Group relating to the Framework Agreement, and have also discussed the Framework Agreement with us. Based on such due diligence efforts, the Sole Sponsor is of the view that the Framework Agreement, which had been and will be entered into in the ordinary and usual course of our business and on normal commercial terms or better, are fair and reasonable and in the interests of our Group and our Shareholders as a whole. The Sole Sponsor is also of the view that the proposed annual caps for the Framework Agreement are fair and reasonable and in the interests of our Group and our Shareholders as a whole.

OVERVIEW

The Board currently consists of eleven Directors, including four Executive Directors, three Non-executive Directors and four Independent Non-executive Directors. The Board is responsible for and has the general power over the management and operations of our Group, including determining our business strategies and investment plans, implementing resolutions passed at our Shareholders' general meetings, and exercising other powers, functions and duties as conferred by the Articles of Association. The Board also assumes the responsibilities for developing and reviewing the policies and practices of our Group on corporate governance, risk management and internal control and compliance with legal and regulatory requirements.

The Board of Supervisors currently consists of three Supervisors, including one employee representative Supervisor and two shareholder representative Supervisors. The Board of Supervisors is responsible for supervising the performance of duty of the Board and the senior management of our Company and overseeing the financial, internal control and risk conditions of our Group. The employee representative Supervisor is elected by our employees, while shareholder representative Supervisors are elected at the Shareholders' general meetings.

The senior management is currently comprised of three members who are responsible for our day-to-day management and operations.

Directors

The following table sets out certain information in respect of our Directors:

Name	Age	Position	Date of joining our Group	Date of appointment as a Director	Main roles and responsibilities	Relationship with other Directors, Supervisors or senior management
Executive Directors						
Mr. Zhou Jian (周劍)	47	Chairman of the Board, Executive Director and chief executive officer	March 31, 2012	March 31, 2012	Responsible for leadership of the Board, corporate governance promotion, strategic planning, and major decision-making for our Group	N/A
Mr. Xiong Youjun (熊友軍)	45	Executive Director, chief technology officer and deputy general manager	June 10, 2012	June 29, 2020	Responsible for the management of technology research and development	N/A
Ms. Wang Lin (王琳)	48	Executive Director, assistant to the chairman of the Board and head of the general manager's office	March 31, 2012	March 1, 2016	Responsible for the coordination of company-level projects and daily administration operations	N/A
Mr. Liu Ming (劉明)	47	Executive Director and vice president of the human resources department	July 30, 2016	March 20, 2020	Responsible for human resources management and administration	N/A
Non-executive Directors						
Mr. Xia Zuoquan (夏佐全)	60	Non-executive Director	August 20, 2015	August 20, 2015	Responsible for providing opinions and judgment to the Board	N/A
Mr. Zhou Zhifeng (周志峰)	46	Non-executive Director	August 20, 2015	August 20, 2015	Responsible for providing opinions and judgment to the Board	N/A

Name	Age	Position	Date of joining our Group	Date of appointment as a Director	Main roles and responsibilities	Relationship with other Directors, Supervisors or senior management
Mr. Chen Qiang (陳強)	40	Non-executive Director	November 29, 2022	November 29, 2022	Responsible for providing opinions and judgment to the Board	N/A
Independent Non-executive Directors						
Mr. Zhao Jie (趙杰)	55	Independent Non-executive Director	March 23, 2019	March 23, 2019	Responsible for providing independent advice to our Group	N/A
Mr. Xiong Chuxiong (熊楚熊)	68	Independent Non-executive Director	March 23, 2019	March 23, 2019	Responsible for providing independent advice to our Group	N/A
Mr. Poon Fuk Chuen (潘福全)	62	Independent Non-executive Director	November 29, 2022	November 29, 2022	Responsible for providing independent advice to our Group	N/A
Mr. Leung Wai Man, Roger (梁偉民)	67	Independent Non-executive Director	February 18, 2023	February 18, 2023	Responsible for providing independent advice to our Group	N/A

Supervisors

The following table sets out the information in respect of our Supervisors:

Name	Age	Position	Date of joining our Group	Date of appointment as a Supervisor	Main roles and responsibilities	Relationship with other Directors, Supervisors or senior management
Mr. Deng Feng (鄧峰)	41	Shareholder representative Supervisor, chairman of the Board of Supervisors and the general manager of the center of compliance	December 12, 2017	March 23, 2019	Responsible for exercising supervisory duties in accordance with regulatory requirements and the Articles of Association	N/A
Mr. Ben Cangsang (賁滄桑)	47	Shareholder representative Supervisor, general manager for information technology	February 24, 2020	March 20, 2020	Responsible for exercising supervisory duties in accordance with regulatory requirements and the Articles of Association	N/A
Ms. Wang Xingru (王興茹)	58	Employee representative Supervisor, director of internal audit	August 2, 2018	March 23, 2019	Responsible for exercising supervisory duties in accordance with regulatory requirements and the Articles of Association	N/A

Senior Management

The following table sets out the information in respect of the current members of our senior management who are responsible for the operation and management of our Group.

Name	Age	Position	Date of joining our Group	Date of appointment as a senior management	Main roles and responsibilities	Relationship with other Directors, Supervisors or senior management
Mr. Zhou Jian (周劍)	47	Chairman of the Board, Executive Director and chief executive officer	March 31, 2012	March 31, 2012	Responsible for leadership of the Board, corporate governance promotion, strategic planning, and major decision-making for our Group	N/A
Mr. Zhang Ju (張鉅)	48	Deputy general manager, chief financial officer and secretary of the Board	December 12, 2017	December 12, 2017	Responsible for overall finance and accounting functions and the Board and capital markets affairs of our Group	N/A
Mr. Xiong Youjun (熊友軍)	45	Executive Director, chief technology officer and deputy general manager	June 10, 2012	June 10, 2012	Responsible for the management of technology research and development	N/A

DIRECTORS

Executive Directors

Mr. Zhou Jian (周劍), aged 47, is the founder of our Group, our chief executive officer and a Controlling Shareholder, and was appointed as a Director on March 31, 2012 and as the Chairman of the Board on September 29, 2013 and re-designated as an Executive Director on December 9, 2022. He is responsible for leadership of the Board, corporate governance promotion, strategic planning, and major decision-making for our Group. He is the chairman of the Strategy Committee, a member of the Nomination Committee and a member of the Remuneration and Appraisal Committee. He also holds the following positions within our Group:

Name of company	Position
Shenzhen UBTECH Technology Industrial Co., Ltd.* (深圳市優必選科技實業有限公司)	Executive director
UBTECH Entertainment (Shenzhen) Co., Ltd.* (優必選娛樂(深圳)有限公司)	General manager and executive director
UBTECH Software Technology (Shenzhen) Co., Ltd.* (優必選軟件技術(深圳)有限公司)	General manager and executive director
UBTECH Education (Shenzhen) Co., Ltd.* (優必選教育(深圳)有限公司)	General manager and executive director
UBTECH ROBOTICS LIMITED (優必選機器人有限公司)	Director

From November 2007 to March 2012, Mr. Zhou founded and served as a director for UNION BROTHER (SHANGHAI) LIMITED* (優鎧(上海)機械有限公司), a company principally engaged in the manufacturing of and supply of solutions for automation equipment production lines for the high-end building materials industry. From May 2000 to December 2005, Mr. Zhou worked as the manager for the Asia Pacific region for Michael Weinig AG, a company principally engaged in the manufacturing of and supply of solutions for automation machines and equipment for home building.

Mr. Zhou obtained a bachelor of engineering in wood processing from Nanjing Forestry University (南京林業大學) in the PRC in June 1999. Mr. Zhou was elected as a deputy of the 13th People's Congress of Guangdong Province, the PRC on January 22, 2018 for a term of 5 years, and was elected as a member of the Youth Entrepreneurs Committee of APEC China Business Council in November 2018 for a term of 2 years. On May 29, 2019, he was recognized as Local-level Talent by Shenzhen Human Resources and Social Security Administration of Shenzhen Municipality. He was accredited as the chief expert of intelligent robots by Shenzhen Artificial Intelligence Industry Association on July 31, 2019.

Mr. Xiong Youjun (熊友軍), aged 45, is our chief technology officer and a deputy general manager, and was appointed as a Director on June 29, 2020 and re-designated as an Executive Director on December 9, 2022. He joined our Company as chief technology officer on June 10, 2012, and is responsible for the management of technology research and development. He is a member of the Strategy Committee. He also holds the following positions within our Group:

Name of company	Position
Jiujiang Youbixing Technology Co., Ltd.* (九江優必行科技有限公司)	General manager
UBTECH (Puyang) Technology Co., Ltd.* (優必選(濮陽)科技有限公司)	Executive director

Mr. Xiong served as a member of the CPPCC in Nanshan District, Shenzhen from 2017 to 2022.

Mr. Xiong obtained a bachelor of engineering in motor vehicles and engines from Wuhan University of Automotive Technology (武漢汽車工業大學) in the PRC (one of the predecessors of Wuhan University of Technology) in June 1999 and obtained a master of engineering in power machinery and engineering from Wuhan University of Technology (武漢理工大學) in the PRC in April 2002. He then obtained a doctor of philosophy of engineering in mechanical design and theory from Huazhong University of Science and Technology (華中科技大學) in the PRC in December 2005. In February 2018, he was assessed by the Shenzhen Human Resources and Social Security Administration of Shenzhen Municipality as a reserve professional talent in Shenzhen.

Ms. Wang Lin (王琳), aged 48, is a head of general manager's office and an assistant to the chairman of the Board, and was appointed as a Director on March 1, 2016 and re-designated as an Executive Director on December 9, 2022. She joined our Company as an assistant to the chief executive officer on March 31, 2012 and is responsible for the coordination of company-level projects and daily administration operations. She is a member of the ESG and Sustainability Committee. She also holds the following positions within our Group:

Name of company	Position
Chengdu Youxuan Ruizhi Equity Investment Fund Management Co., Ltd.* (成都優選睿智股權投資基金管理有限責任公司)	Director
UBTECH (Taiyuan) AI Robotic Co., Ltd.* (優必選(太原)智能機器人有限公司)	Executive director
UBTECH Technology (Kunming) Co., Ltd.* (優必選科技(昆明)有限公司)	Manager
Shanghai UBTECH Intelligent Health Technology Development Co., Ltd.* (上海優必選智慧健康科技發展有限公司)	Executive director and general manager
UBTECH (Shenzhen) Technology Co., Ltd.* (優必選(深圳)科技有限公司)	Executive director
UBTECH Logistic (Kunming) Co., Ltd.* (優必選物流(昆明)有限公司)	Executive director
UBTECH (Chongqing) Technology Co., Ltd.* (優必選(重慶)科技有限公司)	Supervisor
UBTECH (Hangzhou) Technology Co., Ltd.* (優必選(杭州)科技有限公司)	Executive director and manager
Guizhou UBTECH Technology Co., Ltd.* (貴州優必選科技有限公司)	Executive director and manager
Ezhou UBTECH Technology Co., Ltd.* (鄂州優必選科技有限公司)	Executive director
UBTECH (Yangzhou) Technology Co., Ltd.* (優必選(揚州)科技有限公司)	Executive director

Name of company	Position
UBTECH (Hebei) Technology Co., Ltd.* (優必選(河北)科技有限公司)	Executive director
UBTECH (Hubei) Technology Co., Ltd.* (優必選(湖北)科技有限公司)	Executive director
UBTECH (Weihai) Technology Co., Ltd.* (優必選(威海)科技有限公司)	Executive director
UBTECH (Shantou) Technology Co., Ltd.* (優必選(汕頭)科技有限公司)	Executive director
UBTECH (Suzhou) Technology Co., Ltd.* (優必選(蘇州)科技有限公司)	Executive director and manager
Shenzhen UBTECH Technology Industrial Co., Ltd.* (深圳市優必選科技實業有限公司)	Supervisor
UBTECH North America Research and Development Center Corp	Director
Shenzhen Youxuan Zhiyi Elderly Caring Service Co., Ltd.* (深圳市優選智頤養老服務有限公司)	General manager
Youdi Health Technology (Shenzhen) Co., Ltd.* (優邸健康科技(深圳)有限公司)	Chairman and director
Shenzhen Youlingjing Technology Co., Ltd.* (深圳市優靈境科技有限公司)	Executive director and general manager
Shenzhen Youbifu Technology Co., Ltd.* (深圳市優必服科技有限公司)	Executive director and general manager
Shenzhen Xuanyou Technology Co., Ltd.* (深圳市選優科技有限公司)	Executive director and general manager
Ganzhou UBTECH Intelligent Technology Co., Ltd.* (贛州優必選智能科技有限公司)	Executive Director
Shenzhen UBTECH Medical Robot Co., Ltd.* (深圳市優必選醫療機器人有限公司)	Executive Director
Guangzhou UBTECH Intelligent Health Industry Co., Ltd.* (廣州優必選智慧健康產業有限公司)	Executive Director
Shandong UBTECH Technology Co., Ltd.* (山東優必泰克科技有限公司)	Executive director and general manager
UBTECH (Hejin) Technology Co., Ltd.* (優必選(河津)科技有限公司)	Executive director
Hebei UBTECH Intelligent Technology Co., Ltd.* (河北優必選智能科技有限公司)	Executive director
UBTECH (Zhengzhou) Intelligent Agriculture Technology Co., Ltd.* (優必選(鄭州)智慧農業科技有限公司)	Executive director

Prior to joining our Group, from January 2008 to January 2012, Ms. Wang worked as an assistant to the general manager for Youkai (Shenzhen) Machinery Co., Ltd.* (優鎧(深圳)機械有限公司) ("**Youkai Machinery**") (formerly known as UBTECH Machinery (Shenzhen) Co., Ltd.* (優必選機械(深圳)有限公司)), a company established in the PRC on January 14, 2008 principally engaged in the supply of machines for wood processing which was deregistered in November 2020. Youkai Machinery had been wholly owned by Union Brother (China) Limited (優必選(中國)有限公司) ("**Union Brother**"), a company established in Hong Kong, since its incorporation until its deregistration in November 2020.

Since incorporation, Union Brother was owned as to 33.33% by Mr. Zhou Jian, as to 33.34% by Mr. Chen Zhenjiang and as to 33.33% by Mr. Xia Yongjun. Mr. Zhou Jian transferred all of his shareholding in Union Brother to Mr. Zuo Zhongbin on October 12, 2016, and Mr. Zuo Zhongbin then subsequently transferred all of his equity interest in Union Brother to Mr. Zhuo Xianbin on October 18, 2019. As at the Latest Practicable Date, Union Brother was owned as to 33.33% by Mr. Zhuo Xianbin, as to 33.34% by Mr. Chen Zhenjiang and as to 33.33% by Mr. Xia Yongjun. Union Brother had been a holding company and had not engaged in any business activity since its incorporation.

The relationships (business, employment, family, trust, financing or otherwise) between Youkai Machinery and Union Brother on the one hand and the Company or its subsidiaries, their directors/supervisors, shareholders or senior management, or any of their respective associates thereof on the other hand are as set out as follows:

- Mr. Zhou Jian is an executive Director and a Controlling Shareholder. Other than being one of the ultimate beneficial owners of Youkai Machinery (through his shareholding in Union Brother) until October 12, 2016 and a director of Youkai Machinery until November 8, 2016, Mr. Zhou Jian did not have other relationship with Youkai Machinery and/or Union Brother;

- Mr. Chen Zhenjiang is an Independent Third Party. Mr. Chen Zhenjiang was one of the co-founders of the Company. Mr. Chen Zhenjiang also co-founded UNION BROTHER (SHANGHAI) LIMITED* (優鎧(上海) 機械有限公司), a company principally engaged in the manufacturing and supply of solutions for automation equipment production lines for high-end building materials industry, along with Mr. Zhou Jian and Mr. Xia Yongjun in 2007 and has served as its director since its founding. Mr. Zhou Jian subsequently disposed of his equity interest in UNION BROTHER (SHANGHAI) LIMITED* (優鎧(上海)機械有限公司) in October 2016. Mr. Chen Zhenjiang did not play any role or assume any responsibilities in the day-to-day management and operations of the Group save for being a supervisor of the Company from September 2013 to January 2014, and disposed of all of his equity interest in the Company in the Dec-2013 Transfer. To the best knowledge of our Company, other than being one of the ultimate beneficial owners of Youkai Machinery (through his shareholding in Union Brother) until its liquidation in November 2020, Mr. Chen Zhenjiang did not have other relationship with Youkai Machinery and/or Union Brother;
- Mr. Xia Yongjun is a Controlling Shareholder, served as a Director from October 23, 2013 to March 29, 2019 and has served as a supervisor of Kunming UBTECH since May 2017. Other than being one of the ultimate beneficial owners of Youkai Machinery (through his shareholding in Union Brother) until its liquidation in November 2020, Mr. Xia Yongjun did not have other relationship with Youkai Machinery and/or Union Brother; and
- Mr. Zuo Zhongbin joined the Company as an administrative manager of the Company in May 2014, responsible for the management of human resources, and administrative matters and was promoted to the head of the internal control department of the Company in February 2018, responsible for establishing, improving and monitoring the execution of internal control policies of the Company. He also served as a supervisor of the Company from March 2012 to November 2015, and during the Track Record Period, he had been serving or served as a director and legal representative of certain subsidiaries of the Company and served as a supervisor for a subsidiary of the Company. Other than being a supervisor of Youkai Machinery from January 14, 2008 to November 8, 2016, the sole director and legal representative of Youkai Machinery from November 8, 2016 until its liquidation in November 2020 and one of the ultimate beneficial owners of Youkai Machinery (through his shareholding in Union Brother) from June 22, 2017 to October 18, 2019, Mr. Zuo Zhongbin did not have other relationship with Youkai Machinery and/or Union Brother.

Apart from the above, there has not been any other past or present relationship (business, employment, family, trust, financing or otherwise) between Youkai Machinery and Union Brother on the one hand and the Company or its subsidiaries, their directors/supervisors, shareholders or senior management, or any of their respective associates on the other hand.

Ms. Wang obtained a master of science in international financial management from Queen Mary & Westfield College, University of London in England (currently known as Queen Mary University of London) in November 2010. Ms. Wang received a qualification certificate of board secretaries issued by the Shenzhen Stock Exchange in April 2016.

Mr. Liu Ming (劉明), aged 47, is the vice president of the human resources department of our Company, and was appointed as a Director on March 20, 2020 and re-designated as an Executive Director on December 9, 2022. He joined our Company as a vice president of the human resources department on July 2016 and is responsible for human resources management and administration. He is the chairman of the ESG and Sustainability Committee. He is also a director of Shenzhen You Shijie Robotics Co., Ltd.* (深圳市優世界機器人有限公司), Wuxi Uqi and Youdi Health Technology (Shenzhen) Co., Ltd.* (優邸健康科技(深圳)有限公司).

Prior to joining our Group, from January 2012 to July 2016, he served as a senior expert of remuneration COE of the human resources management department for Huawei Technologies Co., Ltd.* (華為技術有限公司). From January 2005 to August 2011, he served as a senior consulting director for Hay Group, a company principally engaged in providing human resources management consulting services. From February 2003 to December 2004, he worked for Taihe Consulting (太和顧問), a company principally engaged in providing management consultancy services as a consulting director. From February 2002 to March 2003, he served as a senior manager for Shanghai Realize Investment Consulting Co., Ltd.* (上海榮正投資諮詢有限公司), a company principally engaged in providing equity incentive consulting services.

Mr. Liu obtained a bachelor of engineering in management engineering (investment economics) and a master of management in technical economics and management from Tongji University (同濟大學) in the PRC in July 1999 and March 2002 respectively.

Non-Executive Directors

Mr. Xia Zuoquan (夏佐全), aged 60, was appointed as a Director on August 20, 2015 and re-designated as a non-executive Director on December 9, 2022. He is responsible for providing opinions and judgment to the Board.

Mr. Xia joined BYD COMPANY LIMITED, a company dual listed on the Main Board of Stock Exchange (stock code: 01211) and the Shenzhen Stock Exchange (stock code: 002594) principally engaged in the automobile business, including new energy vehicles and traditional fuel-engine vehicles, handset components and assembly services, as well as the rechargeable battery and photovoltaics business as an executive director and vice president since June 2002, and currently serves as a non-executive director.

Mr. Xia founded and has been serving as the chairman of Shenzhen Zhengxuan Investment (Holdings) Co., Ltd.* (深圳市正軒投資有限公司), a company principally engaged in investing in high-tech and innovative companies since June 2003.

Mr. Xia served as an independent non-executive director of China Baofeng (International) Limited, a company formerly listed on the Main Board of the Stock Exchange principally engaged in the design of lighting and home furnishing products and the supply chain business which was privatized on September 7, 2020, from February 2016 to September 2020.

Mr. Xia has also been serving as an independent non-executive director of for China YuHua Education Corporation Limited, a company listed on the Main Board of the Stock Exchange (stock code: 6169) principally engaged in operating private schools in the PRC since September 2016.

Mr. Xia obtained a master of senior business management and administration from the Guanghua School of Management of Peking University (北京大學光華管理學院) in the PRC in July 2007.

Mr. Zhou Zhifeng (周志峰), aged 46, was appointed as a Director on August 20, 2015 and re-designated as a non-executive Director on December 9, 2022. He is responsible for providing opinions and judgment to the Board. Mr. Zhou also serves as a director of Shanghai UBJ, a member of our Group.

Mr. Zhou has worked in Qiming Venture Partners (啟明創投), an institution principally engaged in providing venture capital and asset management services since May 2014, and currently serves as an investment partner, focusing on investments in frontier technologies (artificial intelligence, robotics, autonomous driving, etc.), enterprise software, semi-conductor and smart vehicle technology. He is mainly responsible for (i) sourcing and proposing investment deals in relation to technology companies; (ii) conducting due diligence on target companies; and (iii) monitoring the investments of Qiming Venture Partners.

Mr. Zhou graduated from Harbin Institute of Technology (哈爾濱工業大學) in the PRC with a bachelor of engineering in computer science and technology in July 2000, and obtained a master of business administration from Columbia University in the City of New York in the United States in May 2011.

Mr. Chen Qiang (陳強), aged 40, was appointed as a Director on November 29, 2022 and re-designated as a non-executive Director on December 9, 2022. He is responsible for providing opinions and judgment to the Board.

Mr. Chen has worked in Jiujiang Small and Medium Enterprises Service Centre* (九江市中小企業服務中心) (formerly known as Jiujiang Small and Medium Enterprises Bureau* (九江市中小企業局)) since October 2012. In October 2017, he was promoted as the deputy chief of credit guarantee section, responsible for guiding the growth and development of the credit guarantee industry in Jiujiang. From February 2016 to June 2020, he concurrently served as deputy general manager and a director of Jiujiang Industrial Investment Co., Ltd, responsible for formulating strategic plan of the company for the purpose of providing financing to enterprises in Jiujiang. From September 2020, Mr. Chen has been a third-tier principal staff member of Jiujiang Small and Medium Enterprises Service Centre* (九江市中小企業服務中心), mainly responsible for establishment and operation of the government industrial guidance fund.

Mr. Chen was commended in 2021 for his performance as third-tier principal staff member of Jiujiang Small and Medium Enterprises Service Centre* (九江市中小企業服務中心) and in 2022 for his outstanding performance as a civil servant at Jiujiang Small and Medium Enterprises Service Centre* (九江市中小企業服務中心) from 2019 to 2021.

Mr. Chen graduated from Xiangtan University (湘潭大學) in the PRC with a bachelor of economics in June 2005.

Independent Non-Executive Directors

Mr. Zhao Jie (趙杰), aged 55, was appointed as an independent Director on March 23, 2019 and re-designated as an Independent Non-executive Director on December 9, 2022. He is responsible for providing independent advice to our Group. He is the chairman of the Nomination Committee and a member of the Strategy Committee.

Mr. Zhao currently serves as a director of the robotic research institute in the school of mechatronics engineering of the Harbin Institute of Technology (哈爾濱工業大學). He worked for the Harbin Institute of Technology as a deputy head of the school of mechatronics engineering as well as a professor from June 2008 to December 2010 and was promoted to the head of school as well as a professor from December 2010 to March 2015.

Since August 2010, Mr. Zhao has been serving as a deputy chairman of the board of Harbin Boshi Automation Co., Ltd.* (哈爾濱博實自動化股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 002698) principally engaged in the research and development, production, sales and servicing of intelligent manufacturing equipment and industrial robots in the fields of chemical industry, smelting, logistics, food, feed and building materials and in providing overall solutions for intelligent factories.

Since October 2018, Mr. Zhao has been serving as an independent director of Inner Mongolia First Machinery Group Co., Ltd.* (內蒙古第一機械集團股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600967) principally engaged in the manufacture and sales of railway vehicles, armored vehicles, artillery and other vehicle parts.

Since September 2017, Mr. Zhao has been serving as an independent director of EFORT Intelligent Equipment Co., Ltd.* (埃夫特智能裝備股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 688165) principally engaged in the research and development, production and sales of industrial robot products.

Mr. Zhao obtained a bachelor of engineering in precise instrumentation and production and equipment and a doctor of philosophy of engineering in electromechanical control and automation from Harbin Institute of Technology (哈爾濱工業大學) in the PRC in July 1990 and September 1996 respectively. Mr. Zhao received a qualification certificate of independent director issued by the Shanghai Stock Exchange in March 2019.

Mr. Xiong Chuxiong (熊楚熊), aged 68, was appointed as an independent Director on March 23, 2019 and re-designated as an Independent Non-executive Director on December 9, 2022. He is responsible for providing independent advice to our Group. He is the chairman of the Audit Committee, a member of the Remuneration and Appraisal Committee and a member of the ESG and Sustainability Committee.

Mr. Xiong has nearly 40 years of experience in accounting and academia. Mr. Xiong served as a lecturer at the department of economics of Shenzhen University in the PRC from August 1992 to December 1994, served as an associate professor from December 1994 to December 1999, and served as a professor from December 1999 to May 2015.

Mr. Xiong's other directorships held in the last three years in public companies the securities of which are listed on securities markets in Hong Kong or overseas are as set out as follows:

Name of Company	Listing place/status	Position	Period
Shahe Industrial Co., Ltd.* (沙河實業股份有限公司) (stock code: 000014)	Shenzhen Stock Exchange	Independent director	April 2015 to April 2021
Guizhou Taiyong-Changzheng Technology Co., Ltd.* (貴州泰永長征技術股份有限公司) (stock code: 002927)	Shenzhen Stock Exchange	Independent director	February 2016 to October 2021
Shenzhen Laibao Hi-tech Co., Ltd.* (深圳萊寶高科技股份有限公司) (stock code: 002106)	Shenzhen Stock Exchange	Independent director	May 2016 to April 2022

Mr. Xiong obtained a master of accounting from Southwestern University of Finance and Economics (西南財經大學) in the PRC in June 1987, and obtained a doctor of philosophy in economics from Xiamen University (廈門大學) in the PRC in July 1992. He also obtained a certificate issued by the Shenzhen Stock Exchange from the continuous training course for independent directors of the listed companies in May 2018.

Mr. Poon Fuk Chuen (潘福全), aged 62, was appointed as an independent Director on November 29, 2022 and re-designated as an Independent Non-executive Director on December 9, 2022. He is responsible for providing independent advice to our Group. He is the chairman of the Remuneration and Appraisal Committee and a member of the Audit Committee.

Mr. Poon has been serving as the chief financial officer since December 2004 and company secretary since June 2011 of Lifestyle International Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 1212) principally engaged in the operation of mid to upper-end department stores in Hong Kong.

Mr. Poon worked for PricewaterhouseCoopers, a big four accounting firm, from January 1988 to August 1999, and was promoted to partner in July 1998.

Mr. Poon is a member of the HKICPA and a member of the Association of Chartered Certified Accountants.

Mr. Poon graduated from the University of Southampton in England with a bachelor of science in the social sciences in accounting and statistics in July 1985.

Mr. Leung Wai Man, Roger (梁偉民), aged 67, was appointed as an Independent Non-executive Director on February 18, 2023. He is responsible for providing independent advice to our Group. He is a member of the Audit Committee and the Nomination Committee.

Mr. Leung has been in private practice as a solicitor in Hong Kong since 1984 and is currently a partner of Chu & Lau and Foo, Leung & Yeung respectively. He was admitted as a solicitor in Hong Kong in 1984, England & Wales in 1989 and a barrister and solicitor in Ontario, Canada in 1992.

Mr. Leung's other directorships held in the last three years in public companies the securities of which are listed on securities markets in Hong Kong or overseas are as set out as follows:

Name of Company	Listing place/status	Position	Period
China Boton Group Company Limited (stock code: 3318)	Main Board of the Stock Exchange	Independent non-executive director	November 2005 to present
Hi Sun Technology (China) Limited (stock code: 0818)	Main Board of the Stock Exchange	Independent non-executive director	September 2004 to present

Mr. Leung obtained a bachelor's degree of laws from The University of Hong Kong in 1981, and also obtained a juris doctor from The University of Western Ontario, Canada in 1990.

SUPERVISORS

Mr. Deng Feng (鄧峰), aged 41, is a shareholder representative Supervisor and the chairman of the Board of Supervisors, having been appointed as a Supervisor on March 23, 2019. He joined our Group in our director's secretary office in December 2017 and was promoted to the general manager of the center of compliance for our Group in January 2023.

Prior joining our Group, from 2008 to November 2017, Mr. Deng worked for Hytera Communications Corporation Limited* (海能達通信股份有限公司) (formerly known as Shenzhen Haoyi Tong Technology Co., Ltd.* (深圳市好易通科技有限公司)), a company listed on the Shenzhen Stock Exchange (stock code: 002583) principally engaged in manufacturing wireless communication infrastructure and providing communication services and solutions. Mr. Deng initially joined Shenzhen Haoyi Tong Technology Co., Ltd. as the director of the Legal Department, and was promoted to assistant to the senior deputy director. He then was promoted to general manager of infrastructure investment and chairman of the board of supervisors of Hytera Communications Corporation Limited.

Mr. Deng graduated from South-Central Minzu University (中南民族大學) in the PRC with a bachelor of laws in June 2004. He then obtained a master of business administration from Shenzhen University (深圳大學) in the PRC in June 2016. Mr. Deng received a national legal professional qualification in February 2008, securities practitioners qualification in March 2012, qualification certificate of board secretaries issued by the Shenzhen Stock Exchange in July 2012 and qualification for serving as the Secretary to the Board from the Shanghai Stock Exchange in October 2019. He also obtained an EXIN Data Protection Officer certificate from EXIN in October 2021.

Mr. Ben Cangsang (賁滄桑), aged 47, is a shareholder representative Supervisor, having been appointed as a Supervisor on March 20, 2020. He has also been serving as a general manager for informatics technology for our Group since February 2020.

Prior joining our Group, from January 2019 to February 2020, Mr. Ben served as an investment director for Zhuhai Flare Venture Capital Management Co., Ltd.* (珠海市耀斑創業投資管理有限公司), a company principally engaged in investments. From March 2008 to December 2018, he worked at Shanghai Futures Information Technology Co., Ltd.* (上海期貨信息技術有限公司), a company principally engaged in providing system software development and related technical support, operation and maintenance, product sales, and other services for core institutions and members of the futures industry. From August 2006 to March 2008, Mr. Ben worked as an operation and maintenance center data system engineer for Ashen Technology R&D Centre (Shanghai) Co., Ltd.* (亞申科技研發中心(上海)有限公司), a company principally engaged in the development of new materials in the fields of energy conservation and clean energy.

Mr. Ben obtained a bachelor of engineering in mechanical and electrical engineering from Shanghai University of Engineering Science (上海工程技術大學) in the PRC in July 1999.

Ms. Wang Xingru (王興茹), aged 58, is an employee representative Supervisor, having been appointed as a Supervisor on March 23, 2019. She served as an internal control director for our Group from August 2018 until she was promoted to an internal audit director in August 2022.

Prior joining our Group, from November 2015 to July 2018, Ms. Wang Xingru worked as a finance director for Shenzhen YunZhou Multimedia Technology Co., Ltd.* (深圳市雲宙多媒體技術有限公司), a company principally engaged in providing internet video content hosting services.

Ms. Wang obtained a bachelor of accounting from Shanxi Institute of Finance and Economics (one of the predecessors of Shanxi University of Finance and Economics) (山西財經大學) in the PRC in July 1988. In December 1992, she qualified as an accountant approved by Ministry of Personnel of the PRC.

SENIOR MANAGEMENT

For biographical details of Mr. Zhou Jian (周劍) and Mr. Xiong Youjun (熊友軍), see "Directors — Executive Directors" in this section above.

Mr. Zhang Ju (張鉅), aged 48, has been serving as deputy general manager, the chief financial officer and a secretary to the Board since he first joined our Group in December 2017. He is mainly responsible for the overall finance and accounting functions and the Board and capital markets affairs of our Group.

Prior to joining our group, from July 2006 to December 2017, Mr. Zhang held positions as a director, deputy general manager, chief financial officer and secretary of the board of directors for Hytera Communications Corporation Limited* (海能達通信股份有限公司) (formerly known as Shenzhen Haoyi Tong Technology Co., Ltd.* (深圳市好易通科技有限公司)), a company listed on the Shenzhen Stock Exchange (stock code: 002583) principally engaged in manufacturing wireless communication infrastructure and providing communication services and solutions. From May 2004 to May 2006, he worked as the financial controller of Beijing Sigma Jinghua Microelectronics Co., Ltd.* (北京希格瑪晶華微電子有限公司), a company principally engaged in the manufacture of computers and telecommunications and other electronic equipment. From December 2003 to March 2004, Mr. Zhang served as a financial manager at Wal-Mart (China) Investment Co., Ltd. (沃爾瑪(中國)投資有限公司) and was responsible for financial related work. From January 2000 to September 2002, Mr. Zhang served as a senior audit associate at PricewaterhouseCoopers Zhong Tian LLP and was responsible for providing audit and assurance services for clients. Mr. Zhang also served as a civil servant in the Shenzhen Luohu District Government from June 1998 to December 1999.

Mr. Zhang obtained a bachelor of economics in international accounting from Shenzhen University (深圳大學) in the PRC in June 1998. He then obtained a master of science in accounting and finance from The University of Manchester Institute of Science and Technology and the University of Manchester in England in November 2003. Mr. Zhang received a qualification certificate of board secretary issued by the Shenzhen Stock Exchange in October 2013.

Mr. Zhang was recognized as a Reserve Professional Talent by Shenzhen Human Resources and Social Security Administration of Shenzhen Municipality in January 2020. Mr. Zhang was appointed in December 2021 as the industry tutor of the Master Program of Advanced Financial Management and Big Data at the School of Management of Tsinghua University until August 2023. Mr. Zhang was appointed in December 2022 as the tutor of the fifth "Swan Goose Scheme" at the School of Management of Xiamen University until December 2024. Mr. Zhang was appointed as a special supervisor of the Shenzhen Intermediate People's Court in February 2022 for a term from February 2022 to February 2027. Mr. Zhang was also appointed as an expert of the Shenzhen Association of Registered Taxation Practitioners — Numerical Expert Committee on 17 February 2023 for a term commencing from February 2023 to February 2025. Mr. Zhang has also been appointed as a councillor of the fourth council of the Shenzhen International Taxation Research Institute since October 2017.

Disclosure required under Rule 13.51(2) of the Listing Rules

Certain of our Directors and Supervisors served as a director or supervisor of the following companies which were dissolved with details as follows:

Name of Director or Supervisor involved	Name of company	Role with such company	Place of incorporation	Principal business activity	Date of dissolution	Details
Mr. Zhou Jian . .	UBTech Health (Shenzhen) Co., Ltd.* (優必選健康(深圳)有限公司)	Director	PRC	Health maintenance management consultation	September 24, 2019	Cancellation(1)
	Zhuhai Uye Science Co., Ltd.* (珠海市優耶科技有限公司)	Director	PRC	R&D of toys and intelligent robots	August 17, 2020	Cancellation(1)
	UBTECH Holdings Limited	Director	Cayman Islands	None	April 30, 2021	Striking off(2)
	M. V. International Machinery Group Limited (威盟國際機械集團有限公司)	Director	Hong Kong	Building materials industrial automation equipment production	March 10, 2017	Deregistration(3)
	Shenzhen Sanciyuan Robot Technology Co., Ltd.* (深圳市三次元機器人科技有限責任公司)	Director	PRC	Enterprise management consultation;	January 24, 2019	Cancellation(1)
	UBTECH (Beijing) Entertainment Culture Media Co., Ltd.* (優必選(北京)娛樂文化傳媒有限公司)	Director	PRC	Film and television planning	August 20, 2019	Cancellation(1)
	Shenzhen V-Ning Woodworking Machinery & Materials Co., Ltd.* (深圳市威寧木業機械物資有限公司)	Director	PRC	Purchase and sales of woodworking machinery	June 30, 2017	Cancellation(1)
	Shenzhen Xin Ding Feng Trading Co.* (深圳鑫鼎峰貿易有限公司)	Supervisor	PRC	Domestic trade	January 5, 2018	Cancellation(1)
Ms. Wang Lin . .	Xi'An Liangzi Youxuan Robotic Technology Co., Ltd.* (西安量子優選機器人科技有限公司)	Director	PRC	R&D of robots, electrical control automation equipment, electronic equipment and mechanical equipment	February 28, 2022	Cancellation(1)
	Shenzhen UBQin Education Technology Co., Ltd.* (深圳優必親教育科技有限公司)	Supervisor	PRC	R&D, promotion and sales of cultural products	June 13, 2019	Cancellation(1)
	Shenzhen V-Ning Woodworking Machinery & Material Co., Ltd.* (深圳市威寧木業機械物資有限公司)	Supervisor	PRC	Purchase and sales of woodworking machinery	June 30, 2017	Cancellation(1)

Name of Director or Supervisor involved	Name of company	Role with such company	Place of incorporation	Principal business activity	Date of dissolution	Details
	Shenzhen Sanziyuan Robot Technology Co., Ltd.* (深圳市三次元機器人科技有限責任公司)	Supervisor	PRC	Enterprise Management consultation	January 24, 2019	Cancellation(1)
	UBTECH (Beijing) Entertainment Culture Communication Co., Ltd.* (優必選(北京)娛樂文化傳媒有限公司)	Supervisor	PRC	Film and television planning	August 20, 2019	Cancellation(1)
Mr. Xia Zuoquan	HING PONG INVESTMENT COMPANY LIMITED 興邦投資有限公司	Director	Hong Kong	Investment and trade	July 3, 2020	Deregistration(3)
	Shenzhen Mayor Tianhai Industrial Co., Ltd.* (深圳市長天海實業有限公司)	Executive Director and General Manager	PRC	Establishment of industry	February 20, 2008	Cancellation(1)
	Shenzhen BYD Display Technology Co., Ltd.* (深圳市比亞迪顯示技術有限公司)	Director	PRC	R&D, production and sales of liquid crystal displays	September 22, 2008	Cancellation(1)
	Shenzhen Zhengxuan United Investment Co., Ltd.* (深圳市正軒聯合投資有限公司)	Director	PRC	Industrial investment	March 25, 2021	Cancellation(1)
	BYD (Tianjin) Co., Ltd.* (天津比亞迪電子有限公司)	Director	PRC	Production and sales of new electronic components and mobile related parts	February 22, 2021	Cancellation(1)
	Shenzhen BYD Auto Parts Co., Ltd.* (深圳比亞迪汽車零部件有限公司)	Director	PRC	R&D, production and sales of automotive accessories	July 14, 2008	Cancellation(1)
	Beijing Feiyadi Communication Technology Co., Ltd.* (北京飛亞迪通訊技術有限公司)	Director	PRC	Scientific research and technical service	November 27, 2009	Cancellation(1)

Name of Director or Supervisor involved	Name of company	Role with such company	Place of incorporation	Principal business activity	Date of dissolution	Details
	Shanghai Unifortune Supply CHAIN Service Co., Ltd.* (上海聯合益豐供應鏈管理有限公司)	Director	PRC	Management of supply chain	March 25, 2019	Cancellation(1)
	Shenzhen Byd Electronics Co., Ltd.* (深圳市比亞迪電子有限公司)	Director	PRC	Sales of chargers	August 31, 2012	Cancellation(1)
	BYD Telecommunication Technology Co., Ltd.* (深圳比亞迪通訊技術有限公司)	Director	PRC	R&D of wireless communication technologies and systems	October 12, 2018	Cancellation(1)
	Beijing Byd Auto Mould Co., Ltd.* (北京比亞迪汽車模具有限公司)	Director	PRC	Design and manufacture of automotive moulds	October 12, 2009	Cancellation(1)
	Xi'an BYD Electric Vehicle Co., Ltd.* (西安比亞迪電動車有限公司)	Supervisor	PRC	R&D, production, sales and after-sales service of electric vehicles	October 31, 2005	Cancellation(1)
Mr. Leung Wai Man, Roger . .	Golden Gentle Development Limited (金雋發展有限公司)	Director	Hong Kong	None	22 August 2003	Deregistration(4)
	Selexon Limited	Director	Hong Kong	Provision of corporate secretarial services	14 March 2008	Deregistration(4)

Notes:

(1) In accordance with Article 188 of PRC Company Law, upon completion of the liquidation of a company, the liquidation team shall prepare a liquidation report and submit it to the shareholders' meeting or the people's court for confirmation, and deliver it to company registration authorities to apply for canceling the company's registration and announce its dissolution.

(2) Pursuant to Section 169 of the Cayman Islands Companies Act (as revised) ("**Act**"), every exempted Cayman Islands company shall, in January of each year after the year of its registration, pay to the revenues of the Islands the annual fee specified in the Act. Any exempted company which fails to comply with Section 169 of the Act shall be deemed to be a defunct company according to Section 170 of the Act. However, pursuant to Section 171 of the Act, before taking action under Section 170 of the Act, the Registrar of Companies in the Cayman Islands ("**Registrar**") shall give one month's notice to the defaulting company and, if the default is made good before the expiry of such notice, Section 169 of the Act shall be deemed to have been complied with. Otherwise, the Registrar may strike the company off the register and the company shall thereupon be dissolved pursuant to Section 156A of the Act.

(3) Under section 751 of the Companies Ordinance, deregistration refers to the process whereby a private company or a director or a member of a private company incorporated under the Companies Ordinance which has ceased its operation and is not insolvent applies to the Registrar of Companies in Hong Kong of Hong Kong for deregistration. Such application can only be made if (a) all members of the company agree to the deregistration; (b) the company has not commenced operation or business, or has not been in operation or carried on business during the 3 months immediately before the application; (c) the company has no outstanding liabilities; (d) the company is not a party to any legal proceedings; (e) the company's assets do not consist of any immovable property situate in Hong Kong; and (f) if the company is a holding company, none of its subsidiary's assets consist of any immovable property situate in Hong Kong.

(4) Under section 291AA of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) prior to its repeal and replacement on 3 March 2014 by the Companies Ordinance and the Companies (Winding Up and Miscellaneous Provisions) Ordinance, an application for deregistration can only be made if (a) all the members of such company agreed to such deregistration; (b) such company has never commenced business or operation, or has ceased to carry on business or ceased operation for more than three months immediately before the application; and (c) such company has no outstanding liabilities.

Each of the aforementioned persons confirmed that (i) the aforementioned companies for which he or she acted as a director or supervisor were solvent immediately prior to dissolution, (ii) he or she is not aware of any actual or potential claim which has been or could potentially be made against him as a result of the dissolution of these companies; and (iii) there was no wrongful act on his part leading to the dissolution of the companies for which he or she acted as director or supervisor.

Save as disclosed above, (i) none of our Directors, Supervisors and members of senior management has been a director of any public company the securities of which are [**REDACTED**] on any securities market in Hong Kong or overseas in the three years immediately preceding the Latest Practicable Date; (ii) none of our Directors has any interests in any business, which competes or is likely to compete, either directly or indirectly, with our business which would require disclosure under Rule 8.10 of the Listing Rules; and (iii) none of our Directors, Supervisors and members of the senior management is related to other Directors, Supervisors and members of the senior management.

One of our Directors and one of our Supervisors served as a director, supervisor or manager of the following PRC companies, business licenses of which were revoked with details as follows:

Name of Director or Supervisor involved	Name of company	Role with such company	Place of incorporation	Principal business activity	Date of revocation	Reason for revocation	Whether the revocations were related to the relevant Director/ Supervisor (with basis)
Mr. Xia Zuoquan . .	Shenzhen Zuochao Investment Consulting Co., Ltd.* (深圳市佐超投資諮詢有限公司)	General Manager	PRC	Economic information consulting	February 27, 2004	Non-submission of annual inspection information	Not related because he was not involved with handling the administrative matter such as annual inspection
	Shenzhen Biyangdi Electronics Co., Ltd.* (深圳比洋迪電子有限公司)	Director	PRC	Production and development of electrical protectors, and hardware products	December 23, 1999	Non-submission of annual inspection information	Not related because he was not involved with handling the administrative matter such as annual inspection
Mr. Deng Feng	Hangzhou Tianjiquan Medical Equipment Co., Ltd.* (杭州天基權保健醫療器械有限公司)	Supervisor	PRC	Sales of medical electronic equipment	October 28, 2011	Non-submission of annual inspection information	Not related because he was not involved with handling the administrative matter such as annual inspection

Note: According to the Reply of the Supreme People's Court on How to Determine the Status of the Civil Action after the Business Licence of an Enterprise Legal Person has been revoked (Fa Jing [2000] No. 24): "The revocation of the Business Licence of an Enterprise Legal Person is a form of administrative penalty imposed by the administrative authority for industry and commerce on an enterprise that is illegal according to the State Administration for Industry and Commerce. After the business licence of an enterprise is revoked, it shall be liquidated according to law. After the liquidation procedure is completed and the industrial and commercial cancellation registration is completed, an Enterprise Legal Person shall be eliminated.

Each of the aforementioned persons confirmed that (i) each of the aforementioned companies for which he acted as a director, supervisor and/or manager were solvent immediately prior to the revocation of business license and (ii) apart from the reason for the revocation of business license as stated above, there was no material non-compliance on the part of each of the aforementioned companies for which he acted as a director, supervisor and/or manager.

Save as disclosed above, to the best of the knowledge, information and belief of our Directors after having made all reasonable enquiries, there was no other matter with respect to the appointment of our Directors and/or Supervisors that needs to be brought to the attention of the Shareholders and there was no information relating to our Directors and/or Supervisors that is required to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Listing Rules as at the Latest Practicable Date.

JOINT COMPANY SECRETARIES

Mr. Zhang Ju (張鉅) was appointed as one of the joint company secretaries of our Company on December 27, 2022. For biographical details of Mr. Zhang, see "Senior Management" in this section above.

Ms. Ng Wai Kam (伍偉琴) was appointed as one of the joint company secretaries of our Company on December 27, 2022. Ms. Ng is currently a senior manager of Corporate Services of Tricor Services Limited, where she is responsible for providing corporate secretarial and compliance services to listed issuers at the Stock Exchange and other multinational, private and offshore companies. Ms. Ng has more than 10 years of experience in the company secretary profession. Ms. Ng currently serves as the company secretary or a joint company secretary of four listed companies on the Stock Exchange, namely, Hebei Yichen Industrial Group Corporation Limited (stock code: 1596), Genertec Universal Medical Group Company Limited (stock code: 2666), Mega Genomics Limited (stock code: 06667) and Onewo Inc. (stock code: 2602), respectively.

Ms. Ng graduated from Hong Kong Shue Yan University with a bachelor of business administration in July 2011. Ms. Ng is a Chartered Secretary, a Chartered Governance Professional, an associate of HKCGI and an associate of CGI.

REMUNERATION POLICY

The aggregate amounts of remuneration of our Directors and Supervisors for FY2020, FY2021, FY2022, 6M2022 and 6M2023 which included director's fee, salaries, wages and bonus, pension cost-defined contribution plan, other social security costs and housing benefits and share-based compensation, were approximately RMB15,375,000, RMB22,621,000, RMB36,764,000, RMB24,583,000 and RMB39,572,000, respectively. Please see "Accountant's Report — note 10" for details.

Under the arrangements currently in force, the aggregate remuneration (including director's fees, salaries, wages and bonus, contributions to pension plans, other social security costs and housing benefits and share-based compensation) payable to our Directors and Supervisors for the year ending 31 December 2023 is estimated to be approximately RMB54,704,000.

Our Group's principal policies concerning remuneration of Directors, Supervisors or staff of high caliber are determined based on the relevant Director's, Supervisor's or staff's duties, responsibilities, experience and skills. Our Directors, Supervisors and senior management receive compensation in the form of salaries, benefits in kind, discretionary bonuses and share-based compensation relating to the performance of our Group. Our Group also reimburses them for expenses which are necessarily and reasonably incurred for providing services to our Group or executing their functions in relation to our operations. Our Group regularly reviews and determines the remuneration and compensation packages of our Directors, Supervisors and senior management.

After [**REDACTED**], our Remuneration and Appraisal Committee will review and determine the remuneration and compensation packages of our Directors, Supervisors and senior management with reference to salaries paid by comparable companies, time commitment and responsibilities of our Directors, Supervisors and senior management, and performance of our Group.

During the Track Record Period, no remuneration was paid by our Group to, or received by, our Directors or Supervisors as an inducement to join or upon joining our Group.

BOARD COMMITTEES

The Audit Committee, Remuneration and Appraisal Committee, Nomination Committee and Strategy Committee of our Group were approved to be established by resolutions passed by the Board on March 23, 2019.

Each of the four committees has written terms of reference. The functions of the four committees are summarized as follows:

Audit Committee

Written terms of reference of the Audit Committee have been adapted in compliance with Rule 3.21 of the Listing Rules and paragraph D.3.3 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The Audit Committee currently comprises three Independent Non-executive Directors, being Mr. Xiong Chuxiong, Mr. Leung Wai Man, Roger and Mr. Poon Fuk Chuen. Mr. Xiong Chuxiong was appointed to serve as the chairman of the Audit Committee.

The primary duties of the Audit Committee are mainly to make recommendations to the Board on the appointment and dismissal of the external auditor, review the financial statements and information and provide advice in respect of financial reporting and oversee the internal control procedures of our Group.

ESG and Sustainability Committee

The ESG and Sustainability Committee currently comprises two Executive Directors (being Ms. Wang Lin and Mr. Liu Ming) and an Independent Non-executive Director (Mr. Xiong Chuxiong). Mr. Liu Ming was appointed as the chairman of the ESG and Sustainability Committee.

The primary functions of the ESG and Sustainability Committee are to (i) formulate our ESG and sustainability vision, objectives, strategies and management systems, and advise our Board on related work; (ii) identify important stakeholders of our Group and important ESG issues, and study and make recommendations on sustainable development related business with our stakeholders; (iii) review the key trends in ESG and related risks and opportunities, follow up on the implementation of our ESG and sustainability efforts and ensure that our position and performance on ESG and sustainability issues are in compliance with relevant regulations and standards.

Remuneration and Appraisal Committee

Written terms of reference of the Remuneration and Appraisal Committee have been adopted in compliance with Rule 3.25 of the Listing Rules and paragraph E.1.2 of the CG Code. The Remuneration and Appraisal Committee currently comprises an Executive Director (Mr. Zhou Jian) and two Independent Non-executive Directors (being Mr. Poon Fuk Chuen and Mr. Xiong Chuxiong). Mr. Poon Fuk Chuen was appointed as the chairman of the Remuneration and Appraisal Committee.

The primary functions of our Remuneration and Appraisal Committee are to make recommendations to the Board on the overall remuneration policy and the structure relating to all Directors, Supervisors and senior management of our Group, review performance-based remuneration and ensure none of our Directors or Supervisors determines their own remuneration.

Nomination Committee

Written terms of reference of the Nomination Committee have been adopted in compliance with paragraph B.3.1 of the CG Code. The Nomination Committee currently comprises an Executive Director (Mr. Zhou Jian) and two Independent Non-executive Directors (being Mr. Zhao Jie and Mr. Leung Wai Man, Roger). Mr. Zhao Jie was appointed as the chairman of the nomination committee.

The primary functions of our Nomination Committee are to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations to the Board on any proposed changes to the Board to complement our Group's corporate strategy, identify individuals suitably qualified as potential Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships, to assess the independence of our Independent Non-executive Directors, and make recommendations to the Board on the appointment or reappointment of Directors and succession planning of Directors, in particular that of our chief executive officer and chairman of the Board.

Strategy Committee

The Strategy Committee currently comprises an Executive Director (Mr. Zhou Jian) and two Independent Non-executive Directors (being Mr. Zhao Jie and Mr. Xiong Youjun). Mr. Zhou Jian was appointed as the chairman of the strategy committee.

The primary functions of our Strategy Committee include:

(i) conducting research and making recommendations for the long-term strategic development plans of our Group;

(ii) conducting research and making recommendations for major investment plans which are subject to the approval of our Board;

(iii) conducting research and making recommendations for major capital operation and asset operation projects which are subject to the approval of our Board;

(iv) reviewing the annual investment plan of our Group;

(v) conducting research and making recommendations for major investment programs which are subject to the approval of our Board; and

(vi) other duties as conferred by our Board.

CORPORATE GOVERNANCE

Our Directors recognize the importance of good corporate governance in management and internal procedures, so as to achieve effective accountability. Our Group will comply with the CG Code and the Listing Rules.

Pursuant to code provision C.2.1 of the CG Code, the responsibilities between the chairman and the chief executive officer should be segregated and should not be performed by the same individual. Mr. Zhou currently holds both positions. Since establishment of our Group in 2012, Mr. Zhou has been a key leadership figure of our Group and has been deeply involved in the formulation of business strategies for and the determination of the overall direction of our Group. Taking into account the continuation of management and the implementation of our business strategies, our Directors (including our independent non-executive Directors) consider that it would be most suitable for Mr. Zhou to hold both the positions of chief executive officer and the chairman of the Board, and that the existing arrangements are beneficial to the management of our Group and are in the interests of our Company and our Shareholders as a whole. The balance of power and authority is ensured by the operation of the senior management and our Board, both of which comprises experienced and high-caliber individuals. Our Board comprises four executive Directors (including Mr. Zhou), three Non-executive Director and four Independent Non-executive Directors, and therefore has a strong independence element in its composition.

Save as disclosed above, we are in compliance with all code provisions of the CG Code. Our Directors recognize the importance of good corporate governance in management and internal procedures so as to achieve effective accountability. Our Directors will review our corporate governance policies and compliance with the CG Code each financial year and comply with the "comply or explain" principle in our corporate governance report which will be included in our annual reports after the [**REDACTED**].

EQUITY INCENTIVE SCHEMES

We adopted the equity incentive schemes in order to incentivize our Directors, senior management and other employees for their contribution to our Group and to retain suitable personnel in our Group. Please see "Appendix VII — Statutory and General Information — D. Equity Incentive Schemes" for further details.

BOARD DIVERSITY POLICY

Our Board has adopted a board diversity policy which sets out the approach to achieve diversity on our Board. Our Group recognizes and embraces the benefits of having a diverse Board and sees increasing diversity at Board level as an essential element in supporting the attainment of our Group's strategic objectives and sustainable development. Our Group seeks to achieve Board diversity through the consideration of a number of factors when selecting the candidates to our Board, including but not limited to gender, age, cultural and educational background, talent, skills, professional experience, independence and knowledge. Our Group will also take into consideration our own business model and specific needs from time to time. All Board appointments will be based on merit and candidates will be considered against objective criteria, having due regard to the benefits of diversity on our Board.

Our Directors have a balanced mix of knowledge and skills. They obtained degrees in various majors. We have four Independent Non-executive Directors with different industry backgrounds, representing more than one-third of the Board. Our Board comprises of one female Director and ten male Directors. Taking into account our existing business model and specific needs as well as the different backgrounds of our Directors, the composition of our Board satisfies our board diversity policy.

In recognition of the particular importance of the gender diversity, we appointed one female Director to our Board, and we will ensure that there will be at least one female Director on our Board during the period we are [**REDACTED**] on the Stock Exchange. Our Board will consider increasing female members on our Board over time, subject to our Directors being satisfied with (i) the qualification and experience of the relevant female candidate(s); and (ii) the appointment of the relevant female candidate(s) is in the best interests of our Company and our Shareholders as a whole. Our Nomination Committee will actively identify female candidates to become our Board members taking into account the business needs of our Group from time to time. We will also continue to ensure that there is gender diversity when recruiting staff at all levels of our Group, including but without limitation at middle to senior level so that we will have a pipeline of female senior management and potential successors to our Board in due time to ensure gender diversity of the Board. Our Directors believe that such merit-based appointments with reference to our diversity policy and the nature of our business will be in the best interest of our Group and its Shareholders as a whole. To allow our Shareholders to be able to judge whether board diversity is achieved, we will provide our Shareholders with detailed information of each candidate for appointment or re-election to our Board through announcements and circulars published prior to general meetings of our Group.

COMPLIANCE ADVISER

We have appointed Guotai Junan Capital Limited as our compliance adviser in accordance with Rule 3A.19 of the Listing Rules. Our Compliance Adviser will provide us with guidance and advice as to compliance with the requirements under the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the compliance adviser will advise us in the following circumstances:

(i) before the publication of any regulatory announcement, circular, or financial report;

(ii) where a transaction, which might be a notifiable or connected transaction under Chapters 14 or 14A of the Listing Rules respectively, is contemplated, including share issues and share repurchases;

(iii) where we propose to use the [**REDACTED**] of the [**REDACTED**] in a manner different from that detailed in this document or where the business activities, development or results of our Company deviate from any forecast, estimate or other information in this document; and

(iv) where the Stock Exchange makes an inquiry to our Company in respect of unusual price movement and trading volume or other issues under Rule 13.10 of the Listing Rules.

The term of appointment of our Compliance Adviser shall commence on the [**REDACTED**] and is expected to end on the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the [**REDACTED**].

OUR CONTROLLING SHAREHOLDERS

As of the Latest Practicable Date, Mr. Zhou Jian, Shenzhen Sanciyuan, Mr. Xia Zuoquan, Mr. Xia Yongjun, Ms. Wang Lin, Shenzhen Evolution, Mr. Xiong Youjun, Shenzhen Zhineng Youxuan and Mr. Zhao Guoqun (collectively, the "**Concert Parties**") together held approximately 52.59% (approximately 25.48%, 3.58%, 5.63%, 2.72%, 2.02%, 9.74%, 2.04%, 0.79% and 0.61% respectively) of the issued share capital of our Company. Each of Mr. Zhou Jian, Ms. Wang Lin and Mr. Xiong Youjun is an executive Director and Mr. Xia Zuoquan is a non-executive Director. Mr. Xia Yongjun and Mr. Zhao Guoqun are not serving as Directors as they are passive Shareholders not involved in the day-to-day management and operations of our Group, and there are no legal or practical impediments preventing Mr. Xia Yongjun or Mr. Zhao Guoqun from being appointed as Directors upon [**REDACTED**].

Mr. Xia Yongjun served as a Director from October 23, 2013 to March 29, 2019; during such time, he only attended Board meetings and was not involved in the day-to-day management and operations of our Group. Mr. Xia Yongjun resigned as Director on March 29, 2019 due to personal reasons and has not held any role with our Company after his resignation as Director. Other than his aforesaid position as a Director, he has also served as a supervisor of Kunming UBTECH Technology Investment Co., Ltd.* (昆明市優必選科技投資有限公司), a wholly owned subsidiary of our Company since its establishment in May 2017, for which he is responsible for exercising supervisory duties in accordance with regulatory requirements and the articles of association of Kunming UBTECH Technology Investment Co., Ltd.*. He has never been involved in the day-to-day management and operations of Kunming UBTECH Technology Investment Co., Ltd.*.

Mr. Zhou Jian, through his role as the general partner of Shenzhen Sanciyuan, indirectly controls approximately 3.58% of the issued share capital of our Company. Ms. Wang Lin, through her role as the general partner of Shenzhen Evolution, indirectly controls approximately 9.74% of the issued share capital of our Company. Furthermore, each of Mr. Zhao Guoqun, Mr. Xia Yongjun, Ms. Wang Lin, Mr. Xiong Youjun, Mr. Xia Zuoquan and Shenzhen Zhineng Youxuan has entered into concert party agreements with Mr. Zhou Jian (collectively the "**Concert Party Agreements**"), the details of which are as set out as follows:

(i) pursuant to the Concert Party Agreements entered into between each of (i) Mr. Zhao Guoqun, Mr. Xia Yongjun, Ms. Wang Lin, Mr. Xiong Youjun and Shenzhen Zhineng Youxuan and (ii) Mr. Zhou Jian respectively, each of Mr. Zhao Guoqun, Mr. Xia Yongjun, Ms. Wang Lin, Mr. Xiong Youjun and Shenzhen Zhineng Youxuan has agreed, *inter alia*, to entrust Mr. Zhou Jian to exercise his/her/its rights as a Shareholder, including but not limited to (i) proposing the appointment or removal of Director and/or Supervisors, and (ii) exercising voting rights in Shareholders' meetings.

(ii) pursuant to the Concert Party Agreement entered into between Mr. Xia Zuoquan and Mr. Zhou Jian, Mr. Xia Zuoquan has agreed, *inter alia*, that he will act in concert in respect of issues pertaining to the operations and development of our Company and which require approval of the Shareholders' pursuant to the Articles of Association and applicable laws and regulations, including, *inter alia*, discussing and reaching consensus with each other before proposing to and voting in Shareholders' meetings and nominating Directors and/or Supervisors. If they cannot agree on a relevant issue, whichever of them that holds more Shares shall have the right to propose and vote on resolutions in Shareholders' meetings.

The Concert Party Agreements shall terminate upon Mr. Zhou Jian holding less than 20% of the issued share capital of our Company.

Immediately following the completion of the [**REDACTED**] (assuming the [**REDACTED**] is not exercised), Mr. Zhou Jian, Shenzhen Sanciyuan, Mr. Xia Zuoquan, Mr. Xia Yongjun, Ms. Wang Lin, Shenzhen Evolution, Mr. Xiong Youjun, Shenzhen Zhineng Youxuan and Mr. Zhao Guoqun will be interested in approximately [**REDACTED**] (approximately [**REDACTED**] and [**REDACTED**] respectively) of our enlarged issued share capital, and the Concert Parties will be a group of Controlling Shareholders.

INTERESTS OF THE CONTROLLING SHAREHOLDERS IN OTHER BUSINESSES

Our Controlling Shareholders confirmed that as of the Latest Practicable Date, they did not have any interest in other business, apart from the business of our Group, which competes or is likely to compete, directly or indirectly, with our business, which would require disclosure under Rule 8.10 of the Listing Rules.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Our Directors are satisfied that we are capable of carrying on our business independently from and do not place undue reliance on our Controlling Shareholders and their respective close associates in consideration of the following factors:

(i) Management independence

Our management and operational decisions are made by the Board and our senior management team. The Board comprises four Executive Directors, three Non-executive Directors and four Independent Non-executive Directors.

Notwithstanding that there is an overlap between members of the Board and the Controlling Shareholders, we consider that the Board and senior management of our Company will be able to function independently from the Controlling Shareholders because:

(a) each Director is aware of his or her fiduciary duties as a Director which require, among other things, that he or she acts for the benefit and in the best interests of our Company and must not allow any conflict between his or her duties as a Director and his or her personal interests;

(b) a majority of the members of the Board are independent from the Controlling Shareholders and the Controlling Shareholders who are also Directors, namely Mr. Zhou Jian, Ms. Wang Lin, Mr. Xiong Youjun and Mr. Xia Zuoquan do not, whether acting alone or jointly, have an absolute majority to pass any Board resolution;

(c) with four Independent Non-executive Directors out of a Board size of eleven, our Directors believe that there is a strong element on the Board of Directors which can effectively exercise independent judgment in order to address any situations of conflict of interest and to protect the interests of the independent Shareholders;

(d) there is no overlap in the Independent Non-executive Directors and the directors of other companies or entities controlled by the Controlling Shareholders, which is in line with the corporate governance best practice in Hong Kong. The Independent Non-executive Directors each have extensive experience in his or her respective area of expertise and have been appointed to ensure that the decisions of the Board are made only after due consideration of independent and impartial opinions. For their details, see "Directors, Supervisors and Senior Management";

(e) the Board has put in place adequate arrangements set out in this section to manage conflicts of interest and to ensure impartial decision making, with the ultimate aim to ensure that the interests of the Shareholders are protected. The Directors believe that the presence of Directors who have extensive experience and from diverse backgrounds provides a balance of views and opinions; and

(f) in the event that a Director considers that he or she should abstain from voting on a resolution or where the counterparty involved in the relevant transaction with our Group has a connected relationship with that Director (a "**Conflicting Transaction**"), that Director (the "**Interested Director**") shall abstain from voting at the relevant Board meeting in respect of the Conflicting Transaction and shall not be counted towards its quorum. In the event that there is a Conflicting Transaction, it shall be submitted to the Independent Non-executive Directors (except for the Independent Non-executive Director who is himself an Interested Director) for their consideration and approval (in addition to any applicable requirements under the Listing Rules).

Having considered the above factors, our Directors are satisfied that they are able to perform their roles in our Company independently, and our Directors are of the view that we are capable of managing our business independently from the Controlling Shareholders and their respective close associates after the [**REDACTED**].

(ii) Operational independence

We have established our own organization structure comprised of individual departments, each with specific areas of responsibilities. We have also established internal control procedures to facilitate the effective and efficient operation of our business. We hold our own operational resources for our business, and we have sufficient capital, facilities, equipment and employees to operate the business independently from the Controlling Shareholders and/or their respective close associates. We have maintained business relationship with our customers and suppliers who are Independent Third Parties, and do not intend to enter into any connected transactions or continuing connected transactions with our connected persons save for the continuing connected transactions that will continue upon [**REDACTED**] as are set out in the section headed "Connected Transactions" in this document. Based on the above, our Directors are of the view that there is no operational dependence by our Group on the Controlling Shareholders.

(iii) Financial independence

Our Directors are of the view that we are able to maintain financial independence from our Controlling Shareholders. We historically have had, and will following completion of the [**REDACTED**] continue to have, our own financial and accounting systems. Our own finance department is capable of discharging the treasury functions for cash receipts and payments, financial control, accounting, reporting, group credit and internal control independently of the Controlling Shareholders and their respective close associates.

As at June 30, 2023, the Group had total bank loans from China CITIC Bank, Shenzhen branch amounting to approximately RMB601.9 million guaranteed by Mr. Zhou Jian, one of our Controlling Shareholders. Please see note 41 to Appendix I — "Accountant's Report" for details. We have received confirmation from China CITIC Bank, Shenzhen branch that the aforementioned guarantees provided by Mr. Zhou Jian will be released upon [**REDACTED**].

Therefore, our Directors are of the view that there will not be any financial dependence on our Controlling Shareholders and/or any of their respective associates upon [**REDACTED**].

Save as disclosed herein, as of the Latest Practicable Date, there were no other outstanding loans, advances or non-trade balances due to or from our Controlling Shareholders or their respective close associates, nor were there any other outstanding pledges or guarantees provided for our benefit by our Controlling Shareholders or their respective close associates. Based on the above, our Directors are satisfied that we are able to maintain financial independence from our Controlling Shareholders and their respective close associates.

CORPORATE GOVERNANCE MEASURES

Our Company will comply with the provisions of the Corporate Governance Code, which sets out principles of good corporate governance.

Our Directors recognize the importance of good corporate governance in protection of our Shareholders' interests. We would adopt the following measures to safeguard good corporate governance standards and to avoid potential conflict of interests between our Group and any of our Controlling Shareholders:

(a) where a Shareholders' meeting is to be held for considering proposed transactions in which any of our Controlling Shareholders or any of his/her/its associates has a material interest, such Controlling Shareholder will not vote on the resolutions and shall not be counted in the quorum in the voting;

(b) our Company has established internal control mechanisms to identify connected transactions. Upon the [**REDACTED**], if our Company enters into connected transactions with any of our Controlling Shareholders being a connected person or any of his/her/its associates, our Company will comply with the applicable Listing Rules;

(c) the Independent Non-executive Directors will review, on an annual basis, whether there is any conflict of interests between the Group and any of our Controlling Shareholders (the "**Annual Review**") and provide impartial and professional advice to protect the interests of our minority Shareholders;

(d) the Controlling Shareholders will undertake to provide all information necessary as required by the Independent Non-executive Directors for the Annual Review;

(e) our Company will disclose decisions (with basis) on matters reviewed by the independent non-executive Directors either in its annual report or by way of announcements;

(f) where our Directors reasonably request the advice of independent professionals, such as financial advisors, the appointment of such independent professionals will be made at our Company's expenses; and

(g) we have appointed Guotai Junan Capital Limited as our compliance adviser to provide advice and guidance to us in respect of compliance with the Listing Rules, including various requirements relating to corporate governance.

Based on the above, our Directors are satisfied that sufficient corporate governance measures have been put in place to manage conflicts of interest between our Group and any of our Controlling Shareholders, and to protect minority Shareholders' interests after the [**REDACTED**].

So far as our Directors are aware, as of the Latest Practicable Date and immediately following the completion of the [**REDACTED**] and Conversion of Domestic Shares into H Shares (taking no account of any H Shares which may be issued pursuant to the exercise of the [**REDACTED**]), the following persons had or will have or were or will be deemed or taken to have an interest and/or short position in the Shares or underlying Shares which would be required to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO, or were or will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company:

			As of the Latest Practicable Date		Immediately following the completion of the [REDACTED] and Conversion of Domestic Shares into H Shares (taking no account of any H Shares which may be issued pursuant to the exercise of the [REDACTED])		
Name of Substantial Shareholder	**Nature of Interest**	**Class of Shares**	**Number of Shares directly or indirectly held(1)**	**Approximate % of the total issued Share capital of our Company**	**Number of Shares directly or indirectly held(1)**	**Approximate % of the relevant class of Shares**	**Approximate % of the total issued Share capital of our Company**
Mr. Zhou Jian	Beneficial owner	Domestic Shares	103,586,040 (L)	25.48	[REDACTED]	[REDACTED]	[REDACTED]
	Interest in controlled incorporation(2)	Domestic Shares	14,538,600 (L)	3.58	[REDACTED]	[REDACTED]	[REDACTED]
	Persons acting in concert(3)	Domestic Shares	95,709,960 (L)	23.54	[REDACTED]	[REDACTED]	[REDACTED]
		H Shares	–	–	[REDACTED]	[REDACTED]	[REDACTED]
Mr. Xia Zuoquan	Beneficial owner	Domestic Shares	22,888,800 (L)	5.63	[REDACTED]	[REDACTED]	[REDACTED]
	Persons acting in concert(3)	Domestic Shares	190,945,800 (L)	46.97	[REDACTED]	[REDACTED]	[REDACTED]
		H Shares	–	–	[REDACTED]	[REDACTED]	[REDACTED]
Ms. Yang Zhilian (楊志蓮)	Interest of spouse(4)	Domestics Shares	213,834,600 (L)	52.59	[REDACTED]	[REDACTED]	[REDACTED]
		H Shares	–	–	[REDACTED]	[REDACTED]	[REDACTED]
Mr. Xia Yongjun	Beneficial owner	Domestic Shares	11,039,400 (L)	2.72	[REDACTED]	[REDACTED]	[REDACTED]
	Persons acting in concert(3)	Domestic Shares	202,795,200 (L)	49.88	[REDACTED]	[REDACTED]	[REDACTED]
		H Shares	–	–	[REDACTED]	[REDACTED]	[REDACTED]
Ms. Chen Chunmei (陳春梅)	Interest of spouse(5)	Domestic Shares	213,834,600 (L)	52.59	[REDACTED]	[REDACTED]	[REDACTED]
		H Shares	–	–	[REDACTED]	[REDACTED]	[REDACTED]
Mr. Xiong Youjun	Beneficial owner	Domestic Shares	8,290,743 (L)	2.04	[REDACTED]	[REDACTED]	[REDACTED]
	Persons acting in concert(3)	Domestic Shares	205,543,857 (L)	50.56	[REDACTED]	[REDACTED]	[REDACTED]
		H Shares	–	–	[REDACTED]	[REDACTED]	[REDACTED]
Ms. Gao Yan (高豔)	Interest of spouse(6)	Domestics Shares	213,834,600 (L)	52.59	[REDACTED]	[REDACTED]	[REDACTED]
		H Shares	–	–	[REDACTED]	[REDACTED]	[REDACTED]

			As of the Latest Practicable Date		Immediately following the completion of the [REDACTED] and Conversion of Domestic Shares into H Shares (taking no account of any H Shares which may be issued pursuant to the exercise of the [REDACTED])		
Name of Substantial Shareholder	Nature of Interest	Class of Shares	Number of Shares directly or indirectly held[1]	Approximate % of the total issued Share capital of our Company	Number of Shares directly or indirectly held[1]	Approximate % of the relevant class of Shares	Approximate % of the total issued Share capital of our Company
Ms. Wang Lin	Beneficial owner	Domestic Shares	8,201,880 (L)	2.02	[REDACTED]	[REDACTED]	[REDACTED]
	Interest in controlled incorporation[7]	Domestic Shares	39,599,280 (L)	9.74	[REDACTED]	[REDACTED]	[REDACTED]
	Persons acting in concert[3]	Domestic Shares	166,033,440 (L)	40.84	[REDACTED]	[REDACTED]	[REDACTED]
		H Shares	–	–	[REDACTED]	[REDACTED]	[REDACTED]
Mr. Hou Zongfang (侯宗放)	Interest of spouse[8]	Domestic Shares	213,834,600 (L)	52.59	[REDACTED]	[REDACTED]	[REDACTED]
		H Shares	—	—	[REDACTED]	[REDACTED]	[REDACTED]
Shenzhen Zhineng Youxuan	Beneficial owner	Domestic Shares	3,220,200 (L)	0.79	[REDACTED]	[REDACTED]	[REDACTED]
		H Shares	—	—	[REDACTED]	[REDACTED]	[REDACTED]
	Persons acting in concert[3]	Domestic Shares	210,614,400 (L)	51.80	[REDACTED]	[REDACTED]	[REDACTED]
		H Shares	—	—	[REDACTED]	[REDACTED]	[REDACTED]
Qianhai Honghao	Interest in controlled incorporation[9][10]	Domestic Shares	219,214,440 (L)	53.92	[REDACTED]	[REDACTED]	[REDACTED]
		H Shares	—	—	[REDACTED]	[REDACTED]	[REDACTED]
Ms. Hao Ting (郝婷)	Interest in controlled incorporation[11]	Domestic Shares	219,214,440 (L)	53.92	[REDACTED]	[REDACTED]	[REDACTED]
		H Shares	—	—	[REDACTED]	[REDACTED]	[REDACTED]
Shenzhen Sunda	Interest in controlled incorporation[9]	Domestic Shares	213,834,600 (L)	52.59	[REDACTED]	[REDACTED]	[REDACTED]
		H Shares	—	—	[REDACTED]	[REDACTED]	[REDACTED]
Mr. Chen Jiehuai (陳捷淮)	Interest in controlled incorporation[12]	Domestic Shares	213,834,600 (L)	52.59	[REDACTED]	[REDACTED]	[REDACTED]
		H Shares	—	—	[REDACTED]	[REDACTED]	[REDACTED]
Golden Kapok	Interest in controlled incorporation[9]	Domestic Shares	213,834,600 (L)	52.59	[REDACTED]	[REDACTED]	[REDACTED]
		H Shares	—	—	[REDACTED]	[REDACTED]	[REDACTED]
Shenzhen Jinan Holding Company Limited* (深圳市錦安控股有限公司) ("**Shenzhen Jinan**")	Interest in controlled incorporation[13]	Domestic Shares	213,834,600 (L)	52.59	[REDACTED]	[REDACTED]	[REDACTED]
		H Shares	—	—	[REDACTED]	[REDACTED]	[REDACTED]

			As of the Latest Practicable Date		Immediately following the completion of the [REDACTED] and Conversion of Domestic Shares into H Shares (taking no account of any H Shares which may be issued pursuant to the exercise of the [REDACTED])		
Name of Substantial Shareholder	**Nature of Interest**	**Class of Shares**	**Number of Shares directly or indirectly held[1]**	**Approximate % of the total issued Share capital of our Company**	**Number of Shares directly or indirectly held[1]**	**Approximate % of the relevant class of Shares**	**Approximate % of the total issued Share capital of our Company**
Shenzhen Fangchen Shiye Investment Company Limited* (深圳市方辰實業投資有限公司) ("**Fangchen Shiye**")	Interest in controlled incorporation[14]	Domestic Shares	213,834,600 (L)	52.59	[REDACTED]	[REDACTED]	[REDACTED]
		H Shares	—	—	[REDACTED]	[REDACTED]	[REDACTED]
Ms. Gao Hui (高輝)	Interest in controlled incorporation[15]	Domestic Shares	213,834,600 (L)	52.59	[REDACTED]	[REDACTED]	[REDACTED]
		H Shares	—	—	[REDACTED]	[REDACTED]	[REDACTED]
Mr. Zhao Guoqun	Beneficial owner	Domestic Shares	2,469,657 (L)	0.61	[REDACTED]	[REDACTED]	[REDACTED]
		H Shares	—	—	[REDACTED]	[REDACTED]	[REDACTED]
	Persons acting in concert[3]	Domestic Shares	211,364,943 (L)	51.99	[REDACTED]	[REDACTED]	[REDACTED]
		H Shares	—	—	[REDACTED]	[REDACTED]	[REDACTED]
Shenzhen Evolution	Beneficial owner	Domestic Shares	39,599,280 (L)	9.74	[REDACTED]	[REDACTED]	[REDACTED]
Tencent Holdings Limited	Interest in controlled incorporations[16]	Domestic Shares	25,661,160 (L)	6.31	[REDACTED]	[REDACTED]	[REDACTED]
		H Shares	—	—	[REDACTED]	[REDACTED]	[REDACTED]
Image Frame	Beneficial Owner	Domestic Shares	22,128,840 (L)	5.44	[REDACTED]	[REDACTED]	[REDACTED]
		H Shares	—	—	[REDACTED]	[REDACTED]	[REDACTED]
QM25 Limited	Beneficial owner[17]	Domestic Shares	23,681,160 (L)	5.82	[REDACTED]	[REDACTED]	[REDACTED]
		H Shares	—	—	[REDACTED]	[REDACTED]	[REDACTED]
Qiming Venture Partners IV, L.P.	Interest in controlled incorporation[17]	Domestic Shares	23,681,160 (L)	5.82	[REDACTED]	[REDACTED]	[REDACTED]
		H Shares	—	—	[REDACTED]	[REDACTED]	[REDACTED]
Qiming GP IV, L.P.	Interest in controlled incorporation[17]	Domestic Shares	23,681,160 (L)	5.82	[REDACTED]	[REDACTED]	[REDACTED]
		H Shares	—	—	[REDACTED]	[REDACTED]	[REDACTED]
Qiming Corporate GP IV, Ltd.	Interest in controlled incorporation[17]	Domestic Shares	23,681,160 (L)	5.82	[REDACTED]	[REDACTED]	[REDACTED]
		H Shares	—	—	[REDACTED]	[REDACTED]	[REDACTED]

			As of the Latest Practicable Date		Immediately following the completion of the [REDACTED] and Conversion of Domestic Shares into H Shares (taking no account of any H Shares which may be issued pursuant to the exercise of the [REDACTED])		
Name of Substantial Shareholder	**Nature of Interest**	**Class of Shares**	**Number of Shares directly or indirectly held(1)**	**Approximate % of the total issued Share capital of our Company**	**Number of Shares directly or indirectly held(1)**	**Approximate % of the relevant class of Shares**	**Approximate % of the total issued Share capital of our Company**
Liuzhou State-owned Assets Supervision and Administration Commission ("**Liuzhou SASAC**")	Interest in controlled corporation(18)	Domestic Shares	15,212,982 (L)	3.74	[REDACTED]	[REDACTED]	[REDACTED]
ICBC (Shenzhen)	Beneficial owner	Domestic Shares	6,861,960 (L)	1.69	[REDACTED]	[REDACTED]	[REDACTED]
		H Shares	—	—	[REDACTED]	[REDACTED]	[REDACTED]

Notes:

(1) The letter "L" denotes the entity/person's long position in the Shares.

(2) As at the Latest Practicable Date, Shenzhen Sanciyuan directly held 14,538,600 Domestic Shares. Mr. Zhou Jian is the general partner of Shenzhen Sanciyuan. By virtue of the SFO, Mr. Zhou Jian is deemed to be interested in all the Shares held by Shenzhen Sanciyuan.

(3) Each of Mr. Zhao Guoqun, Mr. Xia Yongjun, Ms. Wang Lin, Mr. Xiong Youjun, Mr. Xia Zuoquan and Shenzhen Zhineng Youxuan has entered into a concert party agreement with Mr. Zhou Jian. For further details, see "Relationship with our Controlling Shareholders". By virtue of the SFO, each of Mr. Zhou Jian, Mr. Zhao Guoqun, Mr. Xia Yongjun, Ms. Wang Lin, Mr. Xiong Youjun, Mr. Xia Zuoquan and Shenzhen Zhineng Youxuan is deemed to be interested in all the Shares which each other is interested in.

(4) Ms. Yang Zhilian and Mr. Xia Zuoquan are spouses, and therefore Ms. Yang Zhilian is deemed to be interested in all of Mr. Xia Zuoquan's interest in our Company by virtue of the SFO.

(5) Ms. Chen Chunmei and Mr. Xia Yongjun are spouses, and therefore Ms. Chen Chunmei is deemed to be interested in all of Mr. Xia Yongjun's interests in our Company by virtue of the SFO.

(6) Ms. Gao Yan and Mr. Xiong Youjun are spouses, and therefore Ms. Gao Yan is deemed to be interested in all of Mr. Xiong Youjun's interests in our Company by virtue of the SFO.

(7) Ms. Wang Lin is the general partner of Shenzhen Evolution. By virtue of the SFO, Ms. Wang Lin is deemed to be interested in all of the Shares held by Shenzhen Evolution.

(8) Mr. Hou Zongfang and Ms. Wang Lin are spouses, and therefore Mr. Hou Zongfang is deemed to be interested in all of Ms. Wang Lin interests in our Company by virtue of the SFO.

(9) As of the Latest Practicable Date, Qianhai Honghao and Shenzhen Sunda were general partners of Shenzhen Zhineng Youxuan, and Golden Kapok owned approximately 62.47% of the partnership interest in Shenzhen Zhineng Youxuan. By virtue of the SFO, each of Qianhai Honghao, Shenzhen Sunda and Golden Kapok is deemed to be interested in all of the interest of Shenzhen Zhineng Youxuan in our Company.

(10) As of the Latest Practicable Date, Shenzhen Zhineng Jiaxuan directly held 5,379,840 Domestic Shares. Qianhai Honghao is the sole general partner of Shenzhen Zhineng Jiaxuan. By virtue of the SFO, Qianhai Honghao is deemed to be interested in all the Shares held by Shenzhen Zhineng Jiaxuan. Accordingly, Qianhai Honghao is deemed to be interested in an aggregate number of 219,214,440 Domestic Shares held by Shenzhen Zhineng Youxuan and Shenzhen Zhineng Jiaxuan.

(11) As of the Latest Practicable Date, Qianhai Honghao was owned as to 79% by Ms. Hao Ting. By virtue of the SFO, Ms. Hao Ting is deemed to be interested in the Shares which Qianhai Honghao is interested in.

(12) As of the Latest Practicable Date, Shenzhen Sunda was owned as to 73% by Mr. Chen Jiehuai. By virtue of the SFO, Mr. Chen Jiehuai is deemed to be interested in the Shares which Shenzhen Sunda is interested in.

(13) As of the Latest Practicable Date, Golden Kapok was directly owned as to 90% by Shenzhen Jinan. By virtue of the SFO, Shenzhen Jinan is deemed to be interested in the Shares which Golden Kapok is interested in.

(14) As of the Latest Practicable Date, Shenzhen Jinan was directly owned as to 53.5% by Fangchen Shiye. By virtue of the SFO, Fangchen Shiye is deemed to be interested in the Shares which Shenzhen Jinan is interested in.

(15) As of the Latest Practicable Date, Fangchen Shiye was owned as to 90% by Ms. Gao Hui. By virtue of the SFO, Ms. Gao Hui is deemed to be interested in the Shares which Fangchen Shiye is interested in.

(16) As of the Latest Practicable Date, Image Frame directly held 22,128,840 Shares and is wholly owned by Tencent Holdings Limited. As of the Latest Practicable Date, Tencent SZ directly held 3,532,320 Domestic Shares. Tencent SZ is wholly owned by Oriental Power Holdings Limited, which is in turn wholly owned by Tencent Holdings Limited. By virtue of the SFO, Tencent Holdings Limited is deemed to be interested in an aggregate number of 25,661,160 Domestic Shares held by Image Frame and Tencent SZ.

(17) As of the Latest Practicable Date, QM25 directly held 23,681,160 Shares and is owned by Qiming Venture Partners IV, L.P. and Qiming Managing Directors Fund IV, L.P. as to 96.94% and 3.06% respectively. Qiming GP IV, L.P. is the general partner of Qiming Venture Partners IV, L.P., whereas Qiming Corporate GP IV, Ltd. is the general partner of Qiming GP IV, L.P. and Qiming Managing Directors Fund IV, L.P.

Therefore, for the purpose of the SFO, Qiming Venture Partners IV, L.P., Qiming GP IV, L.P., and Qiming Corporate GP IV, Ltd. are deemed to be interested in the Shares held by QM25.

(18) As of the Latest Practicable Date, Liuzhou Industrial Fund and Liuzhou Government Investment Fund directly held 12,677,485 Shares and 2,535,497 Shares respectively, and are wholly owned by Liuzhou SASAC. Therefore, for the purpose of the SFO, Liuzhou SASAC is deemed to be interested in the Shares held by Liuzhou Industrial Fund and Liuzhou Government Investment Fund.

Save as disclosed above, our Directors are not aware of any person who, as of the Latest Practicable Date and immediately following the completion of the [**REDACTED**] and the Conversion of Domestic Shares into H Shares (taking no account of any H Shares which may be issued pursuant to the exercise of the [**REDACTED**]), had or will have or were or will be deemed or taken to have an interest and/or short position in the Shares or underlying Shares which would be required to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO, or were or will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company.

SHARE CAPITAL

As of the Latest Practicable Date, the registered capital of our Company was RMB406,568,674 divided into 406,568,674 Domestic Shares with a nominal value of RMB1.00 each, representing 100% of the total share capital of our Company.

Immediately following completion of the [**REDACTED**], assuming the [**REDACTED**] is not exercised, the total share capital of our Company will be as follows:

Description of Shares	Number of Shares	Approximate percentage of total share capital
Domestic Shares	[**REDACTED**]	[**REDACTED**]
H Shares converted from Domestic Shares	[**REDACTED**]	[**REDACTED**]
H Shares to be issued pursuant to the [**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Total	[**REDACTED**]	[**REDACTED**]

Immediately following completion of the [**REDACTED**], assuming the [**REDACTED**] is exercised in full, the total share capital of the Company will be as follows:

Description of Shares	Number of Shares	Approximate percentage of total share capital
Domestic Shares	[**REDACTED**]	[**REDACTED**]
H Shares converted from Domestic Shares	[**REDACTED**]	[**REDACTED**]
H Shares to be issued pursuant to the [**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Total	[**REDACTED**]	[**REDACTED**]

The above tables assume that the [**REDACTED**] would become unconditional and be completed.

PUBLIC FLOAT

Rule 8.08(1)(b) of the Listing Rules requires that there shall be an open market for the securities for which [**REDACTED**] is sought, and it normally means that, where an issuer has more than one class of securities apart from the class of securities for which [**REDACTED**] is sought, the total securities of the issuer held by the public (on all regulated market(s) including the Stock Exchange) at the time of [**REDACTED**] must be at least 25% of the issuer's total issued share capital.

[**REDACTED**]

[**REDACTED**]

THE SHARES

The H Shares in issue following completion of the [**REDACTED**] and the Domestic Shares are ordinary Shares in the share capital of the Company. H Shares may only be subscribed for and traded in Hong Kong dollars. Domestic Shares may only be subscribed for and traded in RMB. Apart from certain qualified domestic institutional investors in the PRC, the qualified PRC investors under the Shanghai-Hong Kong Stock Connect, the Shenzhen-Hong Kong Stock Connect or other persons who are entitled to hold our H Shares pursuant to relevant PRC laws and regulations or upon approvals of any competent authorities, H Shares generally cannot be subscribed for by or traded between legal or natural persons of the PRC. Domestic Shares, on the other hand, can be subscribed for by and traded between legal or natural persons of the PRC and qualified foreign institutional investors.

RANKING

Except for the differences set out in "The Shares" above, Domestic Shares and H Shares will rank *pari passu* with each other in all other respects and, in particular, will rank equally for all dividends or distributions declared, paid or made after the date of this document. All dividends in respect of the H Shares are to be paid by us in Hong Kong dollars whereas all dividends in respect of Domestic Shares are to be paid by us in Renminbi. In addition to cash, dividends may be distributed in the form of Shares. For holders of H Shares, dividends in the form of Shares will be distributed in the form of additional H Shares. For holders of Domestic Shares, dividends in the form of Shares will be distributed in the form of additional Domestic Shares.

CONVERSION OF OUR DOMESTIC SHARES INTO H SHARES

Upon completion of the [**REDACTED**], all our Domestic Shares (other than those converting to H Shares) are not [**REDACTED**] or traded on any stock exchange. The holders of our Domestic Shares may convert their Shares into H Shares provided such conversion shall have gone through any requisite internal approval process and complied with the regulations prescribed by the securities regulatory authorities of the State Council and the regulations, requirements and procedures prescribed by the overseas stock exchange(s) and complete the filing process procedure with CSRC. The [**REDACTED**] of such converted Shares on the Stock Exchange will also require the approval of the Stock Exchange.

In accordance with the Guidelines on Application for "Full Circulation" of Domestic Unlisted Shares of H-share Companies (2023 Amendment) (《H股公司境內未上市股份申請"全流通"業務指引(2023修正)》) ("**Full Circulation Guidelines**") published and implemented by the CSRC on

November 14, 2019 and revised on August 10, 2023 and the Overseas Listing Trial Measures, domestic unlisted shares of H-share companies (including domestic unlisted shares held by domestic shareholders prior to the overseas [**REDACTED**], domestic unlisted shares further issued in the PRC after the overseas [**REDACTED**] and unlisted shares held by foreign shareholders) could be [**REDACTED**] and traded on the Stock Exchange after application to file with the CSRC. The Full Circulation Guidelines are applicable to domestic companies [**REDACTED**] on the Stock Exchange only and not applicable to companies dual [**REDACTED**] in the PRC and on the Stock Exchange.

The Company filed for application for a "full circulation" of the unlisted shares on October 10, 2023 and submitted the application reports, authorization documents of the shareholders of unlisted shares for which an H-share "full circulation" are applied, explanation about the compliance of share acquisition and others documents in accordance with the requirements of the CSRC.

Upon completion of the [**REDACTED**], a total of [**REDACTED**] Domestic Shares held by the Full Circulation Participating Shareholders, will be converted into H Shares on a one-for-one basis. The conversion of these Domestic Shares into H Shares have been approved by CSRC on November 2, 2023 and an application has been made to the Listing Committee for such H Shares to be [**REDACTED**] on the Stock Exchange.

Based on the procedures for the conversion of our Domestic Shares into H Shares as disclosed in this section, we can apply for the [**REDACTED**] of all or any portion of our Domestic Shares on the Stock Exchange as H Shares in advance of any proposed conversion to ensure that the conversion process can be completed promptly upon notice to the Stock Exchange and delivery of Shares for entry on the H Share register. As any [**REDACTED**] of additional Shares after our [**REDACTED**] on the Stock Exchange is ordinarily considered by the Stock Exchange to be a purely administrative matter, it will not require such prior application for [**REDACTED**] at the time of our [**REDACTED**] in Hong Kong.

No class Shareholder voting is required for the [**REDACTED**] and trading of the converted Shares on the Stock Exchange. Any application for [**REDACTED**] of the converted Shares on the Stock Exchange after our [**REDACTED**] is subject to prior notification by way of announcement to inform Shareholders and the public of such proposed conversion.

After all the requisite approvals have been obtained, the following procedures will need to be completed: the relevant Domestic Shares will be withdrawn from the Share register and we will re-register such Shares on our H Share register maintained in Hong Kong and instruct the [**REDACTED**] to issue H Share certificates. Registration on our H Share register will be on the condition that (a) our [**REDACTED**] lodges with the Stock Exchange a letter confirming the proper entry of the relevant H Shares on the H Share register of members and the due dispatch of H Share certificates and (b) the admission of the H Shares to [**REDACTED**] on the Stock Exchange will comply with the Listing Rules and the General Rules of [**REDACTED**] and the [**REDACTED**] in force from time to time. Until the converted Shares are re-registered on our H Share register, such Shares would not be [**REDACTED**] as H Shares.

Please refer to "Risk Factors – Risks Relating to the [**REDACTED**] and our Shares – Future sales or perceived sales of substantial amounts of our H Shares in the public market could have a material adverse effect on the market price of our H Shares and our ability to raise additional capital in the future."

So far as we are aware, upon completion of the [**REDACTED**], other than the Full Circulation Participating Shareholders, none of our Shareholders currently proposes to convert any of their Domestic Shares into H Shares.

INCREASE IN SHARE CAPITAL

As advised by the PRC Legal Adviser, pursuant to our Articles of Association and subject to the requirements of relevant PRC laws and regulations, our Company, upon the [**REDACTED**], is eligible to enlarge its share capital by issuing either new H Shares or new Domestic Shares on condition that such proposed issuance shall be approved by a special resolution of Shareholders in general meeting and that such issuance complies with the Listing Rules and other relevant laws and regulations of Hong Kong. To adopt a special resolution of Shareholders in general meeting, more than two-thirds of the votes (including two-thirds) represented by our Shareholders (including proxies) present at the general meeting must be exercised in favor of the resolution.

REGISTRATION OF SHARES NOT [REDACTED] ON THE OVERSEAS STOCK EXCHANGE

According to the Notice of Centralized Registration and Deposit of Non-overseas Listed Shares of Companies Listed on an Overseas Stock Exchange (《關於境外上市公司非境外上市股份集中登記存管有關事宜的通知》) issued by the CSRC, an overseas [**REDACTED**] company is required to register its shares that are not [**REDACTED**] on the overseas stock exchange with China Securities Depository and Clearing Corporation Limited within 15 business days upon [**REDACTED**].

CIRCUMSTANCES UNDER WHICH GENERAL MEETING IS REQUIRED

For details of circumstances under which a Shareholders' general meeting is required, see "Appendix VI — Summary of our Articles of Association".

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

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

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

OVERVIEW

UBTech is an established robotic company based in the PRC, dedicated to the design, production, commercialization, sales and marketing and research development (R&D) of smart service robotic products and services. Our offerings, ranging from consumer-level robots and appliances, enterprise-level smart service robotic products and services tailored for education, logistics and other sectors, are equipped to different extent with smart features that sense, interact, analyze and process human instructions and external environment such as mapping, temperature measurement and facial recognition. According to Frost & Sullivan, we are the No. 3 in the smart service robotic products and services industry in China (in terms of revenue) in 2022 with a market share of 2.8%, and China's No. 1 provider of education smart robotic products and services (in terms of revenue) in 2022 with a market share of 22.5%.

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

BASIS OF PREPARATION

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

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

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

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

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

PRC Government's policies supporting the smart service robotic products and services industry

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

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

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

Development and performance of the underlying industries of our customers

During the Track Record Period, we generated revenue from providing smart service robotic products and services to various industries, in particular the education and logistics industries. For FY2020, FY2021, FY2022, 6M2022 and 6M2023, the aggregate revenue from the education and logistics industries accounted for 84.4%, 79.8%, 77.3%, 77.3% and 58.4% of our total revenue, respectively. Since most of our revenue was generated from the education and logistics industries, our result of operation is highly dependent on the changes in the education and logistics industries.

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

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

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

Leveraging our self-developed technology capabilities, we intend to further expand our product and service portfolios to different enterprise-level and consumer-level scenarios to cater for the specific requirements and demands for different industries. See "Future Plans and [**REDACTED**]".

Our ability to design and develop new smart service robotic products and services and to address their respective demands

Since we are subject to change in customers' demand from time to time, our ability to design and develop new products and AI-related services and to address their respective demands is crucial to our success. Our industry is characterised by rapidly evolving technology. We believe that our future success will depend on our ability to enhance our current products and services and to introduce new products and services that keep pace with this rapidly evolving technology. As such, our success is susceptible to our ability to integrate new technology into our products and services, create new products and services and adapt to changing demands of our customers in a timely manner. In addition, we had write-down of inventories during the Track Record Period. In particular, we have approximately 7,660 units of humanoid Alpha Mini (non-education), which amounted to RMB16.1 million, remained in our inventories as of June 30, 2023. Such products have a relatively shorter life cycle due to the change in customer demand and preference and technological changes which resulted in decrease in its net realizable value. Thus, we had total write-down of inventories of RMB14.6 million, in relation to this product as of June 30, 2023.

As a result, we may need to invest significant resources in R&D to maintain our market position, keep pace with technological changes and compete effectively. For FY2020, FY2021, FY2022, 6M2022 and 6M2023, our R&D expenses amounted to RMB428.8 million, RMB517.1 million, RMB428.3 million, RMB205.0 million and RMB224.3 million, respectively. Such R&D cost represented approximately 57.9%, 63.3%, 42.3%, 72.3% and 85.9% of our total revenue in the same years/periods, respectively. Our failure to improve our products and services, offer new products and services and adapt to changing demands in a timely and cost-effective manner could materially and adversely affect our business, financial condition and results of operations.

Revenue mix

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

	FY2020				FY2021				FY2022				6M2022				6M2023			
	Revenue	Percentage to revenue	Gross profit /(loss)	Gross profit /(loss) margin	Revenue	Percentage to revenue	Gross profit /(loss)	Gross profit /(loss) margin	Revenue	Percentage to revenue	Gross profit /(loss)	Gross profit /(loss) margin	Revenue	Percentage to revenue	Gross profit /(loss)	Gross profit /(loss) margin	Revenue	Percentage to revenue	Gross profit /(loss)	Gross profit /(loss) margin
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	% (Unaudited)	RMB'000	%	RMB'000	%	RMB'000	%
Education smart robotic products and services	612,249	82.7	309,865	50.6	461,843	56.5	207,045	44.8	516,688	51.2	290,079	56.1	177,984	62.8	87,125	49.0	75,668	29.0	26,632	35.2
Logistics smart robotic products and services	12,690	1.7	1,885	14.9	190,786	23.3	26,919	14.1	263,437	26.1	20,843	7.9	41,129	14.5	4,461	10.8	76,801	29.4	9,547	12.4
Other sector-tailored smart robotic products and services	38,598	5.2	17,720	45.9	90,245	11.0	40,365	44.7	82,418	8.2	55,039	66.8	9,279	3.3	(3,239)	(34.9)	22,246	8.5	8,142	36.6
Consumer-level robots and other hardware devices	62,016	8.4	19,164	30.9	67,795	8.3	(17,869)	(26.4)	132,448	13.1	(2,955)	(2.2)	46,765	16.5	(12,596)	(26.9)	85,028	32.6	13,871	16.3
Others[(Note)]	14,673	2.0	(5,316)	(36.2)	6,561	0.9	696	10.6	13,281	1.4	1,657	12.5	8,366	3.0	1,936	23.1	1,396	0.5	(3,556)	(254.7)
Sub-total	740,226	100.0	343,318	46.4	817,230	100.0	257,156	31.5	1,008,272	100.0	364,663	36.2	283,523	100.0	77,687	27.4	261,139	100.0	54,636	20.9
Net write-down of inventories	N/A	N/A	(12,580)		N/A	N/A	(1,203)		N/A	N/A	(70,618)		N/A	N/A	(38,862)		N/A	N/A	(1,999)	
Total	740,226	100.0	330,738	44.7	817,230	100.0	255,953	31.3	1,008,272	100.0	294,045	29.2	283,523	100.0	38,825	13.7	261,139	100.0	52,637	20.2

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

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

Competition and pricing

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

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

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

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

As a result of	Hypothetical (decrease)/ increase loss before taxation for FY2020	Hypothetical (decrease)/ increase loss before taxation for FY2021	Hypothetical (decrease)/ increase loss before taxation for FY2022	Hypothetical (decrease)/ increase loss before taxation for 6M2022	Hypothetical (decrease)/ increase loss before taxation for 6M2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Hypothetical increase/(decrease) of 5%	(24,969)/24,969	(20,326)/20,326	(22,117)/22,117	(7,773)/7,773	(5,854)/5,854
Hypothetical increase/(decrease) of 10%	(49,937)/49,937	(40,652)/40,652	(44,234)/44,234	(15,546)/15,546	(11,709)/11,709
Hypothetical increase/(decrease) of 15%	(74,906)/74,906	(60,978)/60,978	(66,351)/66,351	(23,320)/23,320	(17,563)/17,563

Seasonality

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

	FY2020	FY2021	FY2022	6M2022	6M2023
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Revenue					
1st quarter	82,753	170,383	57,903	57,903	99,649
2nd quarter	327,380	178,592	225,620	225,620	161,490
3rd quarter	128,514	154,748	245,670	N/A	N/A
4th quarter	201,579	313,507	479,079	N/A	N/A
	740,226	817,230	1,008,272	283,523	261,139

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

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

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

Cost of raw materials and consumable goods used and subcontracting fee

Our cost of raw materials and consumable goods used, mainly included compliers, PCB boards, electronic parts, plastic parts and electromechanical parts, represented the largest portion of our cost of sales, accounted for 53.1%, 62.6%, 64.2%, 54.6% and 61.0% of our total cost of sales for FY2020, FY2021, FY2022, 6M2022 and 6M2023, respectively. The purchase costs of our raw materials may vary from period to period due to factors such as scarcity of supply and inflation. We are subject to the risks of fluctuations in the price of these materials. Changes in the availability and price of raw materials could have a significant impact on our operating costs and results of operations.

Moreover, we also engaged subcontractors during the Track Record Period for services such as course operation consulting services, teachers training and teaching support services. For FY2020, FY2021, FY2022, 6M2022 and 6M2023, our subcontracting fee amounted to RMB80.3 million, RMB105.8 million, RMB63.8 million, RMB37.6 million and RMB6.9 million, respectively, accounted for 19.6%, 18.8%, 8.9%, 15.4% and 3.3% of our total cost of sales for the corresponding year. We are subject to the risks of fluctuations in the subcontracting fees. Changes in the availability and price of subcontracting work could have a significant impact on our operating costs and results of operations.

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

As a result of	Hypothetical increase/ (decrease) in loss before taxation for FY2020	Hypothetical increase/ (decrease) in loss before taxation for FY2021	Hypothetical increase/ (decrease) in loss before taxation for FY2022	Hypothetical increase/ (decrease) in loss before taxation for 6M2022	Hypothetical increase/ (decrease) in loss before taxation for 6M2023
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**
Hypothetical increase/(decrease) of 5%	14,886/(14,886)	22,857/(22,857)	26,135/(26,135)	8,558/(8,558)	6,702/(6,702)
Hypothetical increase/(decrease) of 10%	29,772/(29,772)	45,713/(45,713)	52,270/(52,270)	17,115/(17,115)	13,404/(13,404)
Hypothetical increase/(decrease) of 15%	44,658/(44,658)	68,570/(68,570)	78,405/(78,405)	25,673/(25,673)	20,106/(20,106)

MATERIAL ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

Material Accounting Policies

Revenue recognition

(a) Revenue from sale of products

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

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

(b) Revenue from provision of ancillary services

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

(c) Multiple performance obligations in a contract

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

Research and development expenditures

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

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

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

Share-based compensation expenses

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

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

Property, plant and equipment

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

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

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

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

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

Leases

Our Group is a lessee

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

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

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

Intangible assets

(a) Goodwill

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

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

(b) Trademarks, customer contracts and relationships

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

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

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

(c) Software

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

(d) Amortization method and period

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

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

Principles of consolidation and equity accounting

(a) Subsidiaries

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

Intercompany transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed when necessary to ensure consistency with the policies adopted by our Group.

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

(b) Equity method

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

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

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

Critical Accounting Estimates and Judgments

Revenue from customer contracts with multiple performance obligations

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

Net realizable value ("NRV") of inventories

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

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

Impairment of tangible non-current assets

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

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

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

Impairment of goodwill

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

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

Measurement of ECL

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

Share-based compensation expenses

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

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

Current and deferred income taxes

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

RESULTS OF OPERATIONS

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

	FY2020	FY2021	FY2022	6M2022	6M2023
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000 (Unaudited)**	**RMB'000**
Revenue	740,226	817,230	1,008,272	283,523	261,139
Cost of sales	(409,488)	(561,277)	(714,227)	(244,698)	(208,502)
Gross profit	330,738	255,953	294,045	38,825	52,637
Selling and marketing expenses	(313,298)	(357,607)	(361,023)	(171,563)	(189,848)
General and administrative expenses	(212,061)	(325,899)	(398,083)	(162,461)	(177,550)
Research and development expenses	(428,766)	(517,072)	(428,280)	(204,995)	(224,337)
Net impairment (losses)/reversal of impairment on financial assets	(40,067)	(7,358)	(46,386)	(9,852)	(8,653)

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

NON-HKFRS MEASURES

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

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

	FY2020	FY2021	FY2022	6M2022	6M2023
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Reconciliation of net loss and "adjusted net loss (non-HKFRS measures)" and "adjusted EBITDA (non-HKFRS measures)"					
Net loss for the year/period	(706,999)	(917,519)	(987,368)	(515,158)	(547,917)
Add:					
Share-based compensation	64,490	156,396	204,387	114,916	179,466
[**REDACTED**]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Adjusted net loss for the year/period (Non-HKFRS measure)	(642,509)	(761,123)	(782,037)	(400,242)	(366,903)
Add:					
Interest expenses(Note)	54,414	32,222	24,435	15,438	8,823
— Interest expenses on lease liabilities	*3,969*	*4,245*	*3,185*	*1,580*	*1,405*
— Interest expenses on borrowings	*49,853*	*29,811*	*38,688*	*21,894*	*25,311*
— Interest expenses on advances from ultimate controlling shareholder	*592*	—	—	—	—
— Interest expenses capitalised	—	*(1,834)*	*(17,438)*	*(8,036)*	*(17,893)*
Income tax expense	31,504	16,558	16,509	420	292
Depreciation of right-of-use assets	31,055	41,355	36,693	20,505	18,452
Depreciation of property, plant and equipment	46,183	54,754	51,018	26,534	22,136
Amortization of intangible assets	1,886	3,596	2,332	790	2,334
Less:					
Finance income	12,715	12,703	3,628	(2,525)	(3,369)
Adjusted EBITDA (Non-HKFRS measure)	(490,182)	(625,341)	(654,678)	(339,080)	(318,235)

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

Our "adjusted EBITDA (non-HKFRS measure)" increased from negative RMB490.2 million in FY2020 to negative RMB625.3 million in FY2021 primarily due to the decrease in gross profit from education smart robotic products and services and consumer-level robots and other hardware devices. Our "adjusted EBITDA (non-HKFRS measures)" increased from negative RMB625.3 million in FY2021 to negative RMB654.7 million in FY2022, which was consistent with the increased net loss in FY2022. Our "adjusted EBITDA (non-HKFRS measures)" decreased from negative RMB339.1 million in 6M2022 to negative RMB318.2 million in 6M2023, primarily due to the increased gross profit resulting from improved gross profit margin for other sector-tailored smart robotic products and services and consumer-level robots and other hardware devices segments, decreased net write-down of inventories in 6M2023 and increased share-based compensation in 6M2023. For details of the write-down of inventories, see "Financial Information — Description of Selected Items in Consolidated Income Statements — Cost of Sales" in this document.

DESCRIPTION OF SELECTED ITEMS IN CONSOLIDATED INCOME STATEMENTS

Revenue

During the Track Record Period, we generate revenue primarily from sales of (i) education smart robotic products and services, (ii) logistics smart robotic products and services, (iii) other sector-tailored smart robotic products and services and (iv) consumer-level robots and other hardware devices. In FY2020, FY2021, FY2022, 6M2022 and 6M2023, our total revenue was RMB740.2 million, RMB817.2 million, RMB1,008.3 million, RMB283.5 million and RMB261.1 million, respectively. The following table sets out our revenue by products and services during the Track Record Period:

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

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

By products and services

(i) Education smart robotic products and services

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

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

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

Notes:

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

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

Education hardware products and services, and software

From FY2020 to FY2022, majority of our revenue from education smart robotic products and services were generated from sales of education hardware products and services, and software, which amounted to RMB403.7 million, RMB254.7 million and RMB279.9 million in FY2020, FY2021 and FY2022, and accounted for 65.9%, 55.1% and 54.2% of our total revenue from education smart robotic products and services during the respective years. Our sales of education hardware products and services, and software, amounted to RMB100.6 million and RMB16.5 million in 6M2022 and 6M2023, respectively, accounting for 56.5% and 21.8% of our total revenue from education smart robotic products and services during the respective periods. Thus, our revenue from education smart robotic products and services is susceptible to (i) fluctuations in the revenue from the sales of education hardware products and services, and software, which in turns depend on the sales volume and quantity and the different product mix; and (ii) fluctuations in the revenue from ancillary services, which in turns depends on the number of projects and the value of the projects.

The revenue from sales of education hardware products and services, and software was mainly derived from the sales of our education smart robots, including uKit and Jimu (education) Series, humanoid Yanshee and humanoid Alpha Mini (education). We generated revenue of RMB394.6 million, RMB243.3 million, RMB270.6 million, RMB96.1 million and RMB13.7 million from the sales of these education smart robots in FY2020, FY2021, FY2022, 6M2022 and 6M2023, respectively, represented 64.5%, 52.7%, 52.4%, 54.0% and 18.1% of the total sales of education smart robotic products and services in the corresponding years/periods, whilst the sales volume of these education smart robots represented 96.8%, 97.5%, 97.4%, 98.0% and 96.6% of our total sales volume of education hardware products and services, and software in the respective years/period.

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

Our sales of education hardware products and services, and software decreased by RMB84.1 million in 6M2023, primarily due to a large sales order to a customer in Shaoyang of RMB66.8 million for promoting the use of STEAM products in schools in Shaoyang, represented total of 12,010 units, which did not recur in 6M2023, which led to the decrease in sales volume of education hardware products and services, and software from 21,650 units in 6M2022 to 12,580 units in 6M2023. The average selling price of education hardware products and services, and software decreased from RMB4,650 per unit in 6M2022 to RMB1,310 per unit in 6M2023 primarily due to the decrease in average selling price of uKit and Jimu from RMB3,990 per unit in 6M2022 to RMB900 per unit in 6M2023 because we implemented price reductions on these products to clear out our existing inventories in our U.S. subsidiary to facilitate the transition of our overseas sales channel to direct distributors.

Our revenue from others mainly represented the sales of other accessories and purchased items, including but not limited to teaching and learning resources, add-on components to our education smart robotic products, expansion packs and ancillary hardware, which complement our education smart robots. Such sales represented 16.9%, 20.7%, 27.0%, 14.8% and 30.3% of our revenue from education smart robotic products and services in FY2020, FY2021, FY2022, 6M2022 and 6M2023, respectively. In FY2022, the revenue was relatively higher because it included sales of a tailor-made products and services for simulating production line for vocational education purpose, of RMB27.0 million, to Customer F. Our revenue from sales of others decreased by RMB3.4 million from 6M2022 to 6M2023 primarily due to the decrease in sales of ancillary accessories of Alpha Mini (education) of RMB4.1 million following the decrease in sales of Alpha Mini (education) in 6M2023.

Ancillary services

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

Our revenue from provision of ancillary services generally consisted of service fee income which was determined and quoted according to the services provided. We recorded an increasing trend of the revenue from FY2020 to FY2021, primarily due to the increase in number of projects. Our revenue from ancillary services were RMB105.0 million, RMB111.4 million, RMB97.5 million, RMB51.1 million and RMB36.3 million in FY2020, FY2021, FY2022, 6M2022 and 6M2023, respectively, which accounted for 17.1%, 24.1%, 18.9%, 28.7% and 47.9% of our revenue from education smart robotic products and services in the respective years/periods. We had 11, 22, 18, 17 and 10 revenue-generating projects in FY2020, FY2021, FY2022, 6M2022 and 6M2023, respectively.

(ii) Logistics smart robotic products and services

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

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

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

We generated revenue of RMB12.7 million, RMB190.8 million, RMB263.4 million, RMB41.1 million and RMB76.8 million from our logistics smart robotic products and services from two, 43, 22, nine and 24 completed projects in FY2020, FY2021, FY2022, 6M2022 and 6M2023, respectively. Since we launched these products and services in FY2020, our number of customers had increased from two customers in FY2020 to 12 customers in FY2021, and to nine customers in FY2022, and increased from seven customers in 6M2022 to nine customers in 6M2023. The overall increase in our revenue from this products and services was mainly due to the increase in demand of manufacturing and logistics companies to achieve the automation and intellectualization of the sorting, movement and/or storage functions of components, semi-finished products and finished products throughout their installation and assembly processes, thus enabling them to operate in a cost and operationally efficient and effective manner. Our revenue from logistics smart robotic products and services is subject to seasonality and is generally higher in the fourth quarter of a year. See "Key Factors Affecting Our Results of Operations – Seasonality" in this section.

A substantial portion of revenue from our logistics smart robotic products and services were derived through MAE Group, our connected person. Revenue contributed by MAE Group amounted to RMB12.4 million, RMB175.0 million, RMB251.2 million, RMB29.2 million and RMB71.4 million in FY2020, FY2021, FY2022, 6M2022 and 6M2023, respectively, accounted for 97.6%, 91.7%, 95.4%, 70.9% and 93.0% of the revenue from our logistics smart robotic products and services. For details of the MAE arrangements, please refer to "Business – Overlapping of Customers and Suppliers – Overlapping relationship with MAE Group".

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

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

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

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

Notes:

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

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

The average selling price of general service smart robotic products and services decreased from RMB114,190 per unit in 6M2022 to RMB60,500 per unit in 6M2023, primarily due to the decrease in average selling price of ADIBOT from RMB97,040 per unit in 6M2022 to RMB27,850 per unit in 6M2023 because we implemented price reductions on these products to clear out our existing inventories in our U.S. subsidiary to facilitate the transition of our overseas sales channel to direct distributors and the increase in sales volume of our ADIBOT as a percentage to our total sales volume of general service smart robotic products and services from 41.8% in 6M2022 to 77.8% in 6M2023. The decrease in average selling price was partially offset by the sales of seven units of our new wellness and elderly care smart robotic products and services, such as walking assistance smart robot, wheelchair smart robot and companion smart robot which were of higher average selling price. Their aggregate revenue accounted for 44.0% of the total revenue of general service smart robotic products and services in 6M2023.

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

We recognized revenue from general service smart robotic products and services of RMB36.3 million, RMB77.4 million, RMB30.6 million, RMB9.0 million and RMB15.0 million in FY2020, FY2021, FY2022, 6M2022 and 6M2023, respectively. With our efforts in R&D, we introduced the ADIBOT, anti-pandemic model of Cruzr and anti-pandemic model of AIMBOT with additional functions, including body temperature measurement, screening and mask detection. We sold 14 and 32 anti-pandemic model of AIMBOT in FY2020 and FY2021, respectively. Such increase in sales volume contributed to an increase in revenue of RMB15.3 million in FY2021. Moreover, we launched the ADIBOT series, patrol smart robots that use Ultraviolet-C ("**UV-C**") for disinfection and sterilization, in response to the market demand for UV-C disinfection devices amidst the COVID-19 pandemic in FY2020 and we sold 181 units of these products in FY2021 as compared to nil in FY2020, which contributed revenue of RMB16.8 million in the same year. As such, our revenue from other sector-tailored smart robotic products and services increased significantly in FY2021.

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

Our revenue from other sector-tailored smart robotic products and services increased from RMB9.3 million in 6M2022 to RMB22.2 million in 6M2023 primarily due to the sales of a tailor-made wellness and elderly care smart robotic products and services for customers in Shenzhen and Beijing of aggregate revenue of RMB8.1 million, which include wellness and elderly care smart robotic products, such as walking assistance smart robot, wheelchair smart robot and companion smart robot which were of higher average selling price, tailor-made software platform and related services.

Backed by full-stack of technologies accumulated throughout the years, we sold our Walker-X, a life-sized humanoid robot, in FY2022. Our revenue from Walker series and others amounted to RMB2.3 million, RMB12.8 million, RMB51.9 million, RMB0.3 million and RMB7.2 million in FY2020, FY2021, FY2022, 6M2022 and 6M2023, respectively. Such increase in revenue from FY2020 to FY2021, and to FY2022, was primarily attributable to the revenue contributed by Walker series of RMB8.8 million in FY2021, compared to RMB0.4 million in FY2020, and revenue contributed by Walker series of RMB48.7 million in FY2022, which represented sales of (a) a Walker, a Walker-1, a Walker-2 and two units of Walker X for educational purposes, (b) a Walker-2 for general commercial purposes such as greeting and display and (c) two units of Walker X for general commercial purposes in FY2022. Our Walker series and others increased from RMB0.3 million in 6M2022 to RMB7.2 million in 6M2023, primarily due to (i) the sales of a Walker 2 humanoid robot in 6M2023 for educational purposes; and (ii) the increase in provision of ancillary services to our customers following the sales Walker series robots and wellness and elderly care smart robotic products.

Our average selling price for general service smart robotic products and services increased from RMB86,420 per unit in FY2020 to RMB135,390 per unit in FY2021, primarily due to the (i) the average selling price of ADIBOT at RMB92,930 per unit in FY2021, which was newly launched in FY2021; and (ii) increase in average selling price of our (a) anti-pandemic model of AIMBOT from RMB269,920 per unit in FY2020 to RMB595,740 per unit in FY2021; and (b) ATRIS model from RMB422,580 per unit in FY2020 to RMB568,220 per unit in FY2021. The increase in ASP for these products was primarily due to the sales to Customer E with end users mainly representing the local government, schools and hospitals, in FY2021 which included a number of customized value-added services into these products, such as, customized software functions and AI algorithms. Since such order did not recur in FY2022, the average selling price of our general service smart robotic products and services then decreased to RMB29,220 per unit in FY2022. In FY2022, our overall average selling price significantly decreased compared to FY2021, primarily due to the (i) increase in sales volume of our first edition of Cruzr robots which accounted for more than 70% of our sales volume of general service smart robotic products and services in FY2022 (compared to less than 10% of our sales volume of general service smart robotic products and services in FY2021) and entailed relatively lower average selling price of RMB8,060 per unit as we adjusted the selling price downward to boost its sales in order to deal with the slow-moving inventory; and (ii) decrease in sales volume and selling price of anti-pandemic products in FY2022. Our average selling price of general service smart robotic products and services decreased from RMB114,190 per unit in 6M2022 to RMB60,500 per unit in 6M2023, primarily due to the decrease in average selling price of ADIBOT from RMB97,040 per unit in 6M2022 to RMB27,850 per unit in 6M2023 because we implemented price reductions on these products to clear out our existing inventories in our U.S. subsidiary to facilitate the transition of our overseas sales channel to direct distributors and the increase in sales volume of our ADIBOT as a percentage to our total sales volume of general service smart robotic products and services from 41.8% in 6M2022 to 77.8% in 6M2023. We implemented price reductions on the ADIBOT series in order to clear out the existing inventories in our U.S. subsidiary to facilitate the transition of our overseas sales channel to direct distributors since our U.S. subsidiary has disbanded its direct sales team due to non-performance and our Directors are of the view that the financial impact of the costs associated with keeping the relevant direct sales team of the aforementioned product (including, but not limited to, (i) salary of the direct sales team, (ii) storage fees of inventories, (iii) marketing expenses, etc.) exceeded the one-off price reduction in relation to the aforementioned product. The decrease in average selling price was partially offset by the sales of seven units of our new wellness and elderly care smart robotic products and services, such as walking assistance smart robot, wheelchair smart robot and companion smart robot which were of higher average selling price. Their aggregate revenue accounted for 44.0% of the total revenue of general service smart robotic products and services in 6M2023.

(iv) Consumer-level robots and other hardware devices

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

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

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

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

From FY2020 to FY2022, our sales of consumer-level robots and other hardware devices increased primarily due to the increase in sale volume which was mainly attributable to new products launched each year. In FY2021, we introduced four new products, such as, a AiRROBO vacuum cleaner, dictionary pens, smart pens and AI reading lamp, which led to the increase in sales volume of 30,360 units and contributed revenue of RMB18.9 million in FY2021. In FY2022, the increase in revenue was mainly attributable to the increase in revenue from AiRROBO vacuum cleaner of RMB60.8 million, primarily due to the increase in market share resulting from our increased promotion effort. In FY2022, we launched four new products, such as, humidifiers, air purifiers, AiRROBO cat litter box and sensory drum kit, which led to further increase in sales volume of 41,450 units and contributed revenue of RMB17.5 million in FY2022. Our revenue from sales of consumer-level robots and other hardware devices increased from 6M2022 to 6M2023, primarily due to the increase in sales of humidifiers and AiRROBO cat litter box launched in FY2022, which led to a further increase in sales volume of over 37,000 units and contributed to an increase in revenue of RMB19.7 million in 6M2023 compared to that of 6M2022. In addition, the sales volume of AiRROBO vacuum cleaner also increased by over 21,000 units from 6M2022 to 6M2023, which led to an increase in revenue of RMB18.5 million from the sales of AiRROBO vacuum cleaner in 6M2023. The revenue of our AiRROBO vacuum cleaner accounted for over 45% of our total revenue of consumer-level robots and other hardware devices in FY2022, 6M2022 and 6M2023.

Nevertheless, we experienced a downward trend in our average selling price of consumer-level robots and other hardware devices throughout the Track Record Period because (i) their homogeneity to other similar products in the market; (ii) we sold our Alpha series at reduced prices in order to reduce the slow-moving inventories in FY2021; and (iii) we adjusted the selling price to our humanoid Alpha Mini (non-education) products downward to boost their sales in order to reduce the slow-moving inventories in FY2022 and in 6M2023.

By sales channel

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

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

Notes:

(1) Revenue generated from traditional distributors also included an insignificant sales from consignees and retailers which accounted for not more than 4.0% of our total revenue each year during the Track Record Period.

(2) Online/offline hybrid distributors mainly included sales through third party e-commerce platform (which may also sell our products through offline stores).

During the Track Record Period, majority of our products and services were sold through direct sales to customers, such as government educational bureaus, manufacturer of electronic components and intelligent vehicle equipment. These customers generally procure education and logistics smart robotic products and services from us and sales to these customers are in line with the fluctuation of our revenue from education and logistics smart robotic products and services. Our revenue through direct sales accounted for 87.8%, 85.3%, 85.9%, 82.8% and 62.9% of our total revenue for FY2020, FY2021, FY2022, 6M2022 and 6M2023, respectively. Leveraging the extensiveness of the platforms of our distributors, we also conducted sales through traditional distributors, consignees, retailers and online/offline hybrid distributors, which accounted for 11.9%, 12.9%, 6.2%, 10.7% and 14.4% of our total revenue for FY2020, FY2021, FY2022, 6M2022 and 6M2023, respectively. Our distributors mainly procured education smart robotic products and services, consumer-level robots and other hardware devices. We also conducted sales to consumers through our self-operated online stores in online e-commerce platforms, such as Jingdong and Tmall.

By geographical location

During the Track Record Period, majority of our sales was derived in the PRC, which accounted for 92.2%, 92.2%, 87.0%, 82.9% and 73.3% of our total revenue in FY2020, FY2021, FY2022, 6M2022 and 6M2023, respectively. Our overseas sales mainly included the sales to United States, Japan, Belgium and Thailand, which accounted for 7.8%, 7.8%, 13.0%, 17.1% and 26.7% in FY2020, FY2021, FY2022, 6M2022 and 6M2023, respectively.

Cost of Sales

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

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

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

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

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

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

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

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

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

(i) *Education smart robotic products and services*

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

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

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

The fluctuation in our cost of sales of our education smart robotic products and services was generally in line with the fluctuation in its revenue. The average cost per unit sold for our education hardware products and services, and software generally increased from FY2020 to FY2022, which was mainly due to increase in average cost per unit of our uKit and Jimu (education) Series and humanoid Yanshee because we included more functions and value-added services in them, such as, analyzing teaching results through the account system and cloud platform records, providing a platform for displaying results, supporting sensor application knowledge, graphical programming, code programming, basic circuit design, etc.. Our average cost per unit decreased from 6M2022 to 6M2023, primarily due to the change of product mix because we sold more uKit and Jimu (education) Series in 6M2023, which had a relatively lower average cost per unit of RMB1,170 per unit in 6M2023. The sales volume of our uKit and Jimu (education) Series accounted for 92.5% of our total sales volume of education hardware products and services, and software in 6M2023, while the same accounted for 83.8% in 6M2022.

(ii) Logistics smart robotic products and services

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

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

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

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

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

The fluctuation in our cost of sales of our other sector-tailored smart robotic products and services was generally in line with the fluctuation in its revenue. The average cost per unit sold for our other sector-tailored smart robotic products and services increased from FY2020 to FY2021, primarily due to product mix because we sold more products with higher average cost per unit due to more functions and value-added services were included in these products, such as, anti-pandemic model of AIMBOT series and ATRIS series for a customized order to Customer E; and ADIBOT series that use UV-C in FY2021. The average cost per unit decreased in FY2022 primarily due to the increase in sales volume of first edition of Cruzr robots of 662 units which entailed a relatively lower average cost per unit, at RMB5,860 per unit in FY2022. Such increase in sales of first edition of Cruzr robots in FY2022 was primarily attributable to sales to a customer at lower selling price to reduce slow-moving inventories. The average cost per unit decreased from 6M2022 to 6M2023 primarily due to the (i) change in product mix because we sold more products of ADIBOT with lower average cost per unit among other sector-tailored smart robotic products and services; and (ii) decrease in cost per unit of our Cruzr series resulting from decrease in scrap in 6M2023.

(iv) Consumer-level robots and other hardware devices

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

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

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

The fluctuation in our cost of sales of our consumer-level robots and other hardware devices was generally in line with the fluctuation in its revenue. The average cost per unit for our consumer-level robots and other hardware devices increased from FY2020 to FY2021, primarily due to product mix because we sold more humanoid Alpha-Mini (non-education) products that had relatively higher average cost per unit due to higher production cost of these products. Our average cost per unit decreased in FY2022, primarily due to product mix because we sold more AiRROBO vacuum cleaner in FY2022, which had relatively lower cost per unit. Our average cost per unit then further decreased in 6M2023, primarily due to change of our product mix because we sold more AiRROBO vacuum cleaner, humidifiers and AiRROBO cat litter box in 6M2023, which had relatively lower cost per unit.

Net write-down of inventories

We had net write-down of inventories of RMB12.6 million, RMB1.2 million, RMB70.6 million, RMB38.9 million and RMB2.0 million in FY2020, FY2021, FY2022, 6M2022 and 6M2023, respectively. Our net write-down of inventories were relatively higher in FY2020 and FY2022, because we made provisions to our first edition of Cruzr robots in FY2020 and humanoid Alpha Mini (non-education) in FY2022, as a result of the lowered selling price to boost their sales in order to reduce their slow-moving inventories.

Gross Profit and Gross Profit Margin

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

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

Note: "Others" primarily included sales of raw materials and spare parts during the Track Record Period and sales of certain customized products (mainly being customized notebook and other accessories) in FY2020. The gross loss attained in FY2020 was primarily due to sales of certain customized products at loss, which are no longer used by us. The gross loss attained from others in 6M2023 was primarily due to the scrap of certain raw materials in 6M2023.

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

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

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

(i) Education smart robotic products and services

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

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

Notes:

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

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

Our education smart robotic products and services represented majority of our total gross profit. The gross profit margin decreased in FY2021, primarily due to decrease in gross profit margin from education hardware products and services, and software, primarily due to the relatively higher gross profit margin of 69.5% attained from a large sales order to Customer A in FY2020 for promoting STEAM products to schools in Xiamen, including uKit and Jimu (education) Series, humanoid Yanshee and humanoid Alpha Mini (education), of which the total revenue from Customer A among the education smart robotic products and services accounted for 40.7% of our total revenue from education smart robotic products and services in FY2020. The gross profit margin from ancillary services decreased from 29.1% in FY2020 to 19.8% in FY2021, mainly due to the increase in number of projects which attained a relatively lower gross profit margin in FY2021.

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

The gross profit margin from sales of education smart robotic products and services decreased from 6M2022 to 6M2023, primarily due to the decrease in (i) gross profit margin from education hardware products and services, and software - from a gross profit margin of 62.3% in 6M2022 to a gross loss margin of 6.6% in 6M2023, as a result of the (a) decrease in average selling price of our uKit and Jimu (education) Series because we implemented price reductions on these products to clear out our existing inventories in our U.S. subsidiary to facilitate the transition of our overseas sales channel to direct distributors, which had a significant impact on the gross profit margin of our education smart robotic products and services segment, as the majority of the large contract value of education smart robotic products and services projects for FY2023 was secured after June 30, 2023 which has resulted in a relatively low revenue base of our education smart robotic products and services segment in 6M2023. Such sales comprised of approximately 6,000 units of our uKit and Jimu (education) Series which generated approximately RMB1.3 million of revenue at a cost of sale of approximately RMB6.6 million, amounting to gross loss margin of approximately 427.6%. However, we believe that the gross loss margin of our education hardware products and services, and software in 6M2023 will be turned around to a gross profit margin due to the one-off nature of such price reductions and the average selling price of education smart robotic products and services projects with large contract value that we have secured after June 30, 2023 is not affected by such price reductions; and (b) relatively high gross profit margin of 69.4% attained from a large sales order to a customer in Shaoyang in 6M2022 for promoting STEAM products to schools in Shaoyang, including uKit and Jimu (education) Series, humanoid Yanshee and humanoid Alpha Mini (education), of which the total revenue from such customer among the education smart robotic products and services accounted for 66.4% of our total revenue from education smart robotic products and services in 6M2022, which did not recur in 6M2023; and (ii) gross profit margin from others from 38.2% in 6M2022 to 19.8% in 6M2023, primarily due to the decrease in revenue from sales of accessories for Alpha Mini (education) and uKit and Jimu (education) of RMB4.1 million and RMB2.1 million, respectively, which had a relatively higher gross profit margin of over 50% in 6M2022. The decrease in gross profit margin was partially offset by the increase in gross profit margin from our ancillary services from 28.2% in 6M2022 to 63.9% in 6M2023, mainly resulting from the decrease in subcontracting fees upon the acquisition of Shanghai UBJ, which became our subsidiary in July 2022.

(ii) Logistics smart robotic products and services

Our gross profit margin from sales of logistics smart robotic products and services were 14.9%, 14.1%, 7.9%, 10.8% and 12.4% in FY2020, FY2021, FY2022, 6M2022 and 6M2023, respectively. The logistics smart robotic products and services attained relatively lower gross profit margin compared to other types of products and services was primarily due to (i) lower pricing as we faced down-stream price pressure from our major end-users in automobile industry which have stronger bargaining power; and (ii) higher raw material costs incurred in the logistics installation and testing works. Our gross profit margin decreased to 7.9% in FY2022, primarily due to the relatively lower gross profit of under 2.0% from each of the three new projects obtained and completed in FY2022 for an end-user in automobile industry which contributed revenue of RMB58.3 million, in order for us to retain such end-user. Our gross profit margin increased from 6M2022 to 6M2023, primarily due to the relatively higher gross profit of over 20% from a project completed in 6M2023 which contributed revenue of RMB18.1 million.

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

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

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

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

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

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

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

(iv) Consumer-level robots and other hardware devices

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

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

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

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

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

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

Selling and Marketing Expenses

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

	FY2020		FY2021		FY2022		6M2022		6M2023	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000 (Unaudited)	%	RMB'000	%
Employee benefit expenses	180,434	57.6	226,291	63.3	235,932	65.4	119,627	69.7	115,787	61.0
Advertising and promotion	78,705	25.1	63,435	17.7	50,784	14.1	21,374	12.5	28,202	14.9
Marketing, conference and traveling expenses	23,775	7.6	33,921	9.5	31,950	8.8	12,016	7.0	15,491	8.2
Depreciation and amortization	12,325	3.9	15,553	4.3	16,136	4.5	8,772	5.1	9,358	4.9
Others(Note)	18,059	5.8	18,407	5.2	26,221	7.2	9,774	5.7	21,010	11.1
Total	313,298	100.0	357,607	100.0	361,023	100.0	171,563	100.0	189,848	100.0

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

Selling and marketing expenses amounted to RMB313.3 million, RMB357.6 million, RMB361.0 million, RMB171.6 million and RMB189.8 million for FY2020, FY2021, FY2022, 6M2022 and 6M2023, respectively. As a percentage of total revenue, our selling and marketing expenses accounted for 42.3%, 43.8%, 35.8%, 60.5% and 72.7% during the respective years/periods.

General and Administrative Expenses

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

	FY2020		FY2021		FY2022		6M2022		6M2023	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000 (Unaudited)	%	RMB'000	%
Employee benefit expenses	144,186	68.0	224,496	68.9	233,379	58.6	128,946	79.4	141,946	79.9
Depreciation and amortization	26,258	12.4	34,055	10.4	31,405	7.9	17,375	10.7	15,907	9.0
Business development, conference and traveling expenses	11,057	5.2	9,547	2.9	10,793	2.7	3,475	2.1	5,425	3.1
Office expenses	10,502	5.0	14,578	4.5	10,884	2.7	4,465	2.7	4,982	2.8

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

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

General and administrative expenses amounted to RMB212.1 million, RMB325.9 million, RMB398.1 million, RMB162.5 million and RMB177.6 million for FY2020, FY2021, FY2022, 6M2022 and 6M2023, respectively. As a percentage of total revenue, our general and administrative expenses accounted for 28.6%, 39.9%, 39.5%, 57.3% and 68.0% during the respective years/periods.

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

In FY2022, we had share-based payments to facilitate acquisition of a subsidiary of RMB92.0 million arising from the acquisition of Shanghai UBJ which represented the share-based payment expenses. In July 2022, our Company acquired additional 47.8% equity interest of Shanghai UBJ at a total consideration of RMB117.8 million which was satisfied by the issue and allotment of a total of 1,166,319 ordinary shares of the Company to the three Series B Investors. For details, see "History, Development and Corporate Structure — Material Acquisitions During the Track Record Period" and note 30(b) of the Accountant's Report contained in Appendix I to the Document.

R&D Expenses

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

	FY2020		FY2021		FY2022		6M2022		6M2023	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000 (Unaudited)	%	RMB'000	%
Employee benefit expenses	349,492	81.5	415,387	80.3	358,662	83.7	171,975	83.9	189,464	84.5
Software tools and consumables	19,104	4.5	27,948	5.4	16,913	3.9	7,509	3.7	7,693	3.4
Raw material and consumables used	18,951	4.4	23,056	4.5	18,867	4.4	9,458	4.6	10,067	4.5
Depreciation and amortization	18,555	4.3	21,795	4.2	16,601	3.9	9,002	4.4	7,678	3.4
Others*(Note)*	22,664	5.3	28,886	5.6	17,237	4.1	7,051	3.4	9,435	4.2
Total	428,766	100.0	517,072	100.0	428,280	100.0	204,995	100.0	224,337	100.0

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

R&D expenses amounted to RMB428.8 million, RMB517.1 million, RMB428.3 million, RMB205.0 million and RMB224.3 million for FY2020, FY2021, FY2022, 6M2022 and 6M2023, respectively. As a percentage of total revenue, our R&D expenses accounted for 57.9%, 63.3%, 42.5%, 72.3% and 85.9% during the respective years/periods.

Net Impairment Losses on Financial Assets

Our net impairment losses on financial assets mainly represented the net loss allowance or reversal for expected credit losses on trade receivables, notes receivable, contract assets and other receivables. Our impairment losses on financial assets were RMB40.1 million, RMB7.4 million, RMB46.4 million, RMB9.9 million and RMB8.7 million in FY2020, FY2021, FY2022, 6M2022 and 6M2023, respectively. See "Description of Certain Items of Consolidated Statements of Financial Position — Trade Receivables" in this section for details.

Other Income and Expenses, Net

Other income and expenses, net mainly comprised of government grants which consisted of grants relating to income and grants relating to assets and value-added tax ("VAT"), other tax refunds and return of VAT refunded. Other income amounted to RMB85.7 million, RMB76.0 million, RMB9.5 million and RMB13.1 million in FY2020, FY2021, FY2022 and 6M2023, respectively. We had other expenses of RMB7.4 million in 6M2022. The following table sets forth a breakdown of our other income and expenses, net during the Track Record Period:

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

Note: Others mainly represented compensation received.

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

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

VAT and other tax refunds represented refunds in relation to sales of software which were inserted. We recorded VAT and other tax refunds of RMB19.3 million, RMB16.3 million, RMB7.1 million and RMB1.7 million in FY2020, FY2021, FY2022 and 6M2023, respectively. From April 2022, pursuant to the "Announcement on Further Enhancing the Implementation of the End-of-Period Value-Added Tax Refund Policy" (Announcement No. 14 [2022] of the Ministry of Finance and the State Administration of Taxation) issued by the Ministry of Finance and the State Administration of Taxation in March 2022, we are entitled to apply for the refunds of VAT credit. As requested by relevant tax authorities stated in the notice, to apply for the refund of VAT credit, we had to return the VAT refunds of RMB24.2 million to relevant tax authorities during FY2022. For details, see "Laws and Regulations — Laws and Regulations in Relation to Taxation — Value-Added Tax" and Note 8 of the Accountant's Report.

Other Losses and Gains, Net

Other losses and gains, net mainly comprised of net foreign exchange losses or gains, loss on deemed disposal of investment in a joint venture and loss on disposal of right-of-use assets. We had net other losses of RMB17.8 million, RMB6.6 million, RMB23.0 million and RMB3.7 million, in FY2020, FY2021, FY2022 and 6M2023, respectively, while we had other net gains of RMB13.2 million in 6M2022. The following table sets forth a breakdown of our other net gains or losses during the Track Record Period:

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

Notes:

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

(2) Others mainly included net loss on disposals of property, plant and equipment and gain on early termination of leases.

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

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

In June 2022, Kunming UBTECH entered into an agreement with 昆明博優科技有限公司, an Independent Third Party, pursuant to which Kunming UBTECH conditionally agreed to transfer the land use right of this property ("Kunming Owned Property 2") to the Independent Third Party for a consideration of RMB14.0 million. The buyer is a company which engaged in business activities including software development, technology services and investment activities. With a net book amount of RMB28.8 million, we recognized a disposal loss of right-of-use assets of RMB14.8 million with reference to the consideration. As at the Latest Practicable Date, one condition under the aforesaid agreement has yet to be fulfilled, namely, the condition that the Independent Third Party must have (i) commenced construction on and invested at least RMB50 million in the Kunming Owned Property 2, or (ii) obtained approval from the competent government department to handle the registration of the transfer of land use rights in advance. As advised by the PRC Legal

Adviser, the Group still holds the land use right of the Kunming Owned Property 2 as Kunming UBTECH still holds the certificate of the Kunming Owned Property 2 as at the Latest Practicable Date.

Notwithstanding the above, in light of the following factors:

(1) the Kunming Municipal Government had issued a written approval for the proposed transfer of the land use right of the Kunming Owned Property 2 to an Independent Third Party subject to the conditions in sub-paragraph (3) below in August 2022;

(2) the Independent Third Party had substantially possessed the right-of-use assets in relation to the land use right of Kunming Owned Property 2 since the issuance of the local government's written approval, and had paid Kunming UBTECH RMB7 million (constituting half of the consideration of RMB14 million for the proposed transfer of the Kunming Owned Property 2) as at the Latest Practicable Date; and

(3) the transfer of the land use right of the Kunming Owned Property 2 is subject to the Independent Third Party having (i) invested at least RMB50 million in the Kunming Owned Property 2 or (ii) obtained approval from the competent government department for the registration of the transfer of land use right of Kunming Owned Property 2 in advance despite not having invested at least RMB50 million in the Kunming Owned Property 2. Our Directors are of the view that there should not be any substantial obstacle to the Independent Third Party achieving the first condition,

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

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

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

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

Finance Costs, net

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

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

Notes:

(1) Others mainly represented net exchange (gains)/losses on borrowings denominated in foreign currency and interest expenses on advances from ultimate controlling shareholder.

(2) Amount capitalized represented the interest expenses in relation to the borrowings for the construction in progress of our headquarters in Shenzhen, which will be classified as our non-current assets upon completion.

Share of Results of Investments Accounted for Using the Equity Method

Share of results of investments in investment accounted for using the equity method mainly consisted of our share of profits from our joint venture and certain associates. We shared results of Shanghai UBJ in FY2020, FY2021 and the six months from 1 January 2022 to 30 June 2022, before it was accounted for as our subsidiary pursuant to the addition acquisition of its shares in July 2022. We had share of losses of RMB43.5 million, share of losses of RMB0.6 million and share of profits of RMB5.5 million in FY2020, FY2021 and FY2022, respectively. We recorded share of gains of RMB3.8 million and nil in 6M2022 and 6M2023, respectively.

Income Tax Expense

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

In FY2020, FY2021, FY2022, 6M2022 and 6M2023, we recorded income tax expenses of RMB31.5 million, RMB16.6 million, RMB16.5 million, RMB0.4 million and RMB0.3 million, respectively. We recognized income tax expenses despite having loss before taxation mainly due to (i) tax losses and temporary differences not recognized as deferred income tax assets; and (ii) expenses not deductible for tax purposes. During the Track Record Period, deferred income tax assets were not recognized for the tax losses and temporary differences because our Group currently is continuously loss-making and there is no sufficient taxable temporary difference nor any convincing evidence that our Group will attain sufficient taxable profit to utilize those temporary differences and losses of our Group.

The expenses which were not deductible for tax purpose mainly represented non-charitable donations and marketing expenses which were not deducted, due to the fact that the full amount of non-charitable donations is not allowed for deduction for income tax purpose and the maximum amount of marketing expenses allowable for deduction for income tax purpose is limited to certain percentage of sale or chargeable profits in accordance with the relevant regulations of the PRC. The different tax rates were mainly due to that (i) our Company and certain subsidiaries were subject to a preferential CIT rate of 15% or 12.5% during the Track Record Period; and (ii) the subsidiaries incorporated in Hong Kong and United Stated were subject different income tax rates, while the general CIT rate of 25% in China. The temporary differences which were not recognized and the utilization of temporary differences which not previously recognized mainly represented the timing differences between expenses accrual and payments.

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

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

REVIEW OF HISTORICAL RESULTS OF OPERATION

Summary of historical financial information during the Track Record Period

Revenue

Our revenue increased by RMB77.0 million, representing an increase of 10.4%, from RMB740.2 million for FY2020 to RMB817.2 million for FY2021. The increase was primarily due to the increase in revenue from (i) logistics smart robotic products and services of RMB178.1 million since we only launched our logistics smart robotic products and services in late FY2020 with the increase in projects which contributed revenue from two projects in FY2020 to 43 projects in FY2021; and (ii) other sector-tailored smart robotic products and services of RMB51.6 million primarily due to the increase in both sales volume of newly launched products and average selling price of general service smart robotic products and services. Moreover, we generated revenue from our Walker Series of RMB8.8 million in FY2021. The increase in revenue was partially offset by the decrease in revenue from education smart robotic products and services of RMB150.4 million primarily due to the decrease in sales volume of education hardware products and services, and software in FY2021. Such decrease in sales volume was mainly due to (i) a large sales order to Customer A for promoting the use of STEAM products in schools in Xiamen of over 54,000 units in FY2020, which did not recur in FY2021; and (ii) decrease in demand due to the temporary suspension of schools in certain provinces in China amidst the outbreak of COVID-19 in FY2021.

Our revenue increased by RMB191.1 million, representing an increase of 23.4%, from RMB817.2 million for FY2021 to RMB1,008.3 million for FY2022. The increase was primarily due to the increase in revenue from (i) education smart robotic products and services mainly attributable to the increase in sales of education hardware products and services and software, of RMB25.2 million mainly because we sold more products including uKit and Jimu (education) Series and upgraded humanoid Yanshee with more functions and value-added services which entailed higher average selling price in FY2022. Our revenue from sales of other accessories increased by RMB43.6 million primarily due to sales of a tailor-made products and services for simulating production line for vocational education purpose to Customer F of RMB27.0 million in FY2022; (ii) logistics smart robotic products and services of RMB72.7 million mainly attributable to the completion of certain projects of higher revenue during the year for an end-user in automobile industry despite the decrease in number of projects completed, from 43 projects in FY2021 to 22 projects in FY2022; and (iii) consumer-level robots and other hardware devices of RMB64.7 million mainly attributable to the (a) increase in demand for our AiRROBO vacuum cleaner; and (b) launch of four new products in FY2022, such as, humidifiers, air purifiers, AiRROBO cat litter box and sensory drum kit.

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

Gross profit and gross profit margin

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

Our gross profit margin from education smart robotic products and services decreased from 50.6% for FY2020 to 44.8% for FY2021, primarily due to (i) the relatively higher gross profit margin attained from a large sales order to Customer A for promoting the use of STEAM products in schools in Xiamen in FY2020 and did not recur in FY2021, which accounted for 40.7% of our total revenue from education smart robotic products and services in FY2020 with gross profit margin of 69.5% for education hardware products and services, and software; (ii) increase in average cost per unit in FY2021 resulting from the decrease in sales volume of humanoid Yanshee; and (iii) the decrease in gross profit margin of ancillary services, from 29.1% in FY2020 to 19.8% in FY2021, mainly due to the increase in number of projects that included education training which attained a relatively lower gross profit margin in FY2021. The decrease in gross profit margin from education smart robotic products and services was partially offset by the increase in gross profit margin from others, from 12.6% in FY2020 to 27.9% in FY2021, primarily due to the change in product mix as we sold more teaching and learning resources in FY2021, which attained higher gross profit margin of over 60%, to certain customers. While in FY2020, we sold more ancillary hardware to our customers, which attained a lower gross profit margin compared to teaching and learning resources.

Our gross profit margin from sales of education smart robotic products and services increased from 44.8% in FY2021 to 56.1% in FY2022, primarily due to the increase in gross profit margin from (i) others from 27.9% in FY2021 to 50.8% in FY2022, primarily attributable to the sales of tailor-made products and services for simulating production line for vocational education for education and production purposes to Customer F of RMB27.0 million in FY2022, which entailed a relatively higher gross profit margin of over 80% in FY2022; and (ii) ancillary services from 19.8% in FY2021 to 42.8% in FY2022 mainly resulting from the decrease in subcontracting fees for our education smart robotic products and services due to the acquisition of Shanghai UBJ, which became our subsidiary in July 2022.

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

Our gross profit margin from provision of logistics smart robotic products and services decreased from 14.9% for FY2020 and 14.1% for FY2021 to 7.9% for FY2022 mainly due to the relatively lower gross profit margin of under 2.0% for three contracts with aggregate revenue recognised of RMB58.3 million, which represented projects for an end-user principally engaged in the automobile industry, in order to retain such end-user. Our gross profit margin from provision of logistics smart robotic products and services increased from 10.8% for 6M2022 to 12.4% for 6M2023 mainly due to the relatively higher gross profit of over 20% from a project completed in 6M2023 which contributed revenue of RMB18.1 million.

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

Our gross profit from consumer-level robots and other hardware devices decreased from FY2020 to a gross loss in FY2021 primarily due to (i) the reduced prices we offered for certain products, such as, Alpha 1, Alpha 2 and Jimu series (non-education) to boost their sales in order to reduce the slow-moving inventories and (ii) the disposal of scrap. We have improved our gross loss position in FY2022 mainly attributable to the increase in revenue contribution from AiRROBO vacuum cleaner of RMB60.8 million which attained a gross profit of over 20% in FY2022.

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

We had net write-down of inventories of RMB12.6 million, RMB1.2 million, RMB70.6 million, RMB38.9 million and RMB2.0 million, in FY2020, FY2021, FY2022, 6M2022 and 6M2023, respectively. Our net write-down of inventories were relatively higher in FY2020 and FY2022, because we made provisions to our first edition of Cruzr robots in FY2020 and humanoid Alpha Mini (non-education) in FY2022, as a result of the lowered selling price to boost their sales in order to reduce their slow-moving inventories.

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

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

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

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

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

6M2023 compared to 6M2022

Revenue

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

Education smart robotic products and services

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

Our sales of education hardware products and services, and software decreased by RMB84.1 million in 6M2023, primarily due to a large sales order to a customer in Shaoyang of RMB66.8 million for promoting the use of STEAM products in schools in Shaoyang, represented total of 12,010 units, which did not recur in 6M2023, which led to the decrease in sales volume of education hardware products and services, and software from 21,650 units in 6M2022 to 12,580 units in 6M2023. The average selling price of education hardware products and services, and software decreased from RMB4,650 per unit in 6M2022 to RMB1,310 per unit in 6M2023 primarily due to the decrease in average selling price of uKit and Jimu from RMB3,990 per unit in 6M2022 to RMB900 per unit in 6M2023 because we implemented price reductions on these products to clear out our existing inventories in our U.S. subsidiary to facilitate the transition of our overseas sales channel to direct distributors.

Our revenue from sales of others decreased by RMB3.4 million primarily due to the decrease in sales of ancillary accessories of Alpha Mini (education) of RMB4.1 million following the decrease in sales of Alpha Mini (education) in 6M2023.

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

Logistics smart robotic products and services

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

Other sector-tailored smart robotic products and services

Our revenue from other sector-tailored smart robotic products and services increased from RMB9.3 million for 6M2022 to RMB22.2 million for 6M2023 primarily due to the sales of tailor-made wellness and elderly care smart robotic products and services for two customers in Shenzhen and Beijing of aggregate revenue of RMB8.1 million, which include wellness and elderly care smart robotic products, such as walking assistance smart robot, wheelchair smart robot and companion smart robot which were of higher average selling price, tailor-made software platform and related services.

Our Walker series and others increased from RMB0.3 million in 6M2022 to RMB7.2 million in 6M2023, primarily due to (i) the sales of a Walker 2 in 6M2023; and (ii) increase in sales of others of RMB4.6 million mainly resulting from provision of ancillary services to our customers following the sales Walker series robots and the wellness and elderly products and services.

Consumer-level robots and other hardware devices

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

Cost of sales

Our cost of sales decreased by RMB36.2 million, representing a decrease of 14.8%, from RMB244.7 million for 6M2022 to RMB208.5 million for 6M2023. The decrease was mainly due to the (i) net write-down of inventories of RMB38.9 million in 6M2022, mainly arising from the price adjustment made for humanoid Alpha Mini (non-education) in 6M2022; and (ii) decrease in subcontracting fee of RMB30.7 million mainly due to the impact of consolidation of Shanghai UBJ after its acquisition in July 2022, which provides subcontracting services to us in relation to our education smart robotic products and services. Our decrease in cost of sales was partially offset by the increase in the direct labor costs and overheads expenses of RMB19.6 million and RMB14.6 million in 6M2023, respectively, due to the increased number of headcounts and overhead expenses in newly launched production lines in Liuzhou, Shijiazhuang and Jiujiang.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit increased from RMB38.8 million in 6M2022 to RMB52.6 million in 6M2023, primarily due to the decrease in net write-down of inventories of RMB36.9 million in 6M2023, which was mainly arising from our Alpha Mini (non-education) in 6M2022 as mentioned previously, and the increase in gross profit margin from all products and services segments except education smart robotic products and services. Consequently, our gross profit margin increased from 13.7% in 6M2022 to 20.2% in 6M2023.

Education smart robotic products and services

Our gross profit from education smart robotic products and services decreased from RMB87.1 million for 6M2022 to RMB26.6 million for 6M2023, primarily due to the decrease in revenue from a large sales order to a customer in Shaoyang in 6M2022 for promoting STEAM products to schools in Shaoyang which did not recur in 6M2023 as mentioned above. Our gross profit margin decreased from 49.0% for 6M2022 to 35.2% for 6M2023, primarily due to the decrease in gross profit margin from our education hardware products and services, and software from a gross profit margin of 62.3% for 6M2022 to a gross loss margin of 6.6% for 6M2023 resulting from (a) the decrease in average selling price of our uKit and Jimu (education) Series because we implemented price reductions on these products to clear out our existing inventories in our U.S. subsidiary to facilitate the transition of our overseas sales channel to direct distributors, which had a significant impact on the gross profit margin of our education smart robotic products and services segment, as the majority of the large contract value of education smart robotic products and services projects for FY2023 was secured after June 30, 2023 which has resulted in a relatively low revenue base of our education smart robotic products and services segment in 6M2023; and (b) relatively higher gross profit margin of 69.4% attained from a large sales order to a customer in Shaoyang in 6M2022 for promoting STEAM products to schools in Shaoyang, including uKit and Jimu (education) Series, humanoid Yanshee and humanoid Alpha Mini (education), of which the total revenue from such customer among the education smart robotic products and services accounted for 66.4% of ourtotal revenue from education smart robotic products and services in 6M2022. Our gross profit margin from others from 38.2% in 6M2022 to 19.8% in 6M2023, primarily due to the decrease in revenue from sales of accessories for Alpha Mini (education) and uKit and Jimu (education) of RMB4.1 million and RMB2.1 million, respectively, which had a relatively higher gross profit margin of over 50% in 6M2022. Our gross profit margin from ancillary services increased from 28.2% in 6M2022 to 63.9% in 6M2023, mainly resulting from the decrease in subcontracting fees upon the acquisition of Shanghai UBJ, which became our subsidiary in July 2022.

Logistics smart robotic products and services

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

Other sector-tailored smart robotic products and services

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

Consumer-level robots and other hardware devices

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

Selling and marketing expenses

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

General and administrative expenses

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

R&D expenses

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

Net impairment losses on financial assets

Our net impairment losses on financial assets decreased from RMB9.9 million for 6M2022 to RMB8.7 million for 6M2023 mainly due to the decrease in expected loss rates for individual basis as of June 30, 2023. Please see "Description of Certain Items of Consolidated Statements of Financial Position – Trade receivables" for details.

Other income and expenses, net

We had net other expenses of RMB7.4 million for 6M2022 and a net other income of RMB13.1 million for 6M2023. Such change was mainly due to (i) the return of VAT and other tax returns of RMB24.2 million in 6M2022 which was non-recurring; and (ii) the decrease in government grants of RMB5.5 million primarily resulting from the cancelation of a research and industrialization project due to the impact of COVID-19 and the change of market demands. For details, see "Description of Selected Items in Consolidated Income Statements – Other Income and Expenses, Net" in this section.

Other losses and gains, net

We had net other gains of RMB14.1 million for 6M2022 and net other losses of RMB7.5 million for 6M2023. We had net other gains of RMB14.1 million for 6M2022, primarily due to the net foreign exchange gains of RMB12.6 million arising from the appreciation of USD against RMB during 6M2022. The net other losses in 6M2023 was primarily due to the loss on disposal of assets classified as held-for-sale of RMB14.6 million. See "Business – Legal Proceedings" for details. We also had net foreign exchange gains of RMB8.0 million arising from the appreciation of USD against RMB during 6M2023.

Finance cost, net

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

Share of results of investments accounted for using the equity method

Our share of gains from investments accounted for using the equity method decreased from RMB3.8 million for 6M2022 to nil for 6M2023 mainly due to decrease in share of gains from investments accounted for using the equity method as we ceased to share profits from Shanghai UBJ in July 2022 because it became our subsidiary since its acquisition.

Income tax expense

Our income tax expense remained relatively low at RMB0.4 million for 6M2022 and RMB0.3 million for 6M2023.

Loss for the period

As a result of the foregoing, we had loss for the period of RMB515.2 million and RMB547.9 million in 6M2022 and 6M2023, respectively.

FY2022 compared to FY2021

Revenue

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

Education smart robotic products and services

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

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

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

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

Logistics smart robotic products and services

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

Other sector-tailored smart robotic products and services

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

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

Consumer-level robots and other hardware devices

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

Cost of sales

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

Gross profit and gross profit margin

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

Education smart robotic products and services

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

Logistics smart robotic products and services

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

Other sector-tailored smart robotic products and services

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

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

Consumer-level robots and other hardware devices

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

Selling and marketing expenses

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

General and administrative expenses

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

R&D expenses

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

Net impairment losses on financial assets

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

Other income and expenses, net

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

Other losses and gains, net

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

Finance cost, net

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

Share of results of investments accounted for using the equity method

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

Income tax expense

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

Loss for the period

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

FY2021 compared to FY2020

Revenue

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

Education smart robotic products and services

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

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

Logistics smart robotic products and services

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

Other sector-tailored smart robotic products and services

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

Consumer-level robots and other hardware devices

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

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

Cost of sales

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

Gross profit and gross profit margin

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

Education smart robotic products and services

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

Logistics smart robotic products and services

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

Other sector-tailored smart robotic products and services

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

Consumer-level robots and other hardware devices

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

Selling and marketing expenses

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

General and administrative expenses

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

R&D expenses

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

Net impairment losses on financial assets

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

Other income and expenses, net

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

Other losses and gains, net

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

Finance cost, net

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

Share of results of investments accounted for using the equity method

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

Income tax expense

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

Loss for the year

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

LIQUIDITY AND CAPITAL RESOURCES

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

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

As of December 31, 2020, 2021 and 2022 and June 30, 2023, we had cash and cash equivalents of RMB621.8 million, RMB273.1 million, RMB145.4 million and RMB619.1 million, respectively.

Cash Flows

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

	FY2020	FY2021	FY2022	6M2022	6M2023
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Loss before income tax	(675,495)	(900,961)	(970,859)	(514,738)	(547,625)
— Adjustments for non-cash item	252,645	268,925	459,945	158,983	235,669
— Changes in working capital	(142,608)	(40,634)	(22,018)	242,020	(205,443)
Cash used in operations	(565,458)	(672,670)	(532,932)	(113,735)	(517,399)
Income taxes refunded	1,123	12,803	1,222	234	3
Income taxes paid	(38,312)	(20,829)	(11,778)	(1,613)	(9,152)
Net cash flows used in operating activities	(602,647)	(680,696)	(543,488)	(115,114)	(526,548)
Net cash flows used in investing activities	(189,392)	(227,062)	(389,526)	(106,565)	(218,769)
Net cash flows generated from financing activities	1,028,326	560,470	802,797	697,393	1,218,281
Net increase/(decrease) in cash and cash equivalents	236,287	(347,288)	(130,217)	475,714	472,964
Cash and cash equivalents at beginning of year/period	388,839	621,754	273,103	273,103	145,398
Effect of foreign exchange rate changes, net	(3,372)	(1,363)	2,512	1,159	786
Cash and cash equivalents at end of year/period	621,754	273,103	145,398	749,976	619,148

Operating activities

During the Track Record Period, we had net cash used in operating activities of RMB602.6 million, RMB680.7 million, RMB543.5 million and RMB526.5 million in FY2020, FY2021, FY2022 and 6M2023, respectively, as we incurred significant operating expenses, including R&D expenses, selling and marketing expenses, general and administrative expenses to develop and promote our new products and services. As such, we expect to continue to have net cash outflows from operating activities in the near future.

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

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

In FY2022, we had net cash used in operating activities of RMB543.5 million, primarily attributable to our loss before income tax of RMB970.9 million, as adjusted for non-cash and non-operating items, which primarily include (i) share-based compensation of RMB204.4 million; (ii) share-based payments to facilitate acquisition of subsidiary of RMB92.0 million; (iii) depreciation of property, plant and equipment of RMB51.0 million; (iv) net impairment losses on financial assets of RMB46.4 million; and (v) depreciation of right-of-use assets of RMB36.7 million. The amount was further adjusted by changes in working capital and net income tax paid of RMB10.6 million. The changes in working capital primarily included (i) increase in trade receivables of RMB303.6 million; and (ii) decrease in contract liabilities of RMB68.6 million, partially offset by the (i) decrease in prepayments, deposits and other receivables of RMB167.3 million; (ii) increase in trade payables of RMB100.4 million; and (iii) decrease in inventories of RMB98.9 million.

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

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

Investing activities

In 6M2023, our net cash used in investing activities of RMB218.8 million primarily reflected the purchases of property, plant and equipment of RMB237.7 million.

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

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

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

Financing activities

In 6M2023, we had net cash from financing activities of RMB1,218.3 million, which primarily consisted of (i) issuance of ordinary shares of RMB820.0 million; and (ii) proceeds from borrowings of RMB310.9 million.

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

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

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

Measures to improve our cash flow position and cash conversion cycle

During the Track Record Period, we had net cash used in operating activities of RMB602.6 million, RMB680.7 million, RMB543.5 million and RMB526.5 million in FY2020, FY2021, FY2022 and 6M2023, respectively, as we incurred significant operating expenses, including R&D expenses, selling and marketing expenses, general and administrative expenses to develop and promote our new products and services. Despite our cash outflow from operating activities of RMB526.5 million for 6M2023, we believe we have sufficient financial resources to meet our present and future liquidity requirements in light of the following:

- enhancing our revenue scale by capturing more market share. We believe with the increase in revenue in total scale, we are able to enjoy economies of scales as we expect our revenue growth to gradually exceed the increase in expenses when our business further expands;
- monitoring and controlling our inventory level in order to reduce lag time and shorten the operating cycle; and

- negotiating better terms with our customers and suppliers. To improve and refine our management of working capital and improve our cash conversion cycle, we will continue to leverage our established position to negotiate more attractive contractual terms with our customers and suppliers and implement more stringent credit term review and approval procedures. In the future, we plan to develop relationships with more customers of sound credit profile. We also expect to collect our trade receivables in a more efficient manner and have implemented relevant measures, such as implementing sales and collection policy which includes measures to perform on-going credit evaluation of financial conditions of our customers, assessing the potential customer's credit quality at the early stage of entering sales contracts, collecting basic information and building customer profiles, and considering the customer's payment history and any unsettled amount with us at the time.

Working Capital

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

Net Current Assets/(Liabilities)

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

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

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

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

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

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

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

DESCRIPTION OF CERTAIN ITEMS OF CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Property, Plant and Equipment

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

	As of December 31,			As of June 30,
	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000
Construction in progress	67,518	248,451	578,420	805,836
Buildings	—	—	87,364	85,180
Machinery	90,479	82,933	60,596	53,634
Office and other equipment	23,407	18,138	11,181	8,789
Leasehold improvements	11,663	14,594	21,619	21,550
Total	193,067	364,116	759,180	974,989

Our property, plant and equipment increased from RMB193.1 million as of December 31, 2020 to RMB364.1 million as of December 31, 2021, to RMB759.2 million as of December 31, 2022, and further to RMB975.0 million as of June 30, 2023, primarily attributable to the addition of construction in progress of RMB180.9 million, RMB436.7 million and RMB227.4 million in FY2021, FY2022 and 6M2023, respectively, mainly for our headquarters in Shenzhen and office in Hangzhou. In FY2022, RMB87.4 million of construction in progress was transferred to buildings after the completion of construction of building in Hebei. The increase was partially offset by the depreciation of property, plant and equipment of RMB54.8 million, RMB51.0 million and RMB22.1 million charged in FY2021, FY2022 and 6M2023, respectively.

Right-of-use assets

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

	As at December 31,			As of June 30,
	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000
Buildings	90,730	79,208	55,208	57,070
Land use rights	461,153	492,605	448,199	413,791
	551,883	571,813	503,407	470,861

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

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

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

Intangible assets

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

	As of December 31,			As of June 30,
	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000
Goodwill	—	—	75,587	75,587
Customer contracts and relationships	—	—	7,853	6,147
Purchased software	4,949	2,063	2,267	1,713
Trademarks	1,278	1,131	984	910
	6,227	3,194	86,691	84,357

Our intangible assets decreased from RMB6.2 million as of December 31, 2020 to RMB3.2 million as of December 31, 2021, primarily due to the amortization of purchased software. Our intangible assets increased to RMB86.7 million as of December 31, 2022, primarily due to the goodwill of RMB75.6 million and customer contracts and relationships of RMB7.9 million arising from the acquisition of Shanghai UBJ and Jiangsu Tianhui. Our intangible assets decreased to RMB84.4 million as of June 30, 2023, primarily due to the amortization charged of RMB2.3 million in 6M2023.

Goodwill

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

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

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

Impairment test

Impairment review on the goodwill has been conducted by the management as at December 31, 2022 and June 30, 2023 according to HKAS 36 "Impairment of assets". We carried out impairment testing on goodwill by comparing the recoverable amounts of each CGU to their carrying amounts. For the purpose of impairment review, the recoverable amount of CGU (or groups of CGUs) is the higher of its fair value less cost of disposal and its value in use. We have engaged an independent external valuer for performing the goodwill impairment assessments as at December 31, 2022 and

June 30, 2023. Goodwill is monitored by management at the level of the Group. The management leveraged their extensive experiences in the industries and prepared the forecast based on the past performance and their expectation of future business projection and market developments. According to business projection, Shanghai UBJ would be specially engaged in providing ancillary services of education smart robotic products and services, and Jiangsu Tianhui would be specially engaging in sales of logistics smart robotic products and services to new energy vehicle-related manufacturers. There is an active market for the output generated by Shanghai UBJ and Jiangsu Tianhui respectively, which can generate independent cash flows from external parties. As such, the management of the Company considers that the respective business of Shanghai UBJ and Jiangsu Tianhui are the smallest identifiable group of assets that generate cash inflows that are largely independent from other assets' cash inflows. The management determined the recoverable amounts of Shanghai UBJ CGU and Jiangsu Tianhui CGU based on value-in-use calculations. Based on the results of the impairment assessments, no impairment loss on the goodwill was recognized as at December 31, 2022 and June 30, 2023. The calculations of recoverable amounts used pre-tax cash flow projections, based on financial budgets prepared by management covering a five-year period. Cash flows beyond the five-year period is extrapolated using estimated terminal growth rates. The key inputs and results of the impairment assessments are as below.

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

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

Impact of possible changes in key assumptions and sensitivity analysis

Had the estimated revenue growth rates during the forecast period been 100 basis points lower, the recoverable amount of Shanghai UBJ would decrease by RMB5.0 million and RMB3.2 million as of December 31, 2022 and June 30, 2023, respectively, and the recoverable amount of Jiangsu Tianhui would decrease by RMB2.0 million and RMB2.1 million as of December 31, 2022 and June 30, 2023, respectively. For details, see note 18 of the Accountant's Report.

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

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

Investments accounted for using the equity method

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

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

Investment in a joint venture

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

Investments in associates

	FY2020	FY2021	FY2022	6M2023
	RMB'000	RMB'000	RMB'000	RMB'000
At the beginning of the year/period	7,348	5,004	–	–
Additions	51,911	3,000	–	–
Share of results	(54,255)	(8,004)	–	–
At the end of the year/period	5,004	–	–	–

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

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

In July 2022, we acquired additional 47.8% equity interest of Shanghai UBJ. As a result, we obtained control on Shanghai UBJ. The transaction was treated as a business combination of subsidiary. See "History, Development and Corporate Structure — Material Acquisitions during the Track Record Period — Acquisition of Additional 47.80% Equity Interest in Shanghai UBJ" for details.

Financial assets at fair value

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

Financial assets at fair value through profit or loss

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

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

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

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

In FY2022, we did not purchase any wealth management products. Nevertheless, we had addition of RMB28.9 million through the business combination of Shanghai UBJ in FY2022. All of these products were matured and disposed of in FY2022. The returns on all of these wealth management products are not guaranteed, and therefore we designated them as financial assets at fair value through profit or loss. We did not purchase any wealth management products during 6M2023.

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

Financial assets at fair value through other comprehensive income

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

	FY2020	**FY2021**	**FY2022**	**6M2023**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
At the beginning of the year/period . . .	—	4,000	3,973	5,573
Additions	4,000	11,000	—	—
Disposals	—	(4,000)	—	—
Changes in fair value	—	(7,027)	1,600	(132)
At the end of the year/period	4,000	3,973	5,573	5,441

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

Valuation of financial assets at fair value

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

Investment and treasury policies and internal control measures

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

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

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

At each financial year end the finance department:

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

In relation to the valuation of the financial assets at fair value through other comprehensive income within level 3 of fair value measurement, our Directors confirmed that they have adopted the following procedures: (i) engaged an independent qualified independent valuer to appraise the fair value of unlisted equity securities; (ii) discussed with finance department and valuer the financial and operating data, as well as the development and the business plans of the investees; (iii) reviewed and agreed on the valuation approaches adopted and key assumptions and inputs used, including equity value/revenue ratio and discount rate for lack of marketability etc.; and (iv) reviewed the valuation working papers and results prepared by the independent valuer. Based on the above procedures, our Directors are of the view that the valuation analysis is fair and reasonable, and the financial statements of our Group are properly prepared.

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

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

Inventories

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

	As of December 31,			As of June 30,
	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000
Raw materials	50,774	43,609	49,091	68,458
Work in progress	19,877	13,647	28,592	50,038
Finished goods	342,182	357,321	200,060	182,743
Contract fulfillment cost	–	11,499	54,923	115,242
Total	412,833	426,076	332,666	416,481

Our balance of inventories increased from RMB412.8 million as of December 31, 2020 to RMB426.1 million as of December 31, 2021, mainly due to the increase in (i) finished goods of RMB15.1 million for orders which was delivered to our customers subsequent to December 31, 2021; and (ii) contract fulfillment cost of RMB11.5 million mainly for our contracts in relation to the logistics smart robotic products and services which were delivered in 2022. The increase in inventories was partially offset by the decrease in raw materials of RMB7.2 million for the production used before December 31, 2021. Our balance of inventories decreased to RMB332.7 million as of December 31, 2022, primarily as a result of the (i) increase in allowance for write-down of inventories from RMB40.1 million as of December 31, 2021 to RMB72.8 million as of December 31, 2022, primarily due to the provision due to decrease in NRV of our humanoid Alpha Mini (non-education); and (ii) decrease in finished goods (before the allowance for write-down of inventories) of RMB124.9 million mainly due to orders which was delivered to our customers before December 31, 2022. The increase was partially offset by the increase in contract fulfillment cost of RMB43.4 million mainly for our contracts in relation to the logistics smart robotic products and services to be delivered in 2023. Our balance of inventories increased to RMB416.5 million as of June 30, 2023, primarily as a result of the increase in contract fulfillment costs of RMB60.3 million mainly for our contracts in relation to the logistics smart robotic products and services to be delivered later in 2023.

During the Track Record Period, we made impairment on inventories related to raw materials and finished goods due to the plan of sales of the consumer-level robots and other hardware devices at reduced selling prices. Our balance of allowance for write-down of inventories amounted to RMB81.5 million, RMB40.1 million, RMB72.8 million and RMB28.7 million as of December 31, 2020, 2021 and 2022 and June 30, 2023, respectively. The balance of allowance for write-down of inventories was relatively lower as of December 31, 2021, primarily represented the write-off due to scrap of RMB35.7 million. As of December 31, 2020 and 2022, we made provisions mainly to the first edition of Cruzr and the humanoid Alpha Mini (non-education), respectively. Prior to the Track Record Period, we manufactured these products because we believed that the then market demand was high. Nevertheless, the demand for these products was lower amidst the outbreak of COVID-19, which led to a weaker market sentiment on these products. In order to boost their sales and reduce the slow-moving inventories, we adjusted the selling prices of these products downward. Due to the decrease in NRV, our Group made provisions of RMB12.6 million in FY2020, mainly for the first edition of Cruzr and RMB70.6 million in FY2022, mainly for the humanoid Alpha Mini (non-education). Our allowance for write-down of inventories decreased to RMB28.7 million as of June 30, 2023, primarily resulting from the reversal due to sales of RMB42.9 million in 6M2023 which was mainly related to humanoid Alpha mini (non-education).

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

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

	FY2020	FY2021	FY2022	6M2022	6M2023
				(Unaudited)	
Average inventory turnover days*(Note)*	407	273	194	297	324

Note: Average inventory turnover days equal to the average of the opening and closing inventories balances of the relevant year divided by the cost of sales of the relevant year/period multiplied by 366 days in FY2020, 365 days in FY2021 and FY2022 and 181 days in 6M2022 and 6M2023.

Our average inventory turnover days decreased from 407 days for FY2020 to 273 days for FY2021, primarily due to (i) the relatively higher balance of inventories as of end of 2019 which was ready to be delivered in early 2020; and (ii) significant balance of allowance for write-down of inventories in FY2020, which led to lower opening inventories balance for FY2021. Our average inventory turnover days then decreased to 194 days for FY2022, primarily due to the lower balance as of December 31, 2022 mainly resulting from the increase in allowance for write-down of inventories in FY2022 and decrease in finished goods as of December 31, 2022 as discussed previously. Our average inventory turnover days increased to 324 days in 6M2023 because the annualized cost of sales using the figures from the first six months is usually lower than the actual annual cost of sales due to the seasonality factor as mentioned previously while our inventory balance has taken into the full-year effect. The average inventory turnover days in 6M2023 was generally in line with the relatively higher turnover days in 6M2022, which was 297 days, and no material fluctuation from 6M2022 to 6M2023 was noted.

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

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

	As of December 31, 2021				
	Within 1 year	1 year to 2 years	2 year to 3 years	Over 3 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Raw materials	33,672	6,477	4,813	403	45,365
Work in progress	12,873	739	438	92	14,142
Finished goods	183,040	11,089	54,437	146,640	395,206
Contract fulfillment cost	11,499	—	—	—	11,499
	241,084	18,305	59,688	147,135	466,212
Less: allowance for write-down of inventories	(933)	(990)	(15,973)	(22,240)	(40,136)
Carrying value	240,151	17,315	43,715	124,895	426,076

	As of December 31, 2022				
	Within 1 year	1 year to 2 years	2 year to 3 years	Over 3 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Raw materials	36,448	11,042	1,572	1,778	50,840
Work in progress	28,161	770	197	238	29,366
Finished goods	128,901	25,863	3,186	112,358	270,308
Contract fulfillment cost	51,393	3,530	—	—	54,923
	244,903	41,205	4,955	114,374	405,437
Less: allowance for write-down of inventories	(746)	(3,502)	(458)	(68,065)	(72,771)
Carrying value	244,157	37,703	4,497	46,309	332,666

	As of June 30, 2023				
	Within 1 year	1 year to 2 years	2 year to 3 years	Over 3 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Raw materials	39,938	6,767	2,377	1,971	51,053
Work in progress	26,589	4,803	296	126	31,814
Finished goods	174,589	37,155	6,444	28,916	247,104
Contract fulfillment cost	101,530	13,712	—	—	115,242
	342,646	62,437	9,117	31,013	445,213
Less: allowance for write-down of inventories	(367)	(1,303)	(1,413)	(25,649)	(28,732)
Carrying value	342,279	61,134	7,704	5,364	416,481

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

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

Up to September 30, 2023, RMB135.6 million or 32.6% of our inventories as of June 30, 2023 had been sold or utilized.

Trade receivables

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

	As of December 31,			As of June 30,
	2020	**2021**	**2022**	**2023**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Trade receivables from contracts with customers	178,969	397,453	696,398	659,932
Note receivables	1,220	21,214	55,284	99,986
Total trade receivables	180,189	418,667	751,682	759,918
Less: Allowance for impairment	(43,530)	(50,542)	(89,629)	(97,608)
Trade receivables — net	136,659	368,125	662,053	662,310

Our net trade receivables increased from RMB136.7 million as of December 31, 2020 to RMB368.1 million as of December 31, 2021 which was mainly due to the increase in revenue from logistics smart robotic products and services in the fourth quarter of the year resulting from timing of delivery. Our net trade receivables increased to RMB662.1 million as of December 31, 2022, mainly due to the increase in revenue from logistics smart robotic products and services recognised in the fourth quarter in 2022. Our net trade receivables remained relatively stable at RMB662.3 million as of June 30, 2023 primarily due to the relatively higher trade receivables generated from the sales in June 30, 2023 despite the relatively low revenue generated in the first half of a year due to seasonality factor as mentioned previously, partially offset by the settlement of RMB187.7 million from our customers during 1 January 2023 to 30 June 2023.

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

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

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

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

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

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

	As of December 31,			As of June 30,
	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000
0 to 6 months	73,612	243,858	466,807	251,015
6 to 12 months	18,554	89,511	118,439	278,753
1 to 2 years	37,993	15,163	54,181	123,378
2 to 3 years	6,500	19,593	5,651	3,500
Over 3 years	–	–	16,975	5,664
Trade receivables — net	136,659	368,125	662,053	662,310

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

Government-related

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

Non-government-related

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

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

Our sales to our customers are generally by prepayment or made on credit with a general credit within 12 months. Our Group applied the simplified approach to providing for expected credit losses prescribed by HKFRS 9 on the assessment of impairment of our trade receivables consistently throughout the Track Record Period. As of December 31, 2020, 2021 and 2022 and June 30, 2023, our allowance for impairment of trade receivables amounted to RMB43.5 million, RMB50.5 million, RMB89.6 million and RMB97.6 million, respectively.

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

We had net trade receivables of RMB6.5 million, RMB19.6 million, RMB22.6 million and RMB9.2 million which had been outstanding for more than two years as of December 31, 2020, 2021 and 2022 and June 30, 2023, respectively. The net trade receivables of RMB6.5 million which aged for more than two years as of December 31, 2020 was primarily receivables that was subject to warranty period up to 30 June 2021 of RMB6.0 million. The amount was entirely settled in FY2021. For the net trade receivables of RMB19.6 million, RMB22.6 million and RMB9.2 million which had been outstanding for more than two years as of December 31, 2021 and 2022 and June 30, 2023, respectively, we believe such delay in payments was primarily due to the delay in administrative work for approving budgets for certain customers from their local governments. Up to September 30, 2023, we received subsequent settlement of RMB6.0 million, RMB17.9 million, RMB16.7 million and nil from our customers for the unsettled net trade receivables which aged more than two years as of December 31, 2020, 2021 and 2022 and June 30, 2023, respectively.

We had net trade receivables of RMB17.0 million which was aged over three years as of December 31, 2022. Such amount mainly represented trade receivables from a customer, a PRC government education department located in Guiyang who experienced budget shrinkage during the Track Record Period. Such amount was entirely settled in January 2023. The revenue attributable to such customer accounted for 2.8%, 0.7% and nil in FY2020, FY2021 and FY2022, respectively. The project between our Group and such customer, which has been halted in FY2022 as we believe was due to the COVID-19 pandemic, is expected to commence in late 2023. We also expect to conduct new business with such customer whenever appropriate business opportunities arise, especially when partial payment has been noted for such customer up to September 30, 2023.

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

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

Impairment Provision

With respect to the adequacy of our impairment provisions, our accounting team regularly notify the overdue trade receivables to sales team, and make impairment provisions for those which we deem unable to recover. We group long-term and short-term trade receivables based on shared credit risk characteristics and estimate the expected credit loss rate of trade receivables on a collective basis based on historical credit loss experience (with adjustments for forward-looking information). We apply the simplified approach in calculating expected credit losses and use a provision matrix to calculate expected credit losses for trade receivables. Our management makes periodic collective assessments as well as individual assessment on the recoverability based on historical settlement records and past experiences. The expected credit loss rates for trade and note receivables on collective basis were 2.06%, 2.35%, 2.31% and 2.34% for the balances as of December 31, 2020, 2021 and 2022 and June 30, 2023, respectively.

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

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

The expected credit loss rates for trade and note receivables on individual basis were 58.68%, 59.90%, 81.68% and 72.35% for the balances as of December 31, 2020, 2021 and 2022 and June 30, 2023, respectively. The relatively higher expected credit loss rates for trade and note receivables on individual basis as of December 31, 2022 and June 30, 2023 was primarily attributable to the trade receivables from a customer of RMB33.7 million as of both December 31, 2022 and June 30, 2023, who we believed was in financial difficulties. The aforementioned customer is a company principally engaged in manufacture, installation and maintenance of industrial robots, etc., and an Independent Third Party of our Group. The registered place of the aforementioned customers is located in Tai'an Development Zone, Shandong Province, with a registered and paid-in capital of RMB100.0 million. The revenue attributable to such customer accounted for 2.1%, 4.4%, 0.1% and nil of total revenue in FY2020, FY2021, FY2022 and 6M2023, respectively. We did not conduct any business with such customer since September 2022.

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

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

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

Notes:

(1) Average turnover days of trade and note receivable equals to the average of the opening and closing balances of net trade receivables of the relevant year divided by the revenue of the relevant year/period multiplied by 366 days in FY2020, 365 days in FY2021 and FY2022 and 181 days in 6M2022 and 6M2023.

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

Our average turnover days of trade and note receivable remained relatively stable at 103 days for FY2020 and 113 days for FY2021. Our average trade and note receivable turnover days then increased to 186 days for FY2022, primarily due to the relative higher revenue contribution in the fourth quarter in 2022 which balance remains unsettled and the increase in settlement by notes. Our average turnover days of trade and note receivables then increased to 459 days in 6M2023, because the annualized revenue using the figures from the first six months is usually lower than the actual annual revenue due to the seasonality factor as mentioned previously while our trade receivables balance has taken into the full-year effect. The average turnover days of trade and note receivables was generally in line with the relatively higher turnover days in 6M2022, which was 222 days. The average turnover days of trade and note receivables was higher in 6M2023 compared to that in 6M2022, primarily due to the (i) increased opening balance of trade and note receivables of 6M2023 (being December 31, 2022) as compared to 6M2022 (being December 31, 2021), resulting from increased revenue of RMB165.5 million for the fourth quarter of 2022 as compared to the same period in FY2021; (ii) higher settlement from customers for 6M2022 amounted to RMB412.4 million as a result of two project settlement of aggregate amount of RMB208.9 million from two customers in 6M2022; and (iii) increased aging of government related trade receivables.

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

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

Government-related

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

Non-government-related

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

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

Prepayments, deposits and other receivables

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

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

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

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

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

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

Our prepayment, deposits and other receivables increased to RMB376.1 million as of June 30, 2023, which was primarily attributable to the increase in (i) receivables related to assets disposals of RMB42.1 million mainly for our land in Hangzhou; (ii) receivable VAT and other taxes of RMB24.4 million resulting from our increase in purchase of materials and fixed assets; (iii) prepayments for inventories of RMB42.9 million for our on-going projects; and (iv) prepayments for [**REDACTED**] of RMB21.1 million.

Up to September 30, 2023, RMB146.2 million or 38.9% of our prepayment, deposits and other receivables outstanding as of June 30, 2023 were settled.

Trade payables

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

Our trade payables increased from RMB192.4 million as of December 31, 2020 to RMB362.5 million as of December 31, 2021, primarily due to the increase in purchase of raw materials and subcontracting services in order to cater for our increase in sales. Our trade payables decreased to RMB305.4 million as of December 31, 2022, primarily due to the decrease in payables to Shanghai UBJ of RMB170.4 million, which was consolidated to our financials after its acquisition in July 2022. Our trade payables remained relatively stable at RMB324.8 million as of June 30, 2023.

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

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

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

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

Note: Average turnover days of trade payables turnover days equal to the average of the opening and closing balances of trade payables of the relevant year divided by the cost of sales of the relevant year multiplied by 366 days in FY2020, 365 days in FY2021 and FY2022 and 181 days in 6M2022 and 6M2023.

Our average turnover days of trade payables were longer than the credit period offered by our suppliers primarily due to our stronger bargaining power over our suppliers from FY2020 to FY2022. Our average turnover days of trade payables then increased to 274 days in 6M2023, because the annualized cost of sales using the figures from the first six months is usually lower than the actual annual cost of sales due to the seasonality factor as mentioned previously while our trade payables balance has taken into the full-year effect.

Up to the September 30, 2023, RMB139.2 million or 42.8% of trade payables outstanding as of June 30, 2023 had been fully settled. Our Directors confirmed that during the Track Record Period up to the Latest Practicable Date, there was no material default in payment of trade payables.

Other payables and accruals

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

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

Notes:

(1) Accrued expenses mainly represented professional service fees, advertising and promotion expenses.

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

Our other payables and accruals increased from RMB371.5 million as of December 31, 2020 to RMB469.3 million as of December 31, 2021, primarily attributable to increase in (i) other payables of RMB65.1 million mainly attributable to the (a) payable for property, plant and equipment of RMB29.5 million mainly for our construction in progress; (b) payables for employee benefit expenses of RMB20.4 million as a result of increase in number of staff; (ii) VAT and other taxes payables of RMB24.6 million resulting from our operations; and (iii) accrued expenses of RMB12.1 million mainly for professional services such as accrued audit fee and advertising and promotion expenses. Our other payables and accruals increased to RMB599.7 million as of December 31, 2022, which was primarily attributable to the increase in (i) payables for property, plant and equipment of RMB123.4 million for the construction in progress of our Shenzhen headquarters; (ii) payables for employee benefit expenses of RMB48.0 million due to provision of bonus to our staff; and (iii) VAT and other taxes payables of RMB22.4 million. Our other payables then decreased to RMB521.0 million as of June 30, 2023, primarily attributable to the decrease in other payables of RMB64.2 million mainly attributable to the (a) payroll and welfare payables of RMB48.3 million resulting from decrease in headcounts; (b) VAT and other taxes payables of RMB17.8 million resulting from our operations; and (c) payables for property, plant and equipment of RMB15.9 million resulting from settlement of the payables for property, plant and equipment for our Shenzhen headquarters to our property, plant and equipment in 6M2023.

Contract liabilities

Contract liabilities represented receipt in advance for our products. Our contract liabilities increased from RMB91.1 million as of December 31, 2020 to RMB144.2 million as of December 31, 2021 primarily due to the receipts in advance from certain large education projects for Customer F and Customer A which were yet to be completed as of December 31, 2021. Our contract liabilities decreased to RMB84.5 million as of December 31, 2022 primarily due to the completion of certain large education projects before the year end. Our contract liabilities increased to RMB127.1 million as of June 30, 2023 primarily due to increase in the receipts in advance from certain education projects and logistics projects which were yet to be completed as of June 30, 2023.

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

Deferred Income

Deferred income represents government grants which we received from local government authorities primarily relating to our R&D costs and investments in fixed assets, such as testing and production equipment. Our deferred income was relatively stable at RMB78.8 million and RMB81.9 million as of December 31, 2020 and 2021, respectively. Deferred income decreased to RMB41.2 million as of December 31, 2022 primarily due to cancelation of R&D projects in FY2022. In 2022, due to the impact of COVID-19 and the change of market demands, we canceled a research and industrialization project, which led to returns of government grants of RMB31.5 million. Our deferred income then decreased to RMB32.9 million as of June 30, 2023, primarily due to RMB8.3 million recognized as other income during the period.

BUSINESS COMBINATION

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

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

Shanghai UBJ

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

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

Jiangsu Tianhui

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

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

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

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

INDEBTEDNESS

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

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

Borrowings

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

	As of December 31,			As of June 30,	As of October 31,
	2020	2021	2022	2023	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)
Bank loans					
— Secured	—	90,514	30,028	—	—
— Secured and guaranteed	413,143	366,902	356,194	601,914	749,912
— Unsecured	163,073	300,988	236,440	332,492	507,208
	576,216	758,404	622,662	934,406	1,257,120
Less: Non-current portion	—	(106,538)	(295,891)	(496,355)	(632,842)
Current portion	576,216	651,866	326,771	438,051	624,278

Our bank loans increased as of December 31, 2021 due to our business expansion and increased need for capital expenditure for our Shenzhen headquarters. Our bank loans decreased as of December 31, 2022 due to our repayment of bank loans. Our bank loans increased as of February 28, 2023. As of December 31, 2020, 2021 and 2022, June 30, 2023 and October 31, 2023, our Group's bank loans of nil, RMB306.9 million, RMB298.2 million, RMB601.9 million and RMB749.9 million, respectively, were guaranteed by Mr. Zhou Jian. We have received confirmation from China CITIC Bank, Shenzhen branch that the aforementioned guarantees provided by Mr. Zhou Jian will be released upon [**REDACTED**]. See "Relationship with Our Controlling Shareholders — Independence from Our Controlling Shareholders — (iii) Financial independence" for details.

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

As of October 31, 2023, we had unutilized banking facilities of RMB1,374.6 million, all of which are committed and unrestricted. Our Directors confirm that there was no material covenant on any of our outstanding debt as of the Latest Practicable Date, and there was no breach of any covenants during the Track Record Period and up to the Latest Practicable Date. Our Directors further confirm that we did not experience any unusual difficulty in obtaining bank loans and other borrowings, default in payment of bank loans and other borrowings or breach of covenants during the Track Record Period and up to the Latest Practicable Date.

Pledge of assets

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

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

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

Lease liabilities

Our Group has adopted HKFRS 16 consistently throughout the Track Record Period. As such, leases have been recognized in the form of an asset (for the right of use) and a financial liability (for the payment obligation) in our Group's consolidated statements of financial position. Our lease liabilities decreased from RMB97.8 million as of December 31, 2020 to RMB86.9 million as of December 31, 2021 and further decreased to RMB66.1 million as of December 31, 2022, mainly due to repayments of lease liabilities partially offset by the addition of new leases. Our lease liabilities then remained relatively stable at RMB67.1 million as of June 30, 2023.

Except as disclosed above, as of October 31, 2023, we did not have any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptable credits, debentures, mortgages, charges, hire purchases commitments, or guarantees. Our Directors confirm that there has not been any material change in our indebtedness since the Latest Practicable Date up to the date of this document.

CAPITAL EXPENDITURES

Our capital expenditures primarily include expenditures on acquisitions of property, plant and equipment and right-of-use assets for our operations. Our Group incurred capital expenditures of RMB239.6 million, RMB309.2 million, RMB501.5 million and RMB269.5 million in FY2020, FY2021, FY2022 and 6M2023, respectively. Between July 1, 2023 and the Latest Practicable Date, we had capital expenditures of RMB166.8 million primarily for the construction of our headquarters in Shenzhen.

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

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

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

CONTRACTUAL COMMITMENTS

Capital commitments

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

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

CONTINGENT LIABILITIES

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

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

PROPERTY VALUATION

International Valuation Limited, an independent property valuer, has valued our property interests as of September 30, 2023 and is of the opinion that the total market value in existing state as of such date was RMB98.0 million. The full text of the letter, summary of valuation and valuation certificates with regard to such property interests are set out in Appendix III to this document. A reconciliation of the net book value of our properties as of June 30, 2023 as set out in the "Accountant's Report" in Appendix I to this document to their fair value as of June 30, 2023 as stated in the property valuation report set out in "Property Valuation Report" in Appendix III to this document is set out below:

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

KEY FINANCIAL RATIOS

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

	As of or for the year ended December 31,			**As of or for the period ended June 30,**
	2020	**2021**	**2022**	**2023**
Gross profit margin(1) (%)	44.7	31.3	29.2	20.2
Current ratio(2) (times)	1.2	1.0	1.0	1.4
Quick ratio(3) (times)	0.9	0.7	0.8	1.1
Gearing ratio(4) (%)	65.8	111.2	65.4	62.4

Notes:

(1) Calculated by dividing gross profit by revenue for the year multiplied by 100%. See "Review of Historical Results of Operation" in this section for more details on our gross profit margins.

(2) Calculated by dividing total current assets by total current liabilities as of the end of the year.

(3) Calculated by dividing total current assets minus inventory by total current liabilities as of the end of the year.

(4) Calculated by dividing total interest-bearing borrowings and lease liabilities divided by total equity as of the end of the year/period multiplied by 100%.

Gross profit margin

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

Current ratio and quick ratio

Our current ratio and quick ratio decreased from 1.2 times and 0.9 times as of December 31, 2020, respectively, to 1.0 times and 0.7 times as of December 31, 2021, respectively, mainly due to the (i) decrease in cash and cash balances of RMB348.7 million which was mainly used to support daily operation and purchase of property, plant and equipment; (ii) increase in trade payables of RMB170.1 million due to increase in procurement of raw materials and sub-contracting services; (iii) increase in other payables and accruals of RMB97.8 million; and (iv) increase in current portion of borrowings of RMB75.7 million. The decrease was partially offset by the (i) increase in trade receivables of RMB231.5 million due to the more logistics smart robotic products and services were completed and delivered in the fourth quarter of the year; and (ii) increase in prepayments, deposits and other receivables of RMB100.9 million mainly resulting from the increase in recoverable VAT and other taxes of RMB61.6 million which was related to the increase in purchase of materials and fixed assets. Our current ratio and quick ratio then remained relatively stable at 1.0 times and 0.8 times as of December 31, 2022, respectively. Our current ratio and quick ratio then increased to 1.4 times and 1.1 times as of June 30, 2023, primarily due to the increase in cash and cash equivalents of RMB473.8 million resulting from the consideration received from the [**REDACTED**] investments of RMB820.0 million in January 2023.

Gearing ratio

Our gearing ratio increased from 65.8% as of December 31, 2020 to 111.2% as of December 31, 2021, primarily attributable to the increase in borrowings and decrease in equity due to losses from our operation. Our gearing ratio decreased to 65.4% as of December 31, 2022, mainly due to decrease in borrowings. Despite the increase in borrowings from RMB622.7 million as of December 31, 2022 to RMB934.4 million as of June 30, 2023, our gearing ratio decreased to 62.4% as of June 30, 2023 primarily due to the increase in total equity mainly resulting from the issuance of shares for [**REDACTED**] investments of RMB820.0 million in January 2023.

TRANSACTIONS WITH RELATED PARTIES

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

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

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

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

OFF-BALANCE SHEET ARRANGEMENT

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

DISTRIBUTABLE RESERVES

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

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

DIVIDEND POLICY

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

[**REDACTED**]

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

During the Track Record Period, total [**REDACTED**] of [**REDACTED**] were incurred, among which (i) [**REDACTED**] and [**REDACTED**] were charged to our consolidated income statements in FY2022 and 6M2023, respectively, and (ii) expenses directly attributable to the issuance of [**REDACTED**] of [**REDACTED**] were recognized as prepayment for [**REDACTED**] in the consolidated statements of financial position as at June 30, 2023, which will be deducted from equity upon [**REDACTED**]. We expect to incur [**REDACTED**] commissions and other additional [**REDACTED**] of [**REDACTED**] after June 30, 2023 (assuming an [**REDACTED**] of [**REDACTED**] per [**REDACTED**], being the mid-point of the [**REDACTED**] stated in this document), of which [**REDACTED**] will be charged to the consolidated income statements after June 30, 2023, and [**REDACTED**] will be deducted from equity upon completion of the [**REDACTED**]. The [**REDACTED**] above are the latest practicable estimate and are for reference only. The actual amount may differ from this estimate.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

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

UNAUDITED [REDACTED] ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS PER SHARE

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

SUBSEQUENT EVENTS

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

RECENT DEVELOPMENTS AND NO MATERIAL ADVERSE CHANGE

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

FUTURE PLANS AND [REDACTED]

[REDACTED]

Assuming (1) an [**REDACTED**] of [**REDACTED**] per H Share, being the mid-point of the indicative [**REDACTED**] of [**REDACTED**] to [**REDACTED**] per H Share, and (2) that the [**REDACTED**] is not exercised, the [**REDACTED**] from the [**REDACTED**] are estimated to be approximately [**REDACTED**] after deducting [**REDACTED**], incentive fees and other expenses payable by us in connection with the [**REDACTED**]. In line with our business strategies, we intend to use our [**REDACTED**] for the following purposes:

- approximately [**REDACTED**]% of the [**REDACTED**] (approximately [**REDACTED**]), will be used to further advance our R&D capabilities to enhance our core technologies and smart service robotic products and services offerings:
  - (i) [**REDACTED**]% of the [**REDACTED**] (approximately [**REDACTED**]) will be used to upgrade the core technologies utilized in our **humanoid robots**, out of which (a) approximately [**REDACTED**] will be used for partially funding the acquisition costs of machinery, equipment, software and R&D materials including (1) over 220 units of machinery and equipment such as visible light spectrophotometers, vibration testing equipment, electrostatic discharge generator and profilometer; and (2) over 15 sets of software for purposes such as ID design and rendering, 3D modeling and algorithm services; and (b) approximately [**REDACTED**] will be used for partially funding the recruitment of over 110 staff including R&D related personnel such as project and product managers, engineers and operational staff who generally possess master degrees with more than 5 years of work experience in a field related to core technologies utilized in humanoid robots. As the R&D of humanoid robots involves research across multiple disciplines and technologies which are relatively more complex and advanced in nature compared to other robotic products, we expect to recruit some candidates with doctorate degrees in order to enhance our capabilities in achieving technological breakthroughs and shortening the R&D cycle for humanoid robots. During the Track Record Period, it generally took four to 16 months to achieve commercialization from the conceptualization and R&D stages for our humanoid robots. With the additional R&D staff, based on the experience and estimation of our Directors, we expect to shorten our R&D cycle by approximately 0.7 to 2.2 months.
  - (ii) [**REDACTED**]% of the [**REDACTED**] (approximately [**REDACTED**]) will be used to develop and launch our **education smart robotic products and services**, out of which (a) approximately [**REDACTED**] will be used for partially funding the acquisition costs of machinery, equipment, software and R&D materials including (1) over 430 units of machinery and equipment such as testing equipment, molding equipment, servers and computers; and (2) over 10 sets of software for purposes such as cloud storage and computing and algorithm services; and (b) approximately [**REDACTED**] will be used for partially funding the recruitment of over 70 staff including R&D related personnel such as project and product managers, engineers and operational staff and educational curriculum staff and the engagement of external consultation service providers who generally possess bachelor's degrees with more than 3 years of work experience in a field related to education smart robotic products and services. We expect to shorten the R&D cycle for education smart robotic products and services following the recruitment of additional R&D related personnel as a result of having more R&D manpower in the execution of our R&D projects. During the Track Record Period, it generally took five to 24 months to achieve commercialization from the conceptualization and R&D stages for our education smart robotic products and services. With the additional R&D staff, based on the experience and estimation of our Directors, we expect to shorten our R&D cycle by approximately 0.9 to 2.4 months.
  - (iii) [**REDACTED**]% of the [**REDACTED**] (approximately [**REDACTED**]) will be used to develop and launch our **logistics smart robotic products and services**, out of which (a) approximately [**REDACTED**] will be used for partially funding the acquisition costs of machinery, equipment, software and R&D materials including (1) over 580 units of

machinery and equipment such as millimeter wave radar, industrial PCV readers, multi-terrain test equipment and fast friction drivers; and (2) over 10 sets of software for purposes such as offline cloud mapping, machine learning datasets and finite element analysis; and (b) approximately [**REDACTED**] will be used for partially funding the recruitment of over 110 staff including R&D related personnel such as project and product managers, engineers and operational staff who generally possess bachelor's degrees with more than 3 years of work experience in a field related to logistics smart robotic products and services. We expect to shorten the R&D cycle for logistics smart robotic products and services following the recruitment of additional R&D related personnel as a result of having more R&D manpower in the execution of our R&D projects. During the Track Record Period, it generally took 11 to 13 months to achieve commercialization from the conceptualization and R&D stages for our logistics smart robotic products and services. With the additional R&D staff, based on the experience and estimation of our Directors, we expect to shorten our R&D cycle by approximately two months.

(iv) [**REDACTED**]% of the [**REDACTED**] (approximately [**REDACTED**]) will be used to develop and launch our **general service smart robotic products and services**, out of which (a) approximately [**REDACTED**] will be used for the acquisition costs of machinery, equipment and software including (1) over 150 units of machinery and equipment such as detection equipment and product testing equipment; and (2) approximately 5 sets of software for purposes such as cloud storage and computing and algorithm services; and (b) approximately [**REDACTED**] will be used for recruitment of over 20 staff including R&D related personnel such as product managers and engineers who generally possess bachelor's degrees with more than 3 years of work experience in a field related to general service smart robotic products and services. We expect to shorten the R&D cycle for general service smart robotic products and services following the recruitment of additional R&D related personnel as a result of having more R&D manpower in the execution of our R&D projects. During the Track Record Period, it generally took five to 12 months to achieve commercialization from the conceptualization and R&D stages for our general service smart robotic products and services. With the additional R&D staff, based on the experience and estimation of our Directors, we expect to shorten our R&D cycle by approximately one to 2.2 months.

(v) [**REDACTED**]% of the [**REDACTED**] (approximately [**REDACTED**]) will be used to develop and launch our **wellness and elderly care smart robotic products and services**, out of which (a) approximately [**REDACTED**] will be used for partially funding the acquisition costs of machinery, equipment, software and R&D materials including (1) over 350 units of machinery and equipment such as robot reliability laboratory equipment, various servers (e.g. for code, bugs, document backup management) and network analysers; and (2) approximately 10 sets of software for purposes such as cloud storage and computing and algorithm services; and (b) approximately [**REDACTED**] will be used for partially funding the recruitment of over 70 staff including R&D related personnel such as project and product managers, engineers and operational staff who generally possess bachelor's degrees with more than 3 years of work experience in a field related to wellness and elderly care smart robotic products and services. Since we only launched our wellness and elderly care smart robotic products and services in the second half of 2022, our R&D capabilities in relation to such products and services are comparatively under-developed compared to our other existing and more established business segments. As such, our Directors believe that the recruitment of additional R&D staff which have more specialized experience and vocational focus in the wellness and elderly care smart robotic products and services industry than our existing R&D staff is necessary in order to enhance our R&D efforts in this area. For instance, as we intend to upgrade our visual recognition technology to improve our companion smart robot's ability to identify and analyze the movement of the elderly, we expect our newly-recruited R&D staff to have experience in designing the relevant necessary algorithms. We also expect our newly-recruited R&D staff to have experience in designing health monitoring and analyzing platforms to facilitate the management and monitoring of our products.

(vi) [**REDACTED**]% of the [**REDACTED**] (approximately [**REDACTED**]) will be used to develop and launch our **consumer-level robots and other hardware devices**, out of which (a) approximately [**REDACTED**] will be used for partially funding the acquisition costs of machinery, equipment, software and R&D materials including (1) over 240 units of computers and product testing equipment; and (2) over 5 sets of software for purposes such as cloud storage and computing and algorithm services; and (b) approximately [**REDACTED**] will be used for partially funding the recruitment of over 15 staff including R&D related personnel such as project and product managers, engineers and operational staff who generally possess bachelor's degrees with more than 3 years of work experience in a field related to consumer-level robots and other hardware devices. As we intend to enhance our existing offerings of consumer-level robots and other hardware devices by developing next generation vacuum cleaners, pool cleaning robots and lawn mowers, we expect to recruit new R&D staff who possess relevant experience in the R&D of these products in order to enhance the overall R&D efficiencies of such products. In particular, we expect such newly-recruited R&D staff to have experience in the R&D of pool cleaning robots and lawn mowers since we have never launched such products before.

- approximately [**REDACTED**]% of the [**REDACTED**] (approximately [**REDACTED**]), will be used for partial repayment of the following bank loans:

	Nature of bank loans	Principal amounts	Interest rate	Due date	Purpose of bank loans
(1) . .	Bank working capital loans	RMB300.0 million	3.7%-5.7%	January 12, 2024 to January 29, 2024	General corporate purpose
(2) . .	Fixed investment credit portion of the Guaranteed Facility	RMB900.0 million	5-year loan prime rate plus 2.19%, adjusted annually	June 18, 2031	Construction works in relation to our headquarters in Shenzhen

See "Relationship with our Controlling Shareholders – Independence from our Controlling Shareholders – (iii) Financial independence" for details in relation to the Guaranteed Facility.

- approximately [**REDACTED**]% of the [**REDACTED**] (approximately [**REDACTED**]), will be used to upgrade our R&D laboratories in our Shenzhen R&D institute to enhance our R&D infrastructure to improve our R&D capabilities and efficiencies, in particular (a) approximately [**REDACTED**] will be used for partially funding the acquiring of machinery, equipment and software including (1) over 240 units of machinery and equipment such as GPU servers, storage servers and integrated gear measurement center; and (2) over 15 sets of software for the purpose of machine learning datasets, mechanical system design simulation and servo actuator vibration testing; and (b) approximately [**REDACTED**] will be used for partially funding the recruitment of over 90 staff including R&D related personnel such as project and product managers, engineers and operational staff who generally possess master or PhD degrees with more than 5 years of work experience in a field related to our robotic and/or AI technologies. The newly-recruited R&D staff are expected to have more experience and academic achievements than our existing R&D staff in relation to the relevant robotic and/or AI technologies which are the subject matters of our R&D laboratories in our Shenzhen R&D institute, as such we expect them to be better equipped to facilitate the enhancement of our R&D infrastructure to improve our R&D capabilities in respect of these technologies. Such experience and academic achievements may include the publication of research papers and conference papers on international reputable journals, participation in the design of patents and involvement in major projects in respect of the relevant robotic and/or AI technologies.

- approximately [**REDACTED**]% of the [**REDACTED**] (approximately [**REDACTED**]), will be used for the enhancement of our brand awareness and market penetration by expanding our overseas sales channels. In particular, (a) approximately [**REDACTED**] will used for partially funding the recruitment of over 350 staff including sales and marketing personnel and support staff; (b) approximately [**REDACTED**] will be used for partially funding the setting up of (1) a total of 12 showrooms in the PRC, Korea, United Arab Emirates, Thailand, Germany, India, USA, Japan and Singapore. We intend to demonstrate the functionalities and applications of our latest smart service robotic products and services from each of our business segments in the PRC showrooms, whereas the overseas showrooms will focus on the demonstration of our latest smart service robotic products and services under our other sector tailored smart robotic products and services and consumer-level robots and other hardware devices segments; and (2) a total of 19 branch offices and regional offices across the PRC for strengthening our sales and marketing network, developing our relationship with customers and end-users and expanding our customer and end-user base; (c) approximately [**REDACTED**] will be used for partially funding the (1) providing of trainings to our sales and marketing team in order to equip them with the necessary marketing skills, linguistic skills and latest technological and industry developments to effectively market our smart service robotic products and services; and (2) participating in major national and international events which allows us to benefit from word-of-mouth marketing while minimizing our selling and marketing expenses; and (d) approximately [**REDACTED**] will be used for partially funding the upgrading of our office equipment of our sales and marketing team to facilitate better communication with and experience of customers and end-users of our smart service robotic products and services.

- approximately [**REDACTED**]% of the [**REDACTED**] (approximately [**REDACTED**]), will be used to partially fund the further optimization of our management and operational efficiency by purchasing various systems such as enterprise resource planning (ERP) system, product lifecycle management (PLM) system, human capital management (HCM) system, customer relationship management (CRM) system and warehouse management (WMS) system.
- approximately [**REDACTED**]% of the [**REDACTED**] (approximately [**REDACTED**]), will be used for working capital and other general corporate purposes.

Based on our strategies and intended [**REDACTED**] from the [**REDACTED**], we set out below our proposed implementation plans from the [**REDACTED**] for your reference. Potential investors should note that the following implementation plans are formulated on the bases and assumptions which are inherently subject to many uncertainties and unpredictable factors, in particular the risk factors set forth in the section headed "Risk Factors" in this document. Therefore, there is no assurance that our business plans will materialize in accordance with the estimated time frame and that our future plans will be accomplished at all. The details of our future plan are set out below:

	[REDACTED]				
	2024	**2025**	**2026**	**Total**	**% of [REDACTED]**
	(HK$' million)	**(HK$' million)**	**(HK$' million)**	**(HK$' million)**	
Further advance our R&D capabilities to enhance our core technologies and products and services offerings	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Repayment of bank loans	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Enhance our R&D infrastructure to improve our R&D capabilities and efficiencies	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Enhance brand awareness and market penetration	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Further optimize our management and operational efficiency	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
General working capital	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

To the extent that the [**REDACTED**] of the [**REDACTED**] are not immediately applied to the above purposes or if we are unable to put into effect any part of our plan as intended, we will hold such funds in short-term interest-bearing deposits at licensed commercial banks and/or other authorized financial institutions (as defined under the Securities and Futures Ordinance, the Law of the People's Republic of China on Commercial Banks (《中華人民共和國商業銀行法》) and other applicable laws in the PRC). We will comply with the PRC laws relating to foreign exchange registration and proceeds remittance.

In the event that the [**REDACTED**] is set at the high-end or low-end of the proposed [**REDACTED**] of [**REDACTED**] to [**REDACTED**] per [**REDACTED**] and the [**REDACTED**] is not exercised at all, the [**REDACTED**] of the [**REDACTED**] received by us will increase or decrease by approximately [**REDACTED**]. Under such circumstances, our intended [**REDACTED**] will be increased or decreased on a pro-rata basis.

If the [**REDACTED**] is set at the high-end or low-end of the proposed [**REDACTED**] of [**REDACTED**] to [**REDACTED**] per [**REDACTED**] and the [**REDACTED**] is exercised in full, the [**REDACTED**] of the [**REDACTED**] (including the [**REDACTED**] from the exercise of the [**REDACTED**]) received by us will increase or decrease by approximately [**REDACTED**]. We intend to apply the additional [**REDACTED**] to the above uses in the proportions stated above.

If the [**REDACTED**] is exercised in full, the additional [**REDACTED**] we will receive after deducting [**REDACTED**], the discretionary incentive fee (assuming the full payment of the discretionary incentive fee) and the estimated expenses in relation to the [**REDACTED**], will be:

- approximately [**REDACTED**], assuming an [**REDACTED**] of [**REDACTED**] (being the minimum [**REDACTED**]);
- approximately [**REDACTED**], assuming an [**REDACTED**] of [**REDACTED**] (being the mid-point [**REDACTED**]); or
- approximately [**REDACTED**], assuming an [**REDACTED**] of [**REDACTED**] (being the maximum [**REDACTED**]).

The additional [**REDACTED**] will be allotted to the above purposes on a pro rata basis if the [**REDACTED**] is exercised.

We will issue announcements, where required, if there is any material change in the [**REDACTED**] mentioned above.

[**REDACTED**]

[REDACTED]

[**REDACTED**]

[REDACTED]

[REDACTED]

[REDACTED]

[**REDACTED**]

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[REDACTED]

[REDACTED]

[REDACTED]

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.

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]

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.

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 (Unaudited)	RMB'000
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		330,738	255,953	294,045	38,825	52,637
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		(595,567)	(882,525)	(953,274)	(503,305)	(542,166)
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		(675,495)	(900,961)	(970,859)	(514,738)	(547,625)
Income tax expense	12	(31,504)	(16,558)	(16,509)	(420)	(292)
Loss for the year/period		(706,999)	(917,519)	(987,368)	(515,158)	(547,917)
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)
		(706,999)	(917,519)	(987,368)	(515,158)	(547,917)
Losses per share for loss attributable to owners of the Company (expressed in RMB per share)						
Basic and diluted	13	(1.90)	(2.41)	(2.50)	(1.33)	(1.32)

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 (Unaudited)**	**RMB'000**
Loss for the year/period	(706,999)	(917,519)	(987,368)	(515,158)	(547,917)
Other comprehensive income/(loss), net of tax					
Items that may be reclassified to profit or loss					
Exchange differences arising on translation of foreign operations	12,006	3,912	(16,739)	(10,884)	(4,003)
Items that will not be reclassified to profit or loss					
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	12,006	(3,115)	(15,139)	(10,393)	(4,135)
Total comprehensive loss for the year/period	(694,993)	(920,634)	(1,002,507)	(525,551)	(552,052)
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)
	(694,993)	(920,634)	(1,002,507)	(525,551)	(552,052)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	As at December 31, 2020	2021	2022	As at June 30, 2023
		RMB'000	**RMB'000**	**RMB'000**	**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		882,436	1,076,810	1,402,843	1,612,702
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
		1,557,743	1,590,435	1,372,693	2,006,137
Assets classified as held for sale		—	—	12,466	—
Total current assets		1,557,743	1,590,435	1,385,159	2,006,137
TOTAL ASSETS		2,440,179	2,667,245	2,788,002	3,618,839

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)

	Note	As at December 31, 2020	As at December 31, 2021	As at December 31, 2022	As at June 30, 2023
		RMB'000	RMB'000	RMB'000	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		1,024,236	759,998	1,053,924	1,604,438
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		140,083	233,523	369,583	565,298
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		1,275,860	1,673,724	1,364,495	1,449,103
TOTAL LIABILITIES		1,415,943	1,907,247	1,734,078	2,014,401
TOTAL EQUITY AND LIABILITIES		2,440,179	2,667,245	2,788,002	3,618,839

COMPANY STATEMENTS OF FINANCIAL POSITION

	Note	As at December 31, 2020	As at December 31, 2021	As at December 31, 2022	As at June 30, 2023
		RMB'000	RMB'000	RMB'000	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		1,160,772	1,626,551	2,164,527	2,739,990
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		2,667,512	2,332,906	1,552,014	1,531,137
TOTAL ASSETS		3,828,284	3,959,457	3,716,541	4,271,127

COMPANY STATEMENTS OF FINANCIAL POSITION (CONTINUED)

	Note	As at December 31, 2020	As at December 31, 2021	As at December 31, 2022	As at June 30, 2023
		RMB'000	RMB'000	RMB'000	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		1,412,532	1,043,824	1,100,485	1,516,509
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		88,066	85,092	48,212	1,257,950
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		2,327,686	2,830,541	2,567,844	1,496,668
TOTAL LIABILITIES		2,415,752	2,915,633	2,616,056	2,754,618
TOTAL EQUITY AND LIABILITIES		3,828,284	3,959,457	3,716,541	4,271,127

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

		Attributable to owners of the Company				
	Note	**Share capital**	**Reserves**	**Total**	**Non-controlling interests**	**Total equity**
		RMB'000 (Note 28)	**RMB'000 (Note 29)**	**RMB'000**	**RMB'000**	**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		377,749	641,596	1,019,345	4,891	1,024,236

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (CONTINUED)

		Attributable to owners of the Company				
	Note	Share capital	Reserves	Total	Non-controlling interests	Total equity
		RMB'000 (Note 28)	RMB'000 (Note 29)	RMB'000	RMB'000	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		384,088	368,358	752,446	7,552	759,998
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		396,173	565,106	961,279	92,645	1,053,924

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (CONTINUED)

	Note	Attributable to owners of the Company				
		Share capital	Reserves	Total	Non-controlling interests	Total equity
		RMB'000 (Note 28)	RMB'000 (Note 29)	RMB'000	RMB'000	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		406,569	1,056,435	1,463,004	141,434	1,604,438
(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		392,962	668,012	1,060,974	25,289	1,086,263

CONSOLIDATED STATEMENTS OF CASH FLOWS

		Year ended December 31,			Six months ended June 30,	
	Note	**2020**	**2021**	**2022**	**2022**	**2023**
		RMB'000	**RMB'000**	**RMB'000**	**RMB'000 (Unaudited)**	**RMB'000**
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)

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 (Unaudited)	RMB'000
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		1,028,326	560,470	802,797	697,393	1,218,281
Net increase/(decrease) in cash and cash equivalents		236,287	(347,288)	(130,217)	475,714	472,964
Cash and cash equivalents at beginning of 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	621,754	273,103	145,398	749,976	619,148

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.

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.

(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".

(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.

(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

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).

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.

(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 deductive 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 tax 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-supervized 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.

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.

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.

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.

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, 2020	2021	2022	As at 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.

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.

(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
	40,067	7,358	46,386	9,852	8,653

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

	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 (Unaudited)**	**RMB'000**
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	43,530	50,542	89,629	56,403	97,608

The Company

	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	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	27,725	33,237	56,805	24,315	58,947

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)	—
		26,444	(10,191)	16,253
As at December 31, 2021				
Performing	1.07%	51,424	(549)	50,875
Non-performing	100.00%	9,966	(9,966)	—
		61,390	(10,515)	50,875

	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)	—
		67,530	(17,089)	50,441
As at June 30, 2023				
Performing	0.65%	90,832	(587)	90,245
Non-performing	100.00%	17,176	(17,176)	—
		108,008	(17,763)	90,245

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%	735,438	(9,849)	725,589
As at December 31, 2021				
Performing	1.34%	679,204	(9,134)	670,070
As at December 31, 2022				
Performing	1.71%	797,055	(13,593)	783,462
Non-performing	100.00%	5,223	(5,223)	—
		802,278	(18,816)	783,462
As at June 30, 2023				
Performing	2.25%	800,012	(17,978)	782,034
Non-performing	100.00%	5,248	(5,248)	—
		805,260	(23,226)	782,034

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 (Unaudited)	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	225	549	515	540	587

Non-performing

	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	—	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	9,966	9,966	16,574	13,966	17,176

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 (Unaudited)**	**RMB'000**
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	9,849	9,134	13,593	12,246	17,978

Non-performing

	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	—	—	—	—	5,223
Loss allowance recognized	—	—	5,183	4,000	25
Transfer from performing	—	—	40	—	—
At the end of the year/period	—	—	5,223	4,000	5,248

(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.

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
	1,034,918	31,363	28,909	4,824	1,100,014	1,087,612
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
	1,356,395	34,775	56,415	104,348	1,551,933	1,486,270
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
	1,030,627	47,464	160,511	225,391	1,463,993	1,332,095
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
	1,178,235	76,406	285,584	324,584	1,864,809	1,662,911

* *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.

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 June 30,
	2020	2021	2022	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	(61,917)	404,602	495,217	377,993
Total equity	1,024,236	759,998	1,053,924	1,604,438
Gearing ratio	N/A	53%	47%	24%

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.

(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, 2020	2021	2022	Six months ended June 30, 2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
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	5,076	—	—	—	—

Level 3	Year ended December 31, 2020	2021	2022	Six months ended June 30, 2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
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	4,000	3,973	5,573	4,464	5,441

(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, 2021	2022	As at June 30, 2023	Relationship of unobservable inputs to fair value
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.

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.

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.

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 (Unaudited)	RMB'000
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
	740,226	817,230	1,008,272	283,523	261,139

(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)	404,122	175,005	527,825	145,092	71,425

(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 (Unaudited)	RMB'000
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
	740,226	817,230	1,008,272	283,523	261,139

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

(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 June 30,	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
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 June 30,
	2020	2021	2022	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 June 30,	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
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

	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
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	1,363,613	1,761,855	1,901,613	783,717	800,237

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 (Unaudited)	RMB'000
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
	85,720	76,013	9,467	(7,406)	13,091

(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税期末留抵退税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.

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 (Unaudited)	RMB'000
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
	17,833	6,555	23,014	(14,147)	7,506

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 (Unaudited)	RMB'000
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
	698,122	881,819	862,804	428,148	466,258
Less: capitalization in inventories	(24,010)	(15,645)	(34,831)	(7,600)	(19,061)
	674,112	866,174	827,973	420,548	447,197

(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.

(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
	5	5	5	5	5

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
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	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
	12,651	56,813	81,518	55,715	29,789

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	—	—
	2	5	4	3	3

(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
	318	5,512	157	315	9,073	15,375

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
	318	5,078	228	360	16,637	22,621

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
	328	5,662	378	552	29,862	36,782

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
	200	2,384	196	281	36,530	39,591

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
	159	2,466	181	270	21,226	24,302

(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.

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 (Unaudited)	RMB'000
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	(36,389)	(17,852)	(23,106)	(15,209)	(5,459)

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	6.84%	6.84%	5.38%	5.70%	5.92%

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 (Unaudited)	RMB'000
Current income tax	31,504	16,558	16,509	420	292

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 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)
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	31,504	16,558	16,509	420	292

(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.

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)	706,990	920,180	974,809	509,903	532,793
Weighted average number of ordinary shares in issue (thousand)	371,230	382,559	389,194	384,087	403,582
Basic losses per share (in RMB)	1.90	2.41	2.50	1.33	1.32

(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.

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,			As at June 30,	As at the date of this report
				2020	2021	2022	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%	100%
UBTECH ROBOTICS LIMITED (b)	Hong Kong, June 29, 2016	Sales of robotic products, Hong Kong	HKD310,584,000	100%	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%	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%	100%
*Shanghai UBJ Education Technology Co., Ltd. ("Shanghai UBJ", 上海優必傑教育科技有限公司) (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%	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%	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%	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%	100%
*Sichuan UBTECH Holding Co., Ltd. (四川優必選控股有限責任公司)	PRC, July 31, 2018	Sales of robotic products, Mainland China	RMB100,000,000	100%	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%	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%	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%	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%	100%

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	As at the date of this report
*Guizhou UBTECH Technology Co., Ltd. (貴州優必選科技有限公司)	PRC, August 19, 2019	Production and sales of robotic products, Mainland China	RMB20,000,000	100%	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%	100%
*UBTECH (Jiangsu) Intelligent Robot Co., Ltd. ("Jiangsu UBTECH", 優必選(江蘇)智能機器人有限公司) (b)	PRC, November 20, 2019	Sales of robotic products, Mainland China	RMB200,000,000	100%	100%	100%	100%	100%
*Shandong UBTECH Technology Co., Ltd. ("Shandong UBTECH", 山東優必泰克科技有限公司) (b)	PRC, December 19, 2019	Sales of robotic products, Mainland China	RMB100,000,000	100%	100%	100%	100%	100%
*UBTECH (Suzhou) Technology Co., Ltd. (優必選(蘇州)科技有限公司) (c)	PRC, February 12, 2020	Sales of robotic products, Mainland China	RMB30,000,000	100%	100%	100%	100%	100%
*UBTECH (Shenzhen) Technology Co., Ltd. (優必選(深圳)科技有限公司) (c)	PRC, April 21, 2020	Production of robotic products, Mainland China	RMB10,000,000	100%	100%	100%	100%	100%
*UBTECH (Xiamen) Intelligent Technology Co., Ltd. (優必選(廈門)智能科技有限公司) (c)	PRC, April 24, 2020	Development, design, production and sales of robotic products, Mainland China	RMB50,000,000	100%	100%	100%	100%	100%
*UBTECH (Hangzhou) Intelligent Robot Co., Ltd. (優必選(杭州)智能機器人有限公司) (c)	PRC, May 15, 2020	Sales of robotic products, Mainland China	RMB100,000,000	100%	100%	100%	100%	100%
*UBTECH Enze (Hangzhou) Technology Co., Ltd. (優必選恩澤(杭州)科技有限公司) (c)	PRC, July 21, 2020	Dormant, Mainland China	RMB30,000,000	51%	51%	51%	51%	51%
*Ezhou UBTECH Technology Co., Ltd. (鄂州優必選科技有限公司) (c)	PRC, July 23, 2020	Sales of robotic products, Mainland China	RMB20,000,000	100%	100%	100%	100%	100%
*Wuxi Uqi Intelligent Technology Co., Ltd. ("Wuxi Uqi", 無錫優奇智能科技有限公司) (b) (c) (d) (g)	PRC, September 7, 2020	Development, production and sales of logistic robotic products, Mainland China	RMB30,019,500	51%	51%	41.89%	43.45%	43.45%
*UBTECH (Huzhou) Technology Co., Ltd. (優必選(湖州)科技有限公司) (c)	PRC, October 16, 2020	Development, design production and sales of robotic products, Mainland China	RMB20,000,000	100%	100%	100%	100%	100%
*UBTECH (Weihai) Technology Co., Ltd. (優必選(威海)科技有限公司) (c)	PRC, November 9, 2020	Sales of robotic products, Mainland China	RMB25,000,000	100%	100%	100%	100%	100%
*UBTECH (Shantou) Technology Co., Ltd. (優必選(汕頭)科技有限公司) (c)	PRC, November 16, 2020	Sales of robotic products, Mainland China	RMB26,000,000	100%	100%	100%	100%	100%
*UBTECH (Taiyuan) Intelligent Robot Co., Ltd. (優必選(太原)智能機器人有限公司) (c)	PRC, December 1, 2020	Sales of robotic products, Mainland China	RMB1,000,000	100%	100%	100%	100%	100%

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	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%

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	
*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%
*Liuzhou 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%
*Liuzhou 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 Youbifu 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", 優邸健康科技(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(宿州)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%

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	As at the date of this report
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%	100%
*Chengdu Youxuan Ruizhi Equity Investment Fund Management Co., Ltd. (成都優選睿智股權投資基金管理有限責任公司) (e)	PRC, October 23, 2018	Dormant, Mainland China	RMB10,000,000	100%	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%	43.45%
*UBJ (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%	87.53%
*Shenzhen Youxuan Zhiyi 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%	80%
*UBJ (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%	87.53%
Futronics (Hong Kong) Limited (b)(c)	Hong Kong, November 12, 2020	Investment holding, Hong Kong	USD10,000,000	100%	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%	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%	100%
*UBTECH Shanhu (Hangzhou) Industrial Co., Ltd. ("Shanhu 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%	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%	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%	100%
*Youhang (Hangzhou) Industrial Co., Ltd. 優杭(杭州)實業有限公司 (c)	PRC, May 11, 2021	Dormant, Mainland China	RMB20,000,000	N/A	100%	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%	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%	87.53%

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	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%	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%	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%	100%
*UBot Innovation Technology Limited (c)	Hong Kong, January 18, 2023	Dormant, Hong Kong	HKD10,000	N/A	N/A	N/A	100%	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%	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%	100%
*Guangzhou UBTECH Intelligent Health Industry Co., Ltd. (廣州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	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(特殊普通合夥)).

(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 Lee Chi Fai & 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)).

(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(普通合夥)).

(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(特殊普通合夥)).

(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(特殊普通合夥)).

(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(特殊普通合夥)).

(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.

(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, 2020	2021	2022	As at 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	21,746	216,820	497,625	604,552
Current liabilities	11,764	195,171	394,525	508,332
Non-current liabilities	—	5,768	2,883	2,456
TOTAL LIABILITIES	11,764	200,939	397,408	510,788
TOTAL EQUITY	9,982	15,881	100,217	93,764

Summarized consolidated income statements and statements of comprehensive income

	From the date of incorporation to December 31, 2020	Year ended December 31, 2021	2022	Six months ended June 30, 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	(18)	5,431	(28,706)	(9,796)	(27,146)

Summarized consolidated statements of cash flows

	From the date of incorporation to December 31, 2020	Year ended December 31, 2021	2022	Six months ended June 30, 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	4,829	(1,839)	1,589	(993)	(4,259)

15 Dividends

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

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

	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

	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	70,110	19,141	7,029	96,280
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	73,162	13,791	5,712	92,665
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	73,162	13,791	5,712	92,665
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	43,179	7,958	9,196	60,333
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	43,179	7,958	9,196	60,333
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	32,142	5,998	5,557	43,697
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	32,142	5,998	5,557	43,697
(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	61,178	9,526	4,038	74,742

	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	61,178	9,526	4,038	74,742

(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 (Unaudited)	RMB'000
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
	46,183	54,754	51,018	26,534	22,136

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,
	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
	551,883	571,813	503,407	470,861
Lease liabilities				
— Current	36,511	41,861	34,861	32,325
— Non-current	61,299	45,069	31,273	34,798
	97,810	86,930	66,134	67,123

The Company

	As at December 31,			As at June 30,
	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000
Right-of-use assets				
— 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

	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	55,208	448,199	503,407
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	57,070	413,791	470,861
At June 30, 2023			
Cost	177,454	481,683	659,137
Accumulated depreciation	(120,384)	(67,892)	(188,276)
Net book amount	57,070	413,791	470,861
(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	54,375	484,766	539,141
(Unaudited)			
At June 30, 2022			
Cost	169,375	542,541	711,916
Accumulated depreciation	(115,000)	(57,775)	(172,775)
Net book amount	54,375	484,766	539,141

The Company

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

	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

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
	45,379	55,413	51,449	28,076	22,721

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	3,028	1,425	—	—	4,453
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	4,949	1,278	—	—	6,227
At December 31, 2020					
Cost	9,350	1,474	—	—	10,824
Accumulated amortization	(4,401)	(196)	—	—	(4,597)
Net book amount	4,949	1,278	—	—	6,227
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	2,063	1,131	—	—	3,194
At December 31, 2021					
Cost	9,913	1,474	—	—	11,387
Accumulated amortization	(7,850)	(343)	—	—	(8,193)
Net book amount	2,063	1,131	—	—	3,194
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	2,267	984	7,853	75,587	86,691
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	2,267	984	7,853	75,587	86,691

	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	1,713	910	6,147	75,587	84,357
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	1,713	910	6,147	75,587	84,357
(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	1,347	1,057	—	—	2,404
(Unaudited)					
At June 30, 2022					
Cost	9,913	1,474	—	—	11,387
Accumulated amortization	(8,566)	(417)	—	—	(8,983)
Net book amount	1,347	1,057	—	—	2,404

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 (Unaudited)	RMB'000
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	—
	1,886	3,596	2,332	790	2,334

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:

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

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

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, 2020	2021	2022	As at June 30, 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)
	916,934	1,407,923	2,087,276	2,671,115

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, 2020	2021	2022	As at June 30, 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	–	–
	92,175	108,337	–	–
Investments in associates (b)				
– Share of net assets	5,004	–	–	–
	97,179	108,337	–	–

(a) Investment in a joint venture

	As at December 31, 2020	2021	2022	As at June 30, 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	92,175	108,337	–	–

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	As at December 31, 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.

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 June 30,
	2020	2021	2022	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	5,004	–	–	–

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:

			Proportion of equity interests held by the Group				
Company Name	Place of incorporation and operation	Principal activities	As at December 31, 2020	2021	2022	As at June 30, 2023	As at the date of this report
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, 2020	2021	2022	As at 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.

22 Financial assets at fair value through profit or loss

	As at December 31, 2020	2021	2022	Six months ended 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, 2020	2021	2022	As at 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, 2020	2021	2022	As at 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, 2020	2021	2022	As at 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

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, 2020	2021	2022	As at 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	81,466	40,136	72,771	28,732

25 Trade receivables

The Group

	As at December 31, 2020	2021	2022	As at 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	136,659	368,125	662,053	662,310

The Company

	As at December 31, 2020	2021	2022	As at 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	591,421	697,684	323,952	263,700

(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:

The Group

	As at December 31,			As at June 30,
	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000
0 to 6 months	75,147	249,790	481,680	253,012
6 to 12 months	23,826	90,011	119,912	293,026
1 to 2 years	72,777	22,365	89,978	133,598
2 to 3 years	8,427	52,063	11,916	43,308
Over 3 years	12	4,438	48,196	36,974
	180,189	418,667	751,682	759,918

The Company

	As at December 31,			As at June 30,
	2020	2021	2022	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
	619,146	730,921	380,757	322,647

26 Prepayments, deposits and other receivables

The Group

	As at December 31,			As at June 30,
	2020	2021	2022	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
	78,958	78,915	74,248	157,152
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	214,104	310,658	171,898	236,727
Less: loss allowance	(10,191)	(10,515)	(17,089)	(17,763)
	203,913	300,143	154,809	218,964
Prepayments, deposits and other receivables — net	282,871	379,058	229,057	376,116
Less: non-current portion	(30,080)	(25,377)	(47,992)	(77,054)
	252,791	353,681	181,065	299,062

The Company

	As at December 31,			As at June 30,
	2020	**2021**	**2022**	**2023**
	RMB'000	**RMB'000**	**RMB'000**	**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**]
	204,662	211,673	161,181	190,515
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	827,404	769,564	802,278	805,260
Less: Allowance for impairment	(9,849)	(9,134)	(18,816)	(23,226)
	817,555	760,430	783,462	782,034
Prepayments, deposits and other receivables — net	1,022,217	972,103	944,643	972,549
Less: non-current portion	(19,569)	(1,282)	(809)	(2,631)
	1,002,648	970,821	943,834	969,918

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

The Company

	As at December 31,			As at June 30,
	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000
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	551,624	174,335	53,093	131,094

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

The Group

	As at December 31,			As at June 30,
	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000
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
	735,943	440,732	193,579	623,536

The Company

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

(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)	17,748,578	17,749
As at December 31, 2020 and January 1, 2021	377,748,578	377,749
Issuance of ordinary shares by subscription (b)	6,338,741	6,339
As at December 31, 2021 and January 1, 2022	384,087,319	384,088

	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	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, 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)

	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	3,456,456	332,851	17,555	(3,431,473)	(7,031)	368,358
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	4,397,700	537,238	816	(4,407,197)	36,549	565,106

	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	5,207,304	715,458	(3,187)	(4,939,990)	76,850	1,056,435

	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	4,147,582	447,767	6,671	(3,941,376)	7,368	668,012

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	2,962,795	176,455	(2,104,467)	—	1,034,783
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	3,456,456	332,851	(3,122,544)	(7,027)	659,736
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	4,397,700	537,238	(4,223,828)	(6,798)	704,312

	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	5,207,304	716,704	(4,807,138)	(6,930)	1,109,940
(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	4,147,582	447,767	(3,647,438)	(7,578)	940,333

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.

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	—	—	—	10,941,200	10,941,200
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	2,119,990	1,148,470	20,650	8,641,900	11,931,010
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	—	931,095	16,400	8,066,750	9,014,245
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	—	1,609,125	841,100	7,920,750	10,370,975
(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	1,416,680	991,420	17,650	8,144,500	10,570,250

(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.

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 June 30,
	2020	2021	2022	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
	2,180,965	3,174,325	4,182,423	4,770,939

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

The Company

	As at December 31,			As at June 30,
	2020	2021	2022	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
	530,674	627,932	598,300	501,270

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.

33 Other payables and accruals

The Group

	As at December 31, 2020	2021	2022	As at 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
	371,543	469,344	599,681	521,049

The Company

	As at December 31, 2020	2021	2022	As at 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
	1,265,417	1,513,317	1,534,666	1,670,217
Less: non-current portion (g)	—	—	—	(1,213,278)
Total	1,265,417	1,513,317	1,534,666	456,939

(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.

34 Deferred income

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

	Year ended December 31, 2020	2021	2022	Six months ended June 30, 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	78,784	81,916	41,164	43,733	32,890

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, 2020	2021	2022	As at June 30, 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
	576,216	758,404	622,662	934,406
Less: non-current portion	—	(106,538)	(295,891)	(496,355)
	576,216	651,866	326,771	438,051

The Company

	As at December 31, 2020	2021	2022	As at June 30, 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
	322,290	461,277	233,462	339,289

(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.

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

	As at December 31, 2020	2021	2022	As at 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
	576,216	758,404	622,662	934,406

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	295,486

	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	188,865
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)*	14,622

	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	(28,131)
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	(114,148)

(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	69,913

	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	8,948
Goodwill is calculated as follows:	
Consideration	69,913
Less: Net assets acquired	(8,948)
Goodwill	60,965

	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	1,040

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	(565,458)	(672,670)	(532,932)	(113,735)	(517,399)

(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 (Unaudited)	RMB'000
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	9,639	7,776	5,696	2,246	1,136

(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 (Unaudited)	RMB'000
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	—	—	7,000	—	21,660

(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 (Unaudited)	RMB'000
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	—	—	—	—	—

(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	576,216	97,810	—

	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	758,404	86,930	—
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	622,662	66,134	—
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	934,406	67,123	—
(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	663,690	63,046	—

(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 June 30,
	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000
Restricted cash	114,189	167,629	48,181	4,388
Right-of-use assets	327,625	341,649	303,791	285,929

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.

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

40 Transactions with non-controlling interests

(a) In September 2020, Wuxi Uqi was incorporated by the Company and Miracle Automation Engineering Co., Ltd (天奇自動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.

(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 (Unaudited)	RMB'000
Joint venture of the Group					
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	—
MAE and entities controlled by MAE					
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 (Unaudited)	RMB'000
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
	26,392	33,880	69,562	48,276	51,312

(d) Guarantees provided to the Group

	Year ended December 31, 2020	2021	2022	Six months ended 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, 2020	2021	2022	As at June 30, 2023
	RMB'000	RMB'000	RMB'000	RMB'000
Joint venture of the Group				
Trading in nature and included in:				
— Trade receivables	—	4,205	—	—
— Trade payables	120,231	170,426	—	—
Associate of the Group				
Trading in nature and included in:				
— Trade receivables	3,000	—	—	—
MAE and entities controlled by MAE				
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.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[**REDACTED**]

The following is the text of a letter and valuation certificate prepared for the purpose of incorporation in this document received from International Valuation Limited, an independent valuer, in connection with its valuation as at September 30, 2023 of the properties held by the Group.

INTERNATIONAL VALUATION LIMITED
國 際 評 估 有 限 公 司

International Valuation Limited
Unit 907, 9th Floor, Wing On Plaza
62 Mody Road, Tsim Sha Tsui East
Kowloon, Hong Kong
Tel: 3708 7922

[Date]

The Board of Directors
UBTECH ROBOTICS CORP LTD (深圳市優必選科技股份有限公司)
Room 2201, Building C1,
Nanshan Smart Park,
No. 1001 Xueyuan Avenue,
Changyuan Community,
Taoyuan Street,
Nanshan District,
Shenzhen,
PRC

Dear Sir/Madam,

In accordance with the instruction from UBTECH ROBOTICS CORP LTD (the "**Company**") together with its subsidiaries (hereinafter together referred to as the "**Group**") for us to value the property interests held by the Group in the People's Republic of China (the "**PRC**"), we confirm that we made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value ("**Market Value**") of the properties as at September 30, 2023 ("**Valuation Date**") for [**REDACTED**] purposes.

Our valuation is carried out on a Market Value basis. Market Value is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

In valuing the property interest of the properties which were held for development by the Group, we have assumed that it will be developed and completed in accordance with the latest development proposal provided to us by the Group. In arriving at our opinion of value, we have adopted the comparison approach by making reference to land comparable sales evidence as available in the relevant market and have also taken into account the accrued construction cost relevant to the stage of construction with the interest cost incurred as at the Valuation Date. We have relied on the accrued construction cost provided by the Group according to the stage of construction of the subject property as at the Valuation Date, and we did not find any material inconsistency from those of other similar developments.

In valuing the property interest of the property which was held for owner-occupation by the Group, we have valued the property by depreciated replacement cost method which requires a valuation of the market value of the land in its existing use and an estimate of the new replacement cost of the buildings and structures, from which deductions are made to allow for the age, condition and functional obsolescence. The reported Market Value by depreciated replacement cost method only apply to the whole of the property as a unique interest, and no piecemeal transaction of the property is assumed.

Our valuation has been made on the assumption that the seller sells the properties on the open market in its existing state without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement which would serve to affect the value of the properties.

Unless stated as otherwise, we have assumed that the properties have been constructed, occupied and used in full compliance with, and without contravention of all laws, except only where otherwise stated. We have further assumed that, for any use of the properties upon which this valuation is based, all required licenses, permits, certificates and authorizations have been obtained.

Unless stated as otherwise, we have assumed that the owner of the properties has free and uninterrupted rights to use and dispose of the properties for the whole of the unexpired term of the land use rights.

No allowance has been made in our report for any charge, mortgage or amount owing on any of the property interest valued nor for any expense or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect its value.

Other special assumptions of the properties, if any, have been stated in the notes of the valuation certificate of the properties.

In valuing the property interest, we have complied with all requirements contained in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by the Stock Exchange of Hong Kong Limited; the RICS Valuation — Global Standards published by the Royal Institution of Chartered Surveyors; the HKIS Valuation Standards published by the Hong Kong Institute of Surveyors, and the International Valuation Standards issued by the International Valuation Standards Council.

We have relied to a very considerable extent on the information given by the Group and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, lettings, and all other relevant matters. We have been shown copies of various title documents including State-owned Land Use Rights Grant Contract, Real Estate Title Certificate, Construction Land Planning Permit, Construction Works Planning Permit, Construction Works Commencement Permit and other official plans or documents relating to the property interest and have made relevant enquiries. Where possible, we have examined the original documents to verify the existing title to the property interest in the PRC and any material encumbrance that might be attached to the property interest or any tenancy amendment. We have relied considerably on the advice given by the Company's PRC legal adviser — King & Wood Mallesons ("**PRC Legal Adviser**"), concerning the validity of the property interest in the PRC.

We have not carried out detailed measurements to verify the correctness of the areas in respect of the properties but have assumed that the areas shown on the title documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

We have conducted on-site inspection of the exterior and, where possible, the interior of the properties, and obtained the photos of the target properties provided by the Group. However, we have not carried out investigation to determine the suitability of the ground conditions and services for any development thereon. Our valuation has been prepared on the assumption that these aspects are satisfactory and that no unexpected cost and delay will be incurred during construction. Moreover, no structural survey has been made, but in the course of our inspection, we did not note any serious defect. We are not, however, able to report whether the property is free of rot, infestation or any other structural defect. No tests were carried out on any of the services.

On-site inspections of the properties were carried out on August 18, 2023 *(Property No. 1)*, September 25, 2023 *(Property No. 2),* September 5, 2023 *(Property No. 3 and No. 4),* September 4, 2023 *(Property No. 5 and No. 6)*, November 3, 2023 *(Property No. 7)* and August 29, 2023 (*Property No. 8)* by Mr. John Cheung who has obtained the master's degree with a specialization in real estate in our Hong Kong office under direct supervision of Mr. Christopher Cheung who is a Professional Member of the Royal Institution of Chartered Surveyors and a Corporate Member of the Hong Kong Institute of Surveyors with over 9 years' experience in the valuation of properties in the PRC.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Group. We have also sought confirmation from the Group that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to arrive at an informed view, and we have no reason to suspect that any material information has been withheld.

This valuation is to be used for the purpose stated herein. We are instructed to provide our opinion of value as per the Valuation Date only. It is based on economic, market and other conditions as they exist on, and information made available to us as of, the Valuation Date and we assume no obligation to update or otherwise revise these materials for events in the time since then.

The opinion of value is based on generally accepted valuation procedures and practices that rely extensively on assumptions and considerations, not all of which can be easily quantified or ascertained exactly. While we have exercised our professional judgment in arriving at the valuation, it is urged to consider carefully the nature of such assumptions which are disclosed and should exercise caution when interpreting.

We hereby certify that we have neither present nor prospective interest in the Group or the value reported.

Unless otherwise stated, all monetary sums stated in our valuations are in Renminbi ("RMB"), the lawful currency of the PRC.

We enclose herewith the valuation summary and valuation certificates for your attention.

Yours faithfully,
For and on behalf of
International Valuation Limited
Christopher Cheung
BSc (Hons), BBA (Hons), MRICS, MHKIS, RPS (GP)
Director – Real Estate

Note: Mr. Christopher Cheung is a Registered Professional Surveyor (General Practice) under the Surveyors Registration Ordinance (Cap. 417) in Hong Kong. He is a Professional Member of the Royal Institution of Chartered Surveyors and a Corporate Member of the Hong Kong Institute of Surveyors in the General Practice Division. He has over 9 years' experience in valuation of properties in the Mainland China and Hong Kong.

VALUATION SUMMARY

No.	Group I — Properties held for development by the Group	Market Value in existing state as at September 30, 2023
		RMB
1.	A parcel of land together with the under construction works erected thereon, located at the southwest corner of the intersection of Liuxian Avenue and Shigu Road, Liuxian Cave Headquarters Base DY-02, Nanshan District, Shenzhen, the PRC	**No commercial value** *(see valuation certificate for details)*
2.	A parcel of land together with the under construction works erected thereon, located at Wanxichong Community Neighborhood Committee Planning No. 153 Road, Wujiaying Sub District Office, Chenggong District, Kunming City, Yunnan Province, the PRC	**No commercial value** *(see valuation certificate for details)*
3.	A parcel of land together with the under construction works erected thereon, located at Wanchen Community and Qianyuan Community, Linping Street, Yuhang District, Hangzhou City, Zhejiang Province, the PRC	**No commercial value** *(see valuation certificate for details)*
4.	A parcel of land together with the under construction works erected thereon, located at Lot D1-02-01, Central Region, Lin'an Economic Development Zone, Hangzhou City, Zhejiang Province, the PRC	**No commercial value** *(see valuation certificate for details)*
5.	A parcel of land (Land A) located at the south of No. 1 Shengtai Road and the east of No. 3 Keji Road, Lianxi District, Jiujiang City, Jiangxi Province, the PRC	**No commercial value** *(see valuation certificate for details)*
6.	A parcel of land (Land B) located at the south of No. 1 Shengtai Road and the east of No. 3 Keji Road, Lianxi District, Jiujiang City, Jiangxi Province, the PRC	**No commercial value** *(see valuation certificate for details)*
7.	A parcel of land located at Shatang Southern Area, Northern Ecological New Zone, Liubei District, Liuzhou City, Guangxi Zhuang Autonomous Region, the PRC	**No commercial value** *(see valuation certificate for details)*
	Total for properties held for development by the Group:	**—**

No.	Group II — Property held for owner occupation by the Group	Market Value in existing state as at September 30, 2023
		RMB
8.	An industrial development located at the North District of Jingxing Economic Development Zone (Beizheng Village, Beizheng Township, Jingxing County), Shijiazhuang City, Hebei Province, the PRC	**98,000,000**
	Total for property held for owner occupation by the Group:	**98,000,000**
	Total for Group I and Group II:	**98,000,000**

VALUATION CERTIFICATE

Group I — Property held for development by the Group

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in existing state as at September 30, 2023
				RMB
1.	A parcel of land together with the under construction works erected thereon, located at the southwest corner of the intersection of Liuxian Avenue and Shigu Road, Liuxian Cave Headquarters Base DY-02, Nanshan District, Shenzhen, the PRC (中華人民共和國深圳市南山區留仙洞總部基地DY-02街坊留仙大道與石鼓路交匯處西南角的一塊土地及其上之在建工程)	The property comprises a parcel of land with a site area of approximately 5,919.26 sq.m. and a building known as a 43-storey workshop (with basement) which were under construction ("CIP") as at the Valuation Date. As advised by the Group, the CIP building is scheduled to be completed in June of 2024. As advised by the Group, the building of the CIP has a total planned gross floor area of approximately 93,889.19 sq.m. Upon completion, the building will be used for research and development purposes. The total construction cost of the CIP is estimated to be approximately RMB1,052 million, of which approximately RMB660 million had been incurred as at the Valuation Date. The property is designated for industrial uses for a term of 30 years expiring on July 3, 2048.	As advised by the Group, the property was under construction as at the Valuation Date.	No commercial value *(see Note (5))*

Notes:

(1) Pursuant to the State-owned Land Use Rights Grant Contract — Shen Di He Zi No. 8005 (深地合字(2018)8005號) dated July 16, 2018, the land use rights of a land parcel — Lot No.: T501-0088 with a site area of approximately 5,919.26 sq.m. were contracted to be granted to Shenzhen UBTECH Technology Industrial Co., Ltd. (深圳市優必選科技實業有限公司, "SUTI") with planning details as follow:

Land Use Right Term:	30 years from July 4, 2018 to July 3, 2048
Usage:	Industrial
Plot Ratio:	≦12.60

The land premium was RMB347,000,000.

(2) Pursuant to the Real Estate Title Certificate — Yue (2020) Shenzhen Shi Bu Dong Chan Quan Di No. 0027738 (粵(2020)深圳市不動產權第0027738號) dated March 10, 2020, the land use rights of the property with a site area of approximately 5,919.26 sq.m. had been granted to SUTI for a term of 30 years expiring on July 3, 2048 for industrial uses.

(3) Pursuant to the Construction Works Planning Permit — Shen Planning Resources Jian Xu Zi No. NS-2020-0031 (深規劃資源建許字NS-2020-0031號) dated August 24, 2020 in favor of SUTI, the CIP of the property with a total planned gross floor area of approximately 93,616.05 sq.m. had been approved for construction.

(4) Pursuant to the Construction Works Commencement Permit — No. 2020-1436 in favor of SUTI, permission by the relevant local authority was given to commence the construction of the property with a total planned gross floor area of approximately 93,616.05 sq.m.

(5) Pursuant to the State-owned Land Use Rights Grant Contract — Shen Di He Zi No. 8005 (深地合字(2018)8005號) and Real Estate Title Certificate — Yue (2020) Shenzhen Shi Bu Dong Chan Quan Di No. 0027738 (粵(2020)深圳市不動產權第0027738號), the property is subject to the following conditions upon the completion of the construction works:

(a) Gross floor area of approximately 60,000 sq.m. is for self-use only and transfer of land use rights is not allowed;

(b) The land use rights of gross floor area of approximately 11,360 sq.m. for research and development purposes would be resumed by the government at cost; and

(c) The land use rights of the gross floor area of basement level 1, except necessary spaces allocated for traffics and facilities purposes, would be resumed by the government *(approximately 2,945.35 sq.m. as advised by the Group)* without compensation.

Therefore, we have attributed no commercial value to the property. For reference purpose, assuming that the property can be freely transferred in the market without restriction and excluding the area subject to resumption by the government, the Market Value of the property in existing state as at the Valuation Date is RMB753,000,000.

(6) Pursuant to a Mortgage Contract — 2021 Shen Yin Sha Jing Zui Di Zi No. 0014 (2021深銀沙井最抵字第0014號) dated April 25, 2021, the land use rights of the property with a site area of approximately 5,919.26 sq. m. and the ownership rights of the construction on the land are subject to a mortgage as a security in favor of China Citic Bank Corporation Limited (Shenzhen Branch) for bank loan at a maximum amount of RMB2,600,000,000 with the security term from April 25, 2021 to April 16, 2031.

(7) We have been provided with a legal opinion regarding the property interest by the Company's PRC Legal Adviser, which contains, inter alia, the following:

(a) The property is mortgaged;

(b) The property is subject to a restriction on disposal, please see details on Note (5) above;

(c) SUTI is legally and validly in possession of the property; and

(d) SUTI has the rights to occupy, use and upon consent from the mortgagee to lease or re-mortgage the property.

(8) As the property is one of the major assets held by the Group, we are of the view that the property is a material property. Details of the material property:

(a)	General description of location of the property	:	The property is located at the southwest corner of the intersection of Liuxian Avenue and Shigu Road in Nanshan District of Shenzhen City. It is one of the landmark buildings situated within the Liuxiandong headquarters building complex zone. The vicinity of the property has different general living facilities available, including banks, supermarket, restaurants, cinema, petrol stations and hospital, etc. Accessibility is considered reasonable as there are various options available for public transport such as Liuxiandong Metro Station (留仙洞站) and Xili Metro Station (西麗站) in Nanshan District. In addition, Shenzhen North High-speed Railway Station (深圳北站) as well as Shenzhen Bao'an International Airport (深圳寶安國際機場) are available in Shenzhen City. In particular, the property is also served by Nanguang Expressway (南光高速) (S33) and Beijing-Hong Kong-Macao Expressway (京港澳高速) (G4).
(b)	Details of encumbrances, liens, pledges, mortgages against the property	:	According to the State-owned Land Use Rights Grant Contract, portion of the land use rights of the property will be resumed by the government upon the completion of the construction works *(see Note (5))*. According to the information provided by the Group, the property was subject to a mortgage contract for bank loan at a maximum amount of RMB2,600,000,000 as at the Valuation Date *(see Note (6))*.
(c)	Environmental issue	:	As advised by the Group, the property is not required for environmental protection inspection by relevant government authorities.
(d)	Details of investigations, notices, pending litigation, breaches of law or title defects	:	Nil
(e)	Future plans for construction, renovation, improvement or development of the property and estimated associated costs	:	As advised by the Group, the CIP is scheduled to be completed in June of 2024. The total construction cost is estimated to be approximately RMB1,052 million.

VALUATION CERTIFICATE

Group I — Property held for development by the Group

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in existing state as at September 30, 2023
				RMB
2.	A parcel of land together with the under construction works erected thereon, located at Wanxichong Community Neighborhood Committee Planning No. 153 Road, Wujiaying Sub District Office, Chenggong District, Kunming City, Yunnan Province, the PRC (中華人民共和國雲南省昆明市呈貢區吳家營街道辦事處萬溪衝社區居委會規劃153號路處的一塊土地及其上之在建工程)	The property comprises a parcel of land with a site area of approximately 53,333.60 sq.m. and two buildings known as Workshop No. 3 and No. 4 of Phase 1 and a building known as Workshop No. 1 of Phase 2 erected thereon which were under construction ("CIP") together with a vacant land portion pending for development known as Phase 3 as at the Valuation Date. As advised by the Group, the CIP buildings are scheduled to be completed in December of 2024. As advised by the Group, two workshop buildings of the CIP in Phase 1 have a total planned gross floor area of approximately 19,920.69 sq.m. and the workshop building of the CIP in Phase 2 have a total planned gross floor area of approximately 9,751.04 sq.m. Upon completion, these buildings will be used for research, production and manufacturing purposes. The total construction cost of the CIP is estimated to be approximately RMB92 million for Phase 1 and approximately RMB27 million for Phase 2, of which approximately RMB20 million and RMB3 million had been incurred respectively as at the Valuation Date. The property is designated for industrial uses for a term of 50 years expiring on January 29, 2068.	As advised by the Group, the property was under construction as at the Valuation Date.	No commercial value *(see Notes (7), (8)(d))*

Notes:

(1) Pursuant to the State-owned Land Use Rights Grant Contract — CR53 Kunming Shi No. 2018024 (CR53昆明市2018024號) dated January 30, 2018, the land use rights of a land parcel — Lot No.: KCC2017-11 with a site area of approximately 53,313.59 sq.m. were contracted to be granted to Kunming UBTECH Robotics Investment Co., Ltd. (昆明市優必選科技投資有限公司, "KURI") with planning details as follow:

Land Use Right Term:	50 years from January 30, 2018
Usage:	Industrial
Site Coverage:	≦50%
Plot Ratio:	≦2.50 & ≧1.50

The land premium was RMB47,182,300.

(2) Pursuant to the Real Estate Title Certificate — Yun (2018) Chenggong Qu Bu Dong Chan Quan Di No. 0318536 (雲(2018)呈貢區不動產權第0318536號) dated November 19, 2018, the land use rights of the property with a site area of approximately 53,333.60 sq.m. had been granted to KURI for a term of 50 years expiring on January 29, 2068 for industrial uses.

Remarks: The registered site area — 53,333.60 sq.m. was measured according to the 2004 Kunming Coordinate System; the granted site area in the State-owned Land Use Rights Grant Contract — 53,313.59 sq.m. was measured according to the 1980 Xi'an Coordinate System.

(3) Pursuant to the Construction Works Planning Permit — Jian Zi Kunming Shi No. 201900049 (建字第昆明市201900049號) dated February 27, 2019 in favor of KURI, the CIP of the property (Phase 1) with a total planned gross floor area of approximately 19,920.69 sq.m. had been approved for construction.

(4) Pursuant to the Construction Works Planning Permit — Jian Zi Kunming Shi No. 202200013 (建字第昆明市202200013號) dated March 4, 2022 in favor of KURI, the CIP of the property (Phase 2) with a total planned gross floor area of approximately 9,751.04 sq.m. had been approved for construction.

(5) Pursuant to the Construction Works Commencement Permit — No. 5301212003180101-SX-001 in favor of KURI, permission by the relevant local authority was given to commence the construction of the property (Phase 1) with a total planned gross floor area of approximately 19,920.69 sq.m.

(6) Pursuant to the Construction Works Commencement Permit — No. 530114202205260101 in favor of KURI, permission by the relevant local authority was given to commence the construction of the property (Phase 2) with a total planned gross floor area of approximately 9,751.04 sq.m.

(7) Pursuant to the State-owned Land Use Rights Grant Contract — CR53 Kunming Shi No. 2018024 (CR53昆明市2018024號) dated January 30, 2018, transfer of the land use rights is allowed only if more than 25% of the total investment for the development of the property is completed. Since according to the construction cost data provided by the Group, the construction progress of the property is less than 25%, the property may be subject to the restriction on disposal at the current stage, therefore, we have attributed no commercial value to the property. For reference purpose, assuming that the property can be freely transferred in the market without restriction, the Market Value of the property in existing state as at the Valuation Date is RMB75,000,000.

(8) We have been provided with a legal opinion regarding the property interest by the Company's PRC Legal Adviser, which contains, inter alia, the following:

(a) The property is free from any mortgage or third party's encumbrance;

(b) KURI is legally and validly in possession of the property;

(c) KURI has the rights to occupy and use the property; and

(d) KURI has the right to transfer, lease and mortgage the property only if the total development investment of the property exceeds 25% and KURI obtained consent from related government authorities.

(9) As the property is one of the major assets held by the Group, we are of the view that the property is a material property. Details of the material property:

(a)	General description of location of the property	:	The property is located at the intersection of Zhihui Road and Xinxi Road of the Information Industry Park (信息產業園) in Chenggong District in Kunming City, situated close to the Industrial Park Management Committee (產業園區管委會). There are various technology companies within the Information Industry Park and the nearest commercial center is located along Caiyun North Road of Chenggong District, which is approximately 20 minutes driving distance from the property. There are different general commercial buildings and living facilities available such as banks, shopping mall, office buildings, supermarkets, petrol station, etc. The property is about 8 kilometers away from the Kunming Municipal Government Department and accessibility is considered reasonable with the High-speed Railway (Kunming South) Station located approximately 7 kilometers away from the property.
(b)	Details of encumbrances, liens, pledges, mortgages against the property	:	Nil
(c)	Environmental issue	:	As advised by the Group, no issue was reported in the environmental protection inspection.
(d)	Details of investigations, notices, pending litigation, breaches of law or title defects	:	Nil
(e)	Future plans for construction, renovation, improvement or development of the property and estimated associated costs	:	As advised by the Group, the CIP is scheduled to be completed in December of 2024. The total construction cost is estimated to be approximately RMB92 million for Phase 1 and approximately RMB27 million for Phase 2.

VALUATION CERTIFICATE

Group I — Property held for development by the Group

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in existing state as at September 30, 2023
				RMB
3.	A parcel of land together with the under construction works erected thereon, located at Wanchen Community and Qianyuan Community, Linping Street, Yuhang District, Hangzhou City, Zhejiang Province, the PRC (中華人民共和國浙江省杭州市余杭區臨平街道萬陳社區、乾元社區的一塊土地及其上之在建工程)	The property comprises a parcel of land with a site area of approximately 19,438.00 sq.m. *(see Notes (2) and (3))* and three buildings known as Office Building No. 1, Workshop No. 2. and No. 3 with a basement erected thereon which were under construction ("CIP") and as at the Valuation Date. As advised by the Group, the CIP buildings are scheduled to be completed in December of 2023. As advised by the Group, three buildings and the basement of the CIP have a total planned gross floor area of approximately 39,654.00 sq.m. Upon completion, these buildings will be used for research, production and manufacturing purposes. The total construction cost of the CIP is estimated to be approximately RMB186 million, of which approximately RMB121 million had been incurred as at the Valuation Date. The property is designated for industrial uses for a term expiring on January 21, 2070.	As advised by the Group, the property was under construction as at the Valuation Date.	No commercial value *(see Notes (6), (7))*

Notes:

(1) Pursuant to the State-owned Land Use Rights Grant Contract — No. 3301102019A21038 dated January 6, 2020, the land use rights of a land parcel — Lot No.: Yu Zheng Gong Chu (2019) No. 38 (余政工出(2019)38號) with a site area of approximately 49,945 sq.m. were contracted to be granted to Hangzhou UBTECH Industrial Co., Ltd. (杭州優必選實業有限公司, "HUI") with planning details as follow:

Land Use Right Term:	50 years
Usage:	Industrial
Site Coverage:	≦15% (administration and domestic services: ≦7%)
Permitted Gross Floor Area (aboveground):	79,912 sq.m. to 119,868 sq.m.

The land premium was RMB26,230,000.

(2) As advised by the Group, part of the land use rights of the land parcel — Lot No.: Yu Zheng Gong Chu (2019) No. 38 (余政工出(2019)38號) with a site area of approximately 46 mu on the Real Estate Title Certificate — Zhe (2020) Yuhang Qu Bu Dong Chan Quan Di No. 0114680 (浙(2020)余杭區不動產權第0114680號) dated September 16, 2020, was resumed by the Management Committee of Hangzhou Yuhang Economic and Technological Development Zone (杭州余杭經濟技術開發區管理委員會, "Management Committee") with compensation according to the State-owned Land Use Rights Resumption Agreement (國有建設用地使用權收回協議) signed between the Management Committee and HUI on December 18, 2022. The Real Estate Title Certificate — Zhe (2020) Yuhang Qu Bu Dong Chan Quan Di No. 0114680 had been replaced by Zhe (2023) Hangzhou Shi Bu Dong Chan Quan Di No. 0026025 (浙(2023)杭州市不動產權第0026025號) with the site area changed from approximately 49,945.00 sq.m. to 19,438.00 sq.m.

(3) Pursuant to the Real Estate Title Certificate — Zhe (2023) Hangzhou Shi Bu Dong Chan Quan Di No. 0026025 (浙(2023)杭州市不動產權第0026025號) dated January 16, 2023, the land use rights of the property with a site area of approximately 19,438.00 sq.m. had been granted to HUI for a term expiring on January 21, 2070 for industrial uses.

(4) Pursuant to the Construction Works Planning Permit — Jian Zi Di No. 330110202037068 (建字第330110202037068號) dated November 10, 2021 in favor of HUI, the CIP of the property with a total planned gross floor area of approximately 110,401 sq.m. had been approved for construction.

(5) Pursuant to the Construction Works Commencement Permit — No. 330110202009240101 in favor of HUI, permission by the relevant local authority was given to commence the construction of the property with a total planned gross floor area of approximately 39,654 sq.m.

(6) As advised by the Group and pursuant to the legal opinion provided by the Company's PRC Legal Adviser, the property has been subject to a court order and sealed up by the Hangzhou Linping District People's Court in relation to a legal proceeding. As at the Valuation Date, the property is restricted for use, lease and transfer. Therefore, we have attributed no commercial value to the property. For reference purpose, assuming that the court order with respect to the property is lifted and the property can be freely transferred in the market without restriction, the Market Value of the property in existing state as at the Valuation Date is RMB147,000,000.

(7) We have been provided with a legal opinion regarding the property interest by the Company's PRC Legal Adviser, which contains, inter alia, the following:

(a) The property is free from any mortgage;

(b) The property is sealed up by Hangzhou Linping District People's Court and subject to a restriction on use, lease and transfer;

(c) HUI is legally and validly in possession of the property; and

(d) HUI has the rights to occupy the property subject to and in accordance with the applicable laws and regulations.

(8) As the property is one of the major assets held by the Group, we are of the view that the property is a material property. Details of the material property:

(a)	General description of location of the property	:	The property is located at the junction of Hongda Road (宏達路) and Shunda Road (順達路) of Donghu Street (東湖街道) in Linping District of Hangzhou City, directly opposite to an automobile company. There is a shopping center nearby which is located at Linping District and approximately 3 kilometers away from the property. Accessibility of the property is considered reasonable as it is served by the Long'an Metro Station (龍安站) and about 10 kilometers away from Linping South High-speed Railway Station.
(b)	Details of encumbrances, liens, pledges, mortgages against the property	:	Nil
(c)	Environmental issue	:	As advised by the Group, environmental protection inspection would be conducted upon the completion of the CIP.
(d)	Details of investigations, notices, pending litigation, breaches of law or title defects	:	As advised by the Group, the property is sealed up by the Hangzhou Linping District People's Court in relation to a legal proceeding as at the Valuation Date.
(e)	Future plans for construction, renovation, improvement or development of the property and estimated associated costs	:	As advised by the Group, the CIP is scheduled to be completed in December of 2023. The total construction cost is estimated to be approximately RMB186 million.

VALUATION CERTIFICATE

Group I — Property held for development by the Group

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in existing state as at September 30, 2023
				RMB
4.	A parcel of land together with the under construction works erected thereon, located at Lot D1-02-01, Central Region, Lin'an Economic Development Zone, Hangzhou City, Zhejiang Province, the PRC (中華人民共和國浙江省杭州市臨安經濟開發區中部地區D1-02-01地塊的一塊土地及其上之在建工程)	The property comprises a parcel of land with a site area of approximately 29,556.00 sq.m. and six buildings known as Workshop No. 1, No. 3, No. 4 and No. 5, Multifunctional Building No. 2 and garbage room together with the basement erected thereon which were under construction ("CIP") as at the Valuation Date. As advised by the Group, the CIP buildings are scheduled to be completed in December of 2024. As advised by the Group, six buildings and the garbage room together with the basement of the CIP have a total planned gross floor area of approximately 156,828.53 sq.m. Upon completion, these buildings will be used for research, production and manufacturing purposes. The total construction cost of the CIP is estimated to be approximately RMB437 million, of which approximately RMB26 million had been incurred as at the Valuation Date. The property is designated for industrial uses for a term expiring on December 1, 2071.	As advised by the Group, the property was under construction as at the Valuation Date.	**No commercial value** *(see Notes (5), (6)(d))*

Notes:

(1) Pursuant to the State-owned Land Use Rights Grant Contract — No. 3301852021A21032 dated December 10, 2021, the land use rights of a land parcel — Lot No.: Lin Zheng Gong Chu (2021) No. 6 (臨政工出(2021)6號) with a site area of approximately 29,556 sq.m. were contracted to be granted to UBTECH Shanhu (Hangzhou) Industrial Co., Ltd. (優必選山湖(杭州)實業有限公司, "USI") with planning details as follow:

Land Use Right Term:	50 years
Usage:	Industrial
Site Coverage:	≦15% (administration and domestic services: ≦7%)
Permitted Gross Floor Area (aboveground):	118,224 sq.m.

The land premium was RMB15,520,000.

(2) Pursuant to the Real Estate Title Certificate — Zhe (2020) Lin'an Qu Bu Dong Chan Quan Di No. 0005669 (浙(2020)臨安區不動產權第0005669號) dated February 18, 2022, the land use rights of the property with a site area of approximately 29,556.00 sq.m. had been granted to USI for a term expiring on December 1, 2071 for industrial uses.

(3) Pursuant to the Construction Works Planning Permit — No. 330101202200025 dated March 9, 2022 in favor of USI, the CIP of the property with a total planned gross floor area of approximately 146,832.81 sq.m. had been approved for construction.

(4) Pursuant to the Construction Works Commencement Permit — No. 330112202205100301 in favor of USI, permission by the relevant local authority was given to commence the construction of the property with a total planned gross floor area of approximately 146,832.81 sq.m.

(5) Pursuant to the opinion provided by the Company's PRC Legal Adviser, according to the requirements of Urban Real Estate Management Law of the People's Republic of China (中華人民共和國城市房地產管理法) Article 39, transfer of the land use rights is allowed only if more than 25% of the total investment for the property development is completed. Since according to the construction cost data provided by the Group, the construction progress of the property is less than 25%, the property may be subject to the restriction on disposal at the current stage, therefore, we have attributed no commercial value to the property. For reference purpose, assuming that the property can be freely transferred in the market without restriction, the Market Value of the property in existing state as at the Valuation Date is RMB52,000,000.

(6) We have been provided with a legal opinion regarding the property interest by the Company's PRC Legal Adviser, which contains, inter alia, the following:

(a) The property is free from any mortgage or third party's encumbrance;

(b) USI is legally and validly in possession of the property;

(c) USI has the rights to occupy, use, lease and mortgage the property subject to and in accordance with the applicable laws and regulations; and

(d) USI has the rights to transfer the property only if the total development investment of the property exceeds 25% and USI obtained consent from related government authorities.

VALUATION CERTIFICATE

Group I — Property held for development by the Group

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in existing state as at September 30, 2023
				RMB
5.	A parcel of land (Land A) located at the south of No. 1 Shengtai Road and the east of No. 3 Keji Road, Lianxi District, Jiujiang City, Jiangxi Province, the PRC (中華人民共和國江西省九江市濂溪區生態一路以南,科技三路以東的一塊土地)	The property comprises a parcel of land with a site area of approximately 16,895.45 sq.m. As advised by the Group, the property was vacant and pending for development as at the Valuation Date. The property is designated for industrial uses for a term expiring on February 7, 2073.	As advised by the Group, the property was vacant as at the Valuation Date.	No commercial value *(see Notes (4), (5)(d))*

Notes:

(1) Pursuant to the State-owned Land Use Rights Grant Contract — 36202302030002 dated February 15, 2023, the land use rights of a land parcel — Lot No.: DGB2022027 with a site area of approximately 16,895.45 sq.m. were contracted to be granted to Jiujiang Youye Technology Co., Ltd. (九江優耶科技有限公司, "JYY") with planning details as follow:

Land Use Right Term:	50 years
Usage:	Industrial
Site Coverage:	≦50%
Plot Ratio:	≧1

The land premium was RMB3,548,048.

(2) Pursuant to the Real Estate Title Certificate — Gan (2023) Jiujiang Shi Bu Dong Chan Quan Di No. 0023191 (贛(2023)九江市不動產權第0023191號) dated March 24, 2023, the land use rights of the property with a site area of approximately 16,895.45 sq.m. had been granted to JYY for a term expiring on February 7, 2073 for industrial uses.

(3) Pursuant to the Construction Land Planning Permit – Di Zi Di No. 3604022023YG0004361 (地字第3604022023YG0004361號) dated August 8, 2023, the property with a total site area of approximately 16,895.45 sq.m. had complied with the planning requirements with a development scale of total investment amount of RMB225,000,000.

(4) Pursuant to the State-owned Land Use Rights Grant Contract — 36202302030002 dated February 15, 2023, transfer of the land use rights is allowed only if more than 25% of the total investment for the development of the property is completed. Since the development of the property has not yet commenced, therefore, we have attributed no commercial value to the property. For reference purpose, assuming that the property can be freely transferred in the market without restriction, the Market Value of the property in existing state as at the Valuation Date is RMB3,550,000.

(5) We have been provided with a legal opinion regarding the property interest by the Company's PRC Legal Adviser, which contains, inter alia, the following:

(a) The property is free from any mortgage or third party's encumbrance;

(b) JYY is legally and validly in possession of the property;

(c) JYY has the rights to occupy, use, lease and mortgage the property subject to and in accordance with the applicable laws and regulations; and

(d) JYY has the rights to transfer the property only if the total development investment of the property exceeds 25% and JYY obtained consent from related government authorities.

VALUATION CERTIFICATE

Group I — Property held for development by the Group

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in existing state as at September 30, 2023
				RMB
6.	A parcel of land (Land B) located at the south of No. 1 Shengtai Road and the east of No. 3 Keji Road, Lianxi District, Jiujiang City, Jiangxi Province, the PRC (中華人民共和國江西省九江市濂溪區生態一路以南,科技三路以東的一塊土地)	The property comprises a parcel of land with a site area of approximately 16,527.40 sq.m. As advised by the Group, the property was vacant and pending for development as at the Valuation Date. The property is designated for industrial uses for a term expiring on February 7, 2073.	As advised by the Group, the property was vacant as at the Valuation Date.	No commercial value *(see Notes (4), (5)(d))*

Notes:

(1) Pursuant to the State-owned Land Use Rights Grant Contract — 36202302030003 dated February 15, 2023, the land use rights of a land parcel — Lot No.: DGB2022028 with a site area of approximately 16,527.40 sq.m. were contracted to be granted to Jiujiang Youbixing Technology Co., Ltd. (九江優必行科技有限公司, "JYBX") with planning details as follow:

Land Use Right Term:	50 years
Usage:	Industrial
Site Coverage:	≦50%
Plot Ratio:	≧1

The land premium was RMB3,470,754.

(2) Pursuant to the Real Estate Title Certificate — Gan (2023) Jiujiang Shi Bu Dong Chan Quan Di No. 0023203 (贛(2023)九江市不動產權第0023203號) dated March 24, 2023, the land use rights of the property with a site area of approximately 16,527.40 sq.m. had been granted to JYBX for a term expiring on February 7, 2073 for industrial uses.

(3) Pursuant to the Construction Land Planning Permit – Di Zi Di No. 3604022023YG0003359 (地字第3604022023YG0003359號) dated August 8, 2023, the property with a total site area of approximately 16,527.40 sq.m. had complied with the planning requirements with a development scale of total investment amount of RMB225,000,000.

(4) Pursuant to the State-owned Land Use Rights Grant Contract — 36202302030003 dated February 15, 2023, transfer of the land use rights is allowed only if more than 25% of the total investment for the development of the property is completed. Since the development of the property has not yet commenced, therefore, we have attributed no commercial value to the property. For reference purpose, assuming that the property can be freely transferred in the market without restriction, the Market Value of the property in existing state as at the Valuation Date is RMB3,470,000.

(5) We have been provided with a legal opinion regarding the property interest by the Company's PRC Legal Adviser, which contains, inter alia, the following:

(a) The property is free from any mortgage or third party's encumbrance;

(b) JYBX is legally and validly in possession of the property;

(c) JYBX has the rights to occupy, use, lease and mortgage the property subject to and in accordance with the applicable laws and regulations; and

(d) JYBX has the rights to transfer the property only if the total development investment of the property exceeds 25% and JYBX obtained consent from related government authorities.

VALUATION CERTIFICATE

Group I — Property held for development by the Group

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in existing state as at September 30, 2023
				RMB
7.	A parcel of land located at Shatang Southern Area, Northern Ecological New Zone, Liubei District, Liuzhou City, Guangxi Zhuang Autonomous Region, the PRC (中華人民共和國廣西壯族自治區柳州市柳北區北部生態新區沙塘南片區的一塊土地)	The property comprises a parcel of land with a site area of approximately 49,527.10 sq.m. According to the information provided by the Group, the property is planned to be developed into an industrial complex which will include three workshop buildings, one ancillary office building and various ancillary facilities with a total planned gross floor area of approximately 44,226.72 sq.m. As advised by the Group, the property was vacant and pending for development as at the Valuation Date. The property is designated for industrial uses for a term expiring on July 12, 2073.	As advised by the Group, the property was vacant as at the Valuation Date.	No commercial value *(see Notes (9), (10)(d))*

Notes:

(1) Pursuant to the State-owned Land Use Rights Grant Contract — Liu Tu Chu Zi 2023026 Hao, the land use rights of a land parcel — Lot No.: G (2023) 12 with a site area of approximately 49.527.1 sq.m. were contracted to be granted to Liuzhou UBTECH Intelligent Industrial Co., Ltd. (柳州優必選智能實業有限公司, "LUII") with planning details as follow:

Land Use Right Term:	50 years
Usage:	Industrial
Site Coverage:	≦55% & ≧45%
Plot Ratio:	≦2.0 & ≧1.3

The land premium was RMB17,100,000.

(2) Pursuant to the Real Estate Title Certificate — Gui (2023) Liuzhou Shi Bu Dong Chan Quan Di No. 0139833 (桂(2023)柳州市不動產權第0139833號) dated July 17, 2023, the land use rights of the property with a site area of approximately 49,527.10 sq.m. had been granted to LUII for a term expiring on July 12, 2073 for industrial uses.

(3) Pursuant to the Construction Land Planning Permit — Di Zi Di No. 4502002023YG0005325 (地字第4502002023YG0005325號) dated September 21, 2023, the property with a total site area of approximately 49,527.1 sq.m. had complied with the planning requirements with a development scale of approximately 99,054.2 sq.m..

(4) Pursuant to the Construction Works Planning Permit — Jian Zi Di No. 4502002023GG0008362 (建字第4502002023GG0008362號) dated September 12, 2023, the property with a total planned gross floor area of approximately 12,978.36 sq.m. (Building No. 1 — workshop) had been approved for construction.

(5) Pursuant to the Construction Works Planning Permit — Jian Zi Di No. 4502002023GG0009322 (建字第4502002023GG0009322號) dated September 12, 2023, the property with a total planned gross floor area of approximately 13,528.36 sq.m. (Building No. 2 — workshop and basement) had been approved for construction.

(6) Pursuant to the Construction Works Planning Permit — Jian Zi Di No. 4502002023GG0010351 (建字第4502002023GG0010351號) dated September 12, 2023, the property with a total planned gross floor area of approximately 14,364.00 sq.m. (Building No. 3 — workshop) had been approved for construction.

(7) Pursuant to the Construction Works Planning Permit — Jian Zi Di No. 4502002023GG0011399 (建字第4502002023GG0011399號) dated September 12, 2023, the property with a total planned gross floor area of approximately 3,130.00 sq.m. (Building No. 4 — ancillary office) had been approved for construction.

(8) Pursuant to the Construction Works Planning Permit — Jian Zi Di No. 4502002023GG0012313 (建字第4502002023GG0012313號) dated September 12, 2023, the property with a total planned gross floor area of approximately 226.00 sq.m. (Building No. 5 — switch room, Building No. 6 and 7 — guard house, fence wall) had been approved for construction.

(9) Pursuant to State-owned Land Use Rights Grant Contract — Liu Tu Chu Zi 2023026 Hao, transfer of the land use rights is allowed only if the total investment of RMB35,250,000 for the development of the property is completed and the property is put into use. Since the development of the property has not yet commenced, therefore, we have attributed no commercial value to the property. For reference purpose, assuming that the property can be freely transferred in the market without restriction, the Market Value of the property in existing state as at the Valuation Date is RMB17,100,000.

(10) We have been provided with a legal opinion regarding the property interest by the Company's PRC Legal Adviser, which contains, inter alia, the following:

(a) The property is free from any mortgage or third party's encumbrance;

(b) LUII is legally and validly in possession of the property;

(c) LUII has the rights to occupy, use, lease and mortgage the property subject to and in accordance with the applicable laws and regulations; and

(d) LUII has the rights to transfer the property only if the total development investment of the property exceeds the required investment amount and LUII obtained consent from related government authorities.

VALUATION CERTIFICATE

Group II — Property held for owner occupation by the Group

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in existing state as at September 30, 2023
				RMB
8.	An industrial development located at the North District of Jingxing Economic Development Zone (Beizheng Village, Beizheng Township, Jingxing County), Shijiazhuang City, Hebei Province, the PRC (中華人民共和國河北省石家莊市井陘經濟開發區北區(井陘縣北正鄉北正村)的工業項目)	The property comprises two workshop buildings known as Workshop No. 1 and No. 2 erected on a parcel of land with a site area of approximately 22,467.35 sq.m. *(see Note (3))*. As advised by the Group, two buildings of the property have a total gross floor area of approximately 19,111.51 sq.m., the breakdown of which is as follow: **Buildings** — **Approximate Gross Floor Area (sq.m.)** Workshop No. 1 — 10,034.37 Workshop No. 2 — 9,077.14 **Total:** — **19,111.51** According to the Construction Works Completion Acceptance Report, the property was completed in July 2023 and satisfied the completion and acceptance requirements. As advised by the Group, the property was pending for the issuance of Real Estate Title Certificate by relevant authorities as at the Valuation Date. The property is designated for industrial uses for a term expiring on October 27, 2071.	As advised by the Group, the property was self-use as at the Valuation Date.	98,000,000 (RENMINBI NINETY EIGHT MILLION)

Notes:

(1) Pursuant to the State-owned Land Use Rights Grant Contract — HBJX [2021] No. 33 (HBJX [2021] 33號) dated October 20, 2021, the land use rights of a land parcel — Lot No.: (2021) 38 with a site area of approximately 66,670 sq.m. *(see Notes (2) and (3))* were contracted to be granted to UBTECH (Hebei) Technology Co., Ltd. (優必選(河北)科技有限公司, "UT") with planning details as follow:

Land Use Right Term:	50 years
Usage:	Industrial
Site Coverage:	≦60% & ≧40%
Plot Ratio:	≦1.50 & ≧0.70
Building Height:	≦ 24 m.

The land premium was RMB29,140,000.

(2) As advised by the Group, pursuant to the Jingxing County State-owned Land Use Rights Acquisition Contract — Jing Shou Chu (2023) No. 1 (井收儲字(2023)1號) dated February 3, 2023, part of the land use rights with a site area of approximately 44,202.65 sq.m. on the Real Estate Title Certificate — Ji (2023) Jingxing Xian Bu Dong Chan Quan Di No. 0000039 (冀(2023)井陘縣不動產權第0000039號) dated January 6, 2023, which had been granted to UT for a term expiring on October 27, 2071 for industrial uses, was acquired by the Jingxing Xian Natural Resources and Planning Bureau (井陘縣自然資源和規劃局) at a consideration of RMB21,660,000.

(3) Pursuant to the Real Estate Title Certificate — Ji (2023) Jingxing Xian Bu Dong Chan Quan Di No. 0000031 (冀(2023)井陘縣不動產權第0000031號) dated January 6, 2023, the land use rights of the property with a site area of approximately 22,467.35 sq.m. had been granted to UT for a term expiring on October 27, 2071 for industrial uses.

(4) Pursuant to the Construction Works Planning Permit — Jian Zi Di No. 130121202100025 (建字第130121202100025號) dated November 8, 2021, the property with a total planned gross floor area of approximately 49,157.78 sq.m. had been approved for construction.

(5) Pursuant to the attachment of the Construction Works Planning Permit — Jian Zi Di No. 120121202300015 (建字第120121202300015號) dated May 17, 2023, the property with a total planned gross floor area of approximately 19,111.51 sq.m. had been approved for construction.

(6) Pursuant to the Construction Works Commencement Permit — No. 130121202112230101, permission by the relevant local authority was given to commence the construction of the property with a total planned gross floor area of approximately 19,111.51 sq.m.

(7) Pursuant to a planning acceptance permit document — Letter of Completion Acceptance — Jing Zi Jun Yan (2023) No. 12 (井自竣驗(2023)012號) dated June 7, 2023 issued by Jingxing Xian Natural Resources and Planning Bureau in favor of UT, the property with a total planned gross floor area of approximately 19,111.51 sq.m. satisfied the completion and acceptance requirements.

(8) Pursuant to the Construction Works Completion Acceptance Report — Bei An Bian Hao No. 2023J1301210006 (備案編號:2023J1301210006) dated July 14, 2023 issued by the Department of Hebei Housing and Urban-Rural Development in favor of UT, Workshop No. 1 and No. 2 of the property referring to the attachment of the Construction Works Planning Permit — Jian Zi Di No. 120121202300015 (建字第120121202300015號) and Construction Works Commencement Permit — No. 130121202112230101 were completed and satisfied the completion and acceptance requirements.

(9) We have been provided with a legal opinion regarding the property interest by the Company's PRC Legal Adviser, which contains, inter alia, the following:

(a) The property is free from any mortgage or third party's encumbrance;

(b) UT is legally and validly in possession of the property;

(c) UT has the rights to occupy and use the property; and

(d) UT has the rights to transfer, lease and mortgage the property only if the total development investment of the property exceeds 25% and UT obtained consent from the related government authorities.

(10) As the property is one of the major assets held by the Group, we are of the view that the property is a material property. Details of the material property:

(a)	General description of location of the property	:	The property is situated at No. 9, Kaifang Da Dao of Jingxing County Development Zone in Shijiazhuang City. General living facilities such as banks, supermarkets, fast food shops, restaurants and convenient stores are available in Jingxing County Town, which is located close to the property. Accessibility is considered reasonable as various options for public transport including high-speed railway station such as Jingkun Expressway (京昆高速) (G5) and Shitai Expressway (石太高速) (G20), public transportation center and international airport are available in Shijiazhuang City. In particular, the property is also served by Shijiazhuang Expressway/S75 Fu-Zan Expressway, Jingxing County Automobile Passenger Transport Center and Shijiazhuang High-speed Railway Station.
(b)	Details of encumbrances, liens, pledges, mortgages against the property	:	Nil
(c)	Environmental issue	:	As advised by the Group, the property is not required for environmental protection inspection by relevant government authorities.
(d)	Details of investigations, notices, pending litigation, breaches of law or title defects	:	Nil
(e)	Future plans for construction, renovation, improvement or development of the property and estimated associated costs	:	According to the Construction Works Completion Acceptance Report issued by Department of Hebei Housing and Urban-Rural Development, the property was completed in July 2023 and satisfied the completion and acceptance requirements. As advised by the Group, the property was pending for the issuance of Real Estate Title Certificate by relevant authorities as at the Valuation Date.

OVERVIEW OF TAX IMPLICATIONS OF PRC

Taxation on Dividends

Individual Investors

According to the Individual Income Tax Law of the People's Republic of China (《中華人民共和國個人所得稅法》) (the "**IIT Law**") which was promulgated on September 10, 1980, latest amended on August 31, 2018 and came into effect on 1 January 2019, and the Regulations for the Implementation of the Individual Income Tax Law of the People's Republic of China (《中華人民共和國個人所得稅法實施條例》) that was latest amended on December18, 2018 and came into effect on 1 January 2019, dividends paid by Chinese companies to individual investors are generally subject to a withholding tax at a flat rate of 20%. In addition, according to the Notice on Issues Concerning Differentiated Individual Income Tax Policies for Dividends and Bonuses of Listed Companies (《關於上市公司股息紅利差別化個人所得稅政策有關問題的通知》) issued on September 7, 2015, where an individual acquires stocks of a listed company from public offering of the company or from the stock transfer market and holds the stocks for more than one year, the income from dividends is exempted from individual income tax; if the individual holds the stocks for one month or less, the income from dividends is fully taxable; if the individual holds the stocks for one month to one year (one year inclusive), 50% of the income from dividends is taxable; The aforesaid income is subject to an individual income tax at a flat rate of 20%. In fact, the withholding tax rate for dividends of non-resident individuals may be lower than 20% under certain circumstances.

Pursuant to the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region on the Avoidance of Double Taxation and the Prevention of Fiscal Evasion (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) signed on August 21, 2006, the Chinese government may impose tax on dividends paid by a Chinese company to a resident of the Hong Kong Special Administrative Region (HKSAR) (including natural person and legal entity), but such tax will not exceed 10% of the total amount of the dividends payable. If an HKSAR resident directly holds 25% or more of the equity interest in a Chinese company, such tax will not exceed 5% of the total dividends payable by the Chinese company. The Fifth Protocol of the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region on the Avoidance of Double Taxation and the Prevention of Fiscal Evasion issued by the State Administration of Taxation (《國家稅務總局關於<內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排>第五議定書》) effective on December 6, 2019 stipulates that the arrangements or transactions made for the primary purpose of obtaining the above-mentioned tax benefits are not subject to the above-mentioned provisions.

Enterprise Investors

In accordance with the Enterprise Income Tax Law of the People's Republic of China (《中華人民共和國企業所得稅法》) (the "**EIT Law**"), which came into effect as of January 1, 2008 and was latest amended on December 29, 2018, and the Implementation Rules for the Enterprise Income Tax Law of the People's Republic of China (《中華人民共和國企業所得稅法實施條例》), which came into effect as of January 1, 2008 and was latest amended on April 23, 2019, the rate of enterprise income tax shall be 25%. A non-resident enterprise is generally subject to a 10% enterprise income tax on PRC-sourced income (including dividends received from a PRC resident enterprise that issues shares in Hong Kong), if such non-resident enterprise does not have an establishment or premise in the PRC or has an establishment or premise in the PRC but the PRC-sourced income is not connected to such establishment or premise in the PRC. The aforesaid enterprise income tax may be reduced pursuant to applicable treaties to avoid double taxation. Such withholding tax for non-resident enterprises are deducted at source, where the payer of the income are required to withhold the enterprise income tax from the amount to be paid to the non-resident enterprise when such payment is made or due.

The Circular of the State Administration of Taxation on Issues Relating to the Withholding of Enterprise Income Tax on Dividends Paid by Chinese Resident Enterprises to H Share Shareholders of Overseas Non-Resident Enterprise (《國家稅務總局關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》) which was issued by the State Administration of Taxation on November 6, 2008, further clarified that a PRC-resident enterprise must withhold enterprise income tax at a rate of 10% on dividends paid to H Share shareholders of overseas non-resident enterprise for 2008 and subsequent years. In addition, the Response to Issues on Levying Enterprise Income Tax on Dividends Received by Non-resident Enterprise from Holding Stock such as B-shares (《國家稅務總局關於非居民企業取得B股等股票股息徵收企業所得稅問題的批覆》) which was issued by the State Administration of Taxation on July 24, 2009, further provides that any PRC-resident enterprise that is listed on overseas stock exchanges must withhold enterprise income tax at a rate of 10% on dividends of 2008 and onwards that it distributes to non-resident enterprises. Such tax rates may be further modified pursuant to the tax treaty or agreement that China has concluded with a relevant jurisdiction, where applicable.

Pursuant to the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region on the Avoidance of Double Taxation and the Prevention of Fiscal Evasion (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) signed on August 21, 2006, Chinese Government may levy taxes on the dividends paid by a Chinese company to Hong Kong residents (including natural persons and legal entities) in an amount not exceeding 10% of total dividends payable by the Chinese company. If a Hong Kong resident directly holds 25% or more of the equity interest in a Chinese company, then such tax shall not exceed 5% of the total dividends payable by the Chinese company. The Fifth Protocol of the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region on the Avoidance of Double Taxation and the Prevention of Fiscal Evasion issued by the State Administration of Taxation (《國家稅務總局關於<內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排>第五議定書》) effective on December 6, 2019 states that such provisions shall not apply to those arrangements or transactions, of which the main purpose includes gaining such tax benefit. The application of the dividend clause of tax agreements shall be subject to the PRC tax laws and regulations, such as the Notice of the State Administration of Taxation on the Issues Concerning the Application of the Dividend Clauses of Tax Agreements (《國家稅務總局關於執行稅收協定股息條款有關問題的通知》).

Tax Treaties

Non-PRC resident investors residing in countries which have entered into treaties for the avoidance of double taxation with the PRC are entitled to a reduction of the withholding taxes imposed on the dividends received from PRC companies. The PRC currently has entered into Avoidance of Double Taxation Treaties/Arrangements with a number of countries and regions including Hong Kong Special Administrative Region, Macau Special Administrative Region, Australia, Canada, France, Germany, Japan, Malaysia, the Netherlands, Singapore, the United Kingdom and the United States. Non-PRC resident enterprises entitled to preferential tax rates in accordance with the relevant income tax treaties or arrangements are required to apply to the PRC tax authorities for a refund of the withholding tax in excess of the agreed tax rate.

Taxation on Share Transfer

Value-Added Tax and Local Surcharges

Pursuant to the Circular on Comprehensively Promoting the Pilot Program of the Collection of Value-added Tax in Lieu of Business Tax (《財政部、國家稅務總局關於全面推開營業稅改徵增值稅試點的通知》) (the "**Circular 36**"), promulgated by the Ministry of Finance and the State Administration of Taxation on March 23, 2016 and as amended on July 11, 2017, December 25, 2017 and March 20, 2019 respectively, the entities and individuals that sell services, intangible assets or immovable properties within the territory of the PRC are value-added tax payers, and shall pay value-added tax instead of business tax. Circular 36 also provides that transfer of financial products, including transfer of the ownership of marketable securities, shall be subject to value-added tax at 6% on the taxable income.

Meanwhile, the taxpayers of value-added tax are also subject to urban maintenance and construction tax, education surcharge and local education surcharge.

Income Tax

Individual Investors

According to the IIT Law and its implementation rules, gains realized on the sale of equity interests in the PRC-resident enterprises are subject to the individual income tax at a rate of 20%. Pursuant to the Circular of the Ministry of Finance and the State Administration of Taxation on Declaring that Individual Income Tax Continues to be Exempted over Income from Transfer of Shares by Individuals (《財政部及國家稅務總局關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知》) issued on March 30, 1998 and effective from January 1, 1997, income of individuals from the transfer of shares of listed enterprises shall continue to be exempted from individual income tax. On December 31, 2009, the Ministry of Finance, the State Administration of Taxation and the China Securities Regulatory Commission jointly issued the Circular on Relevant Issues Concerning the Collection of Individual Income Tax over the Income Received by Individuals from Transfer of Listed Shares Subject to Sales Limitation (《關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的通知》) which states that individuals' income from transferring at Shanghai Stock Exchange or Shenzhen Stock Exchange the shares of a listed company acquired from the public offerings of the company or from the transfer market shall continuously be exempted from the individual income tax, except for the relevant shares which are subject to sales restriction as defined in the Supplementary Circular on Relevant Issues Concerning the Collection of Individual Income Tax over the Income Received by Individuals from Transfer of Listed Shares Subject to Sales Limitation (《關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的補充通知》) jointly issued by the three aforementioned authorities on November 10, 2010. As of the Latest Practicable Date, the aforesaid provision has not expressly provided that individual income tax shall be collected from non-resident individuals on the sale of shares of PRC-resident enterprises listed on overseas stock exchanges.

Enterprise Investors

In accordance with the EIT Law and its implementation rules, a non-resident enterprise is generally subject to a 10% enterprise income tax on PRC-sourced income, including gains derived from the disposal of equity interests in a PRC resident enterprise, if it does not have an establishment or premise in the PRC or has an establishment or a premise in the PRC but the PRC-sourced income does not have actual connection with such establishment or premise. Such income tax for non-resident enterprises are deducted at source, where the payer of the income are required to withhold the enterprise income tax from the amount to be paid to the non-resident enterprise when such payment is made or due. The withholding tax may be reduced or exempted pursuant to relevant treaties or agreements on avoidance of double taxation.

Stamp Duty

Pursuant to the Stamp Tax Law of the People's Republic of China (《中華人民共和國印花稅法》) effective as of July 1, 2022, PRC stamp duty only applies on specific proof executed or received within the PRC and with legally binding force in the PRC, thus the requirements of the stamp duty imposed on the transfer of shares of PRC listed companies shall not apply to the acquisition and disposal of H shares by non-PRC investors outside of the PRC.

PRINCIPAL TAXATION OF THE COMPANY IN THE PRC

Enterprise Income Tax

According to the EIT Law and its implementation rules, enterprise income taxpayers shall include resident and non-resident enterprises. Resident enterprise refers to an enterprise that is established within China, or is established under the law of a foreign country (region) but whose actual institution of management is within China. Non-resident enterprise refers to an enterprise established under the law of a foreign country (region), whose actual institution of management is not within China but has offices or establishments within China; or which does not have any offices or establishments within China but has incomes sourced from China. The rate of enterprise income tax shall be 25%. Qualified small low-profit enterprises are given the reduced enterprise income tax rate of 20%.

Enterprises that are recognized as high-tech enterprises in accordance with the Administrative Measures on Accreditation of High-tech Enterprises (《高新技術企業認定管理辦法》) are entitled to enjoy the preferential enterprise income tax rate of 15%. The validity period of the high-tech enterprise qualification shall be three years from the date of issuance of the certificate of high-tech enterprise. The enterprise can re-apply for such recognition as a high-tech enterprise.

Value-added Tax

According to the Interim Value-Added Tax Regulations of the People's Republic of China (《中華人民共和國增值稅暫行條例》), as announced by the State Council on December 13, 1993 and latest amended on November 19, 2017, entities and individuals selling goods, providing labor services of processing, repairing or maintenance, selling services, intangible assets, real property in China, and importing goods to China, shall be identified as taxpayers of value-added tax.

Unless otherwise provided by laws, the value-added tax rate is: 17% for taxpayers selling goods, labor services, or tangible movable property leasing services or importing goods; 11% for taxpayers selling transportation, postal, basic telecommunication, construction, or immovable property leasing services, immovable property, transferring the rights to use land, or selling or importing specific goods; 6% for taxpayers selling services or intangible assets; 0% for domestic entities and individuals selling services or intangible assets within the scope prescribed by the State Council across national borders; 0% for exported goods, except as otherwise specified by the State Council.

Pursuant to the Circular on Comprehensively Promoting the Pilot Program of the Collection of Value-added Tax in Lieu of Business Tax (《財政部、國家稅務總局關於全面推開營業稅改徵增值稅試點的通知》), promulgated by the Ministry of Finance and the State Administration of Taxation on March 23, 2016, the pilot program of the collection of value-added tax in lieu of business tax shall be promoted nationwide in a comprehensive manner, and all taxpayers of business tax engaged in the building industry, the real estate industry, the financial industry and the life service industry shall be included in the scope of the pilot program with regard to payment of value-added tax instead of business tax.

According to the Circular on Policies for Simplifying and Consolidating Value-added Tax Rates (《財政部、國家稅務總局關於簡併增值稅稅率有關政策的通知》), announced by the Ministry of Finance and the State Administration of Taxation on April 28, 2017, the structure of value-added tax rates will be simplified from July 1, 2017, and the 13% value-added tax rate shall be canceled. The scope of goods with 11% value-added tax rate and the provisions for deducting input tax are specified.

According to the Circular of on Adjusting Value-added Tax Rates (《財政部、稅務總局關於調整增值稅稅率的通知》) announced by the Ministry of Finance and the State Administration of Taxation on April 4, 2018, from May 1, 2018, where a taxpayer engages in a value-added tax taxable sales activity or imports goods, the previous applicable 17% and 11% tax rates are adjusted to be 16% and 10% respectively.

According to the Announcement of the Ministry of Finance, the State Taxation Administration and the General Administration of Customs on Relevant Policies for Deepening Value-Added Tax Reform (《關於深化增值稅改革有關政策的公告》) promulgated on March 20, 2019, with respect to value-added tax taxable sales or imported goods of a value-added tax general taxpayer, the originally applicable value-added tax rate of 16% shall be adjusted to 13%; the originally applicable value-added tax rate of 10% shall be adjusted to 9%.

FOREIGN EXCHANGE CONTROL IN THE PRC

The lawful currency of the PRC is Renminbi, which is currently subject to foreign exchange control and cannot be freely converted into foreign currency. The SAFE, under the authority of the People's Bank of China (the "**PBOC**"), is empowered with the functions of administering all matters relating to foreign exchange, including the enforcement of foreign exchange control regulations.

The principal regulations governing foreign currency exchange in the PRC is the Regulations of the People's Republic of China on Foreign Exchange Administration (《中華人民共和國外匯管理條例》) (the "**Foreign Exchange Control Regulations**") which was promulgated by the State Council on January 29, 1996, became effective on April 1, 1996 and was subsequently amended on January 14, 1997 and August 5, 2008 and the Regulations on the Administration of Settlement, Sale and Payment of Foreign Exchange (《結匯、售匯及付匯管理規定》) which was promulgated by the PBOC on June 20, 1996 and became effective on July 1, 1996. Pursuant to these regulations and other PRC rules and regulations on currency conversion, Renminbi is generally freely convertible for payments of current account items, such as trade and service-related foreign exchange transactions, but not freely convertible for capital account items, such as direct investment, loan or investment in securities outside China unless prior approval of SAFE or its local counterparts is obtained.

According to the relevant laws and regulations in the PRC, PRC enterprises (including foreign investment enterprises) which need foreign exchange for current item transactions may, without the approval of the foreign exchange administrative authorities, effect payment through foreign exchange accounts opened at financial institutions that carries business of foreign exchange settlement and sale by presenting valid documentation. Foreign investment enterprises which need foreign exchange for the distribution of profits to their shareholders and PRC enterprises which, in accordance with regulations, are required to pay dividends to their shareholders in foreign exchange may, on the strength of resolutions of the board of directors or the shareholders' general meetings on the distribution of profits, effect payment from foreign exchange accounts or with the purchased foreign exchange at designated foreign exchange banks.

On December 26, 2014, the SAFE issued the Circular of the State Administration of Foreign Exchange on Issues concerning the Administration of Foreign Exchange Involved in Overseas Listing (《國家外匯管理局關於境外上市外匯管理有關問題的通知》), pursuant to which a domestic company shall, within fifteen working days upon the end of its overseas public offering, handle registration formalities for overseas listing with the foreign exchange authority at its place of registration with the required materials. Funds raised by a domestic company through overseas listing may be transferred back or deposited overseas, and the use of such funds shall be consistent with those contents mentioned in publicly disclosed documents such as the document.

On February 13, 2015, the SAFE issued the Notice of on Further Simplifying and Improving Policies for the Foreign Exchange Administration of Direct Investment (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》), which came into effect on June 1, 2015. The notice has canceled the approval of foreign exchange registration under domestic direct investment and the approval of foreign exchange registration under overseas direct investment, instead, banks shall directly examine and handle foreign exchange registration under domestic direct investment and foreign exchange registration under overseas direct investment, and the SAFE and its local offices shall indirectly regulate the foreign exchange registration of direct investment through banks.

According to the Circular of the State Administration of Foreign Exchange on Reforming and Regulating Policies for the Administration over Foreign Exchange Settlement of Capital Accounts (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》) issued by the SAFE on June 9, 2016, the foreign exchange receipts under capital accounts of domestic institutions are subject to discretionary settlement policies. The foreign exchange receipts under capital accounts (including foreign exchange capital, foreign debts, and repatriated funds raised through overseas listing) subject to discretionary settlement as expressly prescribed in the relevant policies may be settled with banks according to the actual need of the domestic institutions for business operation. Domestic institutions may, at their discretion, settle up to 100% of foreign exchange receipts under capital accounts for the time being. The SAFE may adjust the above proportion in due time according to balance of payments situation.

PRC LEGAL SYSTEM

The PRC legal system is based on the *Constitution of the PRC* (《中華人民共和國憲法》) (the "**Constitution**") and is made up of written laws, administrative regulations, local regulations, autonomous regulations, separate regulations, rules and regulations of departments of the State Council, rules and regulations of local governments, international treaties of which the PRC government is a signatory, and other regulatory documents. Court verdicts may be used as judicial reference and guidance. However, they do not constitute binding precedents.

According to the Constitution and the Legislation Law of the PRC (《中華人民共和國立法法》) (the "**Legislation Law**"), National People's Congress (the "**NPC**") and the SCNPC are empowered to exercise the legislative power of the State. The NPC has the power to formulate and amend basic laws governing civil and criminal matters, state organs and other matters. The SCNPC is empowered to formulate and amend laws other than those required to be enacted by the NPC and to supplement and amend any parts of laws enacted by the NPC during the adjournment of the NPC, provided that such supplements and amendments are not in conflict with the basic principles of such laws. The State Council is the highest organ of the PRC administration and has the power to formulate administrative regulations based on the Constitution and laws. The people's congresses of provinces, autonomous regions and municipalities and their respective standing committees may formulate local regulations based on the specific circumstances and actual requirements of their own respective administrative areas, provided that such local regulations do not contravene any provision of the Constitution, laws or administrative regulations. The people's congress of the National Autonomous Region has the power to formulate autonomous regulations and separate regulations in accordance with the political, economic and cultural characteristics of the local ethnic groups, and make flexible provisions on the provisions of laws and administrative regulations, but shall not violate the basic principles of laws or administrative regulations, and shall not make flexible provisions on the provisions of the Constitution and the law of regional ethnic autonomy, as well as other relevant laws and administrative regulations on ethnic autonomy.

The ministries and commissions of the State Council, the People's Bank of China, the State Audit Administration as well as the other organs endowed with administrative functions directly under the State Council may, in accordance with the laws as well as the administrative regulations, decisions and orders of the State Council and within the limits of their power, formulate rules. The people's governments of the provinces, autonomous regions, and municipalities directly under the central government, cities divided into districts and autonomous prefectures may enact rules, in accordance with laws, administrative regulations and the local regulations of their respective provinces, autonomous regions or municipalities.

The Constitution has supreme legal authority and no laws, administrative regulations, local regulations, autonomous regulations or separate regulations may contravene the Constitution. The authority of laws is greater than that of administrative regulations, local regulations and rules. The authority of administrative regulations is greater than that of local regulations and rules. The authority of local regulations is greater than that of the rules of the local governments at or below the corresponding level. The authority of the rules enacted by the people's governments of the provinces or autonomous regions is greater than that of the rules enacted by the people's governments of the cities divided into districts or autonomous prefectures within the administrative areas of the provinces and the autonomous regions.

The NPC has the power to alter or annul any inappropriate laws enacted by its Standing Committee, and to annul any autonomous regulations or separate regulations which have been approved by its Standing Committee, but which contravene the Constitution or the Legislation Law. The SCNPC has the power to annul any administrative regulations that contravene the Constitution and laws, to annul any local regulations that contravene the Constitution, laws or administrative regulations, and to annul any autonomous regulations or local regulations which have been approved by the standing committees of the people's congresses of the relevant provinces, autonomous regions or municipalities directly under the central government, but which contravene the Constitution and the

Legislation Law. The State Council has the power to alter or annul any inappropriate ministerial rules and rules of local governments. The people's congresses of provinces, autonomous regions or municipalities directly under the central government have the power to alter or annul any inappropriate local regulations enacted or approved by their respective standing committees. The standing committees of local people's congresses have the power to annul inappropriate rules enacted by the people's governments at the corresponding level. The people's governments of provinces and autonomous regions have the power to alter or annul any inappropriate rules enacted by the people's governments at a lower level.

According to the Constitution, the power to interpret laws is invested in the SCNPC. According to the Decision of the Committee of the NPC Regarding the Strengthening of Interpretation of Laws (《全國人民代表大會常務委員會關於加強法律解釋工作的決議》), if the scope prescribed by laws or decrees needs to be further defined or supplementary provisions need to be made, the SCNPC shall interpret them or make provisions by means of decrees. Issues involving the specific application of laws and decrees in the trial work of the court shall be interpreted by the Supreme People's Court. Issues involving the specific application of laws and decrees in the procuratorial work of the procuratorate shall be interpreted by the Supreme People's Procuratorate. If there are principled differences in the interpretation of the Supreme People's Court and the Supreme People's Procuratorate, they shall be submitted to the SCNPC for interpretation or decision. Issues that do not involve the specific application of laws and decrees in judicial and procuratorial work shall be interpreted by the State Council and the competent departments. If the scope of local laws and regulations needs to be further defined or supplemented, the standing committee of the people's congress of each province, autonomous region and municipality directly under the central government that promulgates such laws and regulations shall interpret or make provisions. Issues involving the specific application of local laws and regulations shall be interpreted by the competent departments of the people's governments of the provinces, autonomous regions and municipalities directly under the central government.

PRC JUDICIAL SYSTEM

According to the Constitution and the Organic Law of the People's Court of the People's Republic of China (《中華人民共和國人民法院組織法》), the people's court is composed of the Supreme People's Court, the local people's courts at all levels and the special people's courts.

Local people's courts at all levels are composed of primary people's courts, intermediate people's courts and higher people's courts. The primary people's courts may set up civil, criminal and economic tribunals. The intermediate people's court has similar structure with the primary people's court, and can set up other tribunals, such as intellectual property tribunal when necessary. Special people's courts include military courts, maritime courts, intellectual property courts, financial courts and other special courts.

The higher level of people's court supervises the trial work of the people's court at a lower level. The people's procuratorate also has the right to exercise legal supervision over the proceedings of the people's court at the same level or at a lower level. The Supreme People's Court is the highest judicial organ in China and supervises the trial work of local people's courts at all levels and special people's courts. In accordance with the Criminal Procedure Law of the PRC (《中華人民共和國刑事訴訟法》) (the "**Criminal Procedure Law**") and the Civil Procedure Law of the PRC (《中華人民共和國民事訴訟法》) (the "**Civil Procedure Law**"), the people's courts apply a two-tier appellate system. Before a judgment or ruling of first instance has legal effect, the parties may appeal to the people's court at the next higher level. A judgment or ruling of second instance made by a higher court shall be final and binding. The first instance judgment or ruling of the Supreme People's Court is also final. However, if the Supreme People's Court or the people's court at a higher level finds an error in the effective judgment, ruling or conciliation statement made by the people's court at a lower level, it shall have the right to bring the case up for trial or order the people's court at a lower level to hold the case. If the president of a people's court at any level finds that there is an error in the effective judgment, written order or conciliation statement made by his court and considers that a retrial is necessary, he shall submit it to the judicial committee for discussion and decision.

The Civil Procedure Law contains provisions on the jurisdiction of the people's court, the procedures to be followed in conducting civil proceedings and the procedures for the enforcement of civil judgments or rulings. All parties to a civil action in China shall abide by the civil procedure law. Generally speaking, civil cases are heard by the local court where the defendant lives. The parties to the contract may also choose the court of jurisdiction to file a civil action by express agreement, but the court of jurisdiction shall be the place where the dispute is actually related, such as the place where the plaintiff or the defendant lives, the place where the contract is signed or performed, or the place where the subject matter of the action is located, etc. However, in any case, the above selection shall not violate the provisions of the Civil Procedure Law on level jurisdiction and exclusive jurisdiction.

A foreign individual, a person without nationality, a foreign enterprise or a foreign organization that institute or respond to proceedings in a people's court is given the same litigation rights and obligations as a citizen or legal person of the PRC. Should a foreign court limit the litigation rights of PRC citizens and enterprises, the PRC court shall apply the same limitations to the citizens and enterprises of such foreign country.

If any party to a civil action refuses to comply with the effective judgment, ruling, conciliation statement and other legal documents to be executed by the people's court or an award made by the arbitration tribunal in the PRC, the other party may apply to the people's court for the enforcement of the same. There are time limits of two years imposed on the right to apply for such enforcement. Suspension or disruption of the time limit for applying for such enforcement shall comply with the provisions of the applicable law concerning the suspension or disruption of the time-barring of actions.

A party seeking to enforce a judgment or ruling of a people's court against a party who is not personally or whose property is not within the PRC may apply to a foreign court with jurisdiction over the case for recognition and enforcement of the judgment or ruling. A foreign judgment or ruling may also be recognized and enforced by the people's court according to PRC enforcement procedures if the PRC has entered into or acceded to an international treaty with the relevant foreign country, which provides for such recognition and enforcement, or if the judgment or ruling satisfies the court's examination according to the principle of reciprocity, unless the people's court finds that the recognition or enforcement of such judgment or ruling will result in a violation of the basic legal principles of the PRC, its sovereignty or security or against social and public interest.

THE PRC COMPANY LAW, OVERSEAS LISTING TRIAL MEASURES AND THE GUIDELINES FOR ARTICLES OF ASSOCIATION

The PRC Company Law (中國公司法) was passed by the SCNPC on December 29, 1993 and came into effect on July 1, 1994. It was successively amended on December 25, 1999, August 28, 2004, October 27, 2005, December 28, 2013 and October 26, 2018. The revised Company Law came into effect on October 26, 2018.

The Overseas Listing Trial Measures which were promulgated by the CSRC on February 17, 2023 and became effective on March 31, 2023, and were applicable to the overseas offering and listing of PRC domestic companies' securities.

The Guidelines for Articles of Association of Listed Companies (《上市公司章程指引》) (the "Guidelines for Articles of Association") which were issued by the CSRC on December 16, 1997, latest revised on January 5, 2022 and came into effect on the same date, providing the guidelines for the Articles of Association.

Set out below is a summary of the major provisions of the Company Law, the Overseas Listing Trial Measures and the Guidelines for Articles of Association applicable to the Company.

General Provisions

A joint stock limited company is a corporate legal person incorporated under the PRC Company Law, whose registered capital is divided into shares of equal par value. The liability of its shareholders is limited to the extent of the shares they hold, and the liability of the company is limited to the full amount of all the assets it owns.

A company must conduct its business in accordance with laws as well as public and commercial ethics. A company may invest in other limited liability companies. The liabilities of the company to such invested companies are limited to the amount invested. Unless otherwise provided by laws, a company cannot be the capital contributor who has the joint and several liabilities associated with the debts of the invested enterprises.

Incorporation

A company may be incorporated by promotion or subscription. A company may be incorporated by a minimum of two but no more than 200 promoters, and at least half of the promoters must be residents within the PRC. Companies incorporated by promotion are companies of which the entire registered capital is subscribed for by the promoters. Shares in the company shall not be offered to others unless the registered capital has been fully paid up. For companies incorporated by subscription, the registered capital is the total paid-up capital as registered with the relevant registration authorities. If laws, administrative regulations and State Council decisions provide otherwise on paid-in registered capital and the minimum registered capital, the company should follow such provisions.

For companies incorporated by way of promotion, the promoters shall subscribe in writing for the shares required to be subscribed for by them and pay up their capital contributions under the articles of association. Procedures relating to the transfer of titles to non-monetary assets shall be duly completed if such assets are to be contributed as capital. Promoters who fail to pay up their capital contributions in accordance with the foregoing provisions shall assume default liabilities in accordance with the covenants set out in the promoters' agreements. After the promoters have confirmed the capital contribution under the articles of association, a board of directors and a supervisory board shall be elected and the board of directors shall apply for registration of incorporation by filing the articles of association with the company registration authority, and other documents as required by the law or administrative regulations.

Where companies are incorporated by subscription, not less than 35% of their total number of shares must be subscribed for by the promoters, unless otherwise provided for by laws or administrative regulations. A promoter who offers shares to the public must publish a prospectus and prepare a share subscription form to be completed, signed and sealed by subscribers, specifying the number and amount of shares to be subscribed for and the subscribers' addresses. The subscribers shall pay up monies for the shares they subscribe for. Where a promoter is offering shares to the public, such offer shall be underwritten by security companies established under PRC law, and underwriting agreements shall be entered into. A promoter offering shares to the public shall also enter into agreements with banks in relation to the receipt of subscription monies. The receiving banks shall receive and keep in custody the subscription monies, issue receipts to subscribers who have paid the subscription monies, and is obliged to furnish evidence of receipt of those subscription monies to relevant authorities. After the subscription monies for the share issue have been paid in full, a capital verification institution established under PRC law must be engaged to conduct a capital verification and furnish a report thereon. The promoters shall convene an inauguration meeting within 30 days following the full payment of subscription monies. The inauguration meeting shall be formed by the promoters and subscribers. Where the shares issued remain undersubscribed by the cut-off date stipulated in the share offering prospectus, or where the promoter fails to convene an inauguration meeting within 30 days after the subscription monies for the shares issued have been fully paid up, the subscribers may demand that the promoters refund the subscription monies so paid together with the interest at bank rates of a deposit for the same period. Within 30 days of the conclusion of the inauguration meeting, the board of directors shall apply to the company registration authority for registration of the establishment of the company. A company is formally established and has the status of a legal person after approval of registration has been given by the relevant administration bureau for industry and commerce and a business license has been issued.

A company's promoters shall be liable for:

- the debts and expenses incurred in the incorporation process jointly and severally if the company cannot be incorporated;
- the refund of subscription monies paid by the subscribers together with interest at bank rates of deposit for the same period jointly and severally if the company cannot be incorporated; and
- the compensation of any damages suffered by the company in the course of its incorporation as a result of the promoters' default.

Share Capital

The promoters of a company may make capital contributions in cash, or in kind that can be valued in currency and transferable according to laws such as intellectual property rights or land-use rights based on their appraised value.

There is no limit under the PRC Company Law as to the percentage of shares held by an individual shareholder in a company. If capital contribution is made other than in cash by the promoters of the company, valuation and verification of the properties contributed must be carried out and converted into shares. A company may issue registered or bearer shares. However, shares issued to promoter(s) or legal person(s) shall be in the form of registered shares and shall be registered under the name(s) of such promoter(s) or legal person(s) and shall not be registered under a different name or the name of a representative.

A company may offer its shares to the public overseas with approval by the securities administration department of the State Council. The share price may be equal to or in excess of par value, but shall not be less than par value. The transfer of shares by shareholders shall be conducted in legally established stock exchanges or via other methods as stipulated by the State Council.

Increase of Share Capital

Pursuant to the PRC Company Law, an increase in the capital of a company by means of an issue of new shares must be approved by shareholders in general meeting. Except for above-mentioned conditions of obtaining approval at the general meeting required by the PRC Company Law, the Securities Law of the People's Republic of China (《中華人民共和國證券法》) (the "**Securities Law**") requires the following conditions for a company to issue new shares to the public initially: (i) have a sound, well-operated corporate governance structure; (ii) possess the capacity for on-going operation; (iii) be issued an audit report with unqualified opinions for the financial and accounting report for the latest three years; (iv) the issuer and its controlling shareholder and actual controller have not committed any crimes of corruption, bribery, embezzlement of property, misappropriation of property or disruption of the socialist market economic order in the latest three years; and (v) meet other requirements specified by the securities regulatory authority.

Reduction of Share Capital

A company may reduce its registered capital in accordance with the following procedures stipulated by the PRC Company Law:

- the company shall prepare a balance sheet and a list of properties;
- the reduction of registered capital must be approved by shareholders in the general meeting;
- the company shall inform its creditors of the reduction of capital within ten days, and publish an announcement in respect of the reduction in newspapers within thirty days upon passing of the resolution approving the reduction of capital;

- creditors of the company may require the company to settle its debts or provide corresponding guarantees within the statutory time limit; and
- the company must apply to the relevant administrative bureau for market regulation for registration of the reduction of registered capital.

Repurchase of Shares

A company shall not purchase its own shares other than for the following purposes:

- reducing its registered capital;
- merging with other company which holds its shares;
- using shares for employees stock ownership plan or equity incentives;
- acquiring its own shares at the request of its shareholders who vote in a shareholders' general meeting against a resolution regarding a merger or division;
- using shares for converting convertible corporate bonds issued by the listed company; and
- for the purpose of protecting the corporate value and the rights and interests of shareholders of a listed company when necessary.

A company purchasing its own shares under any of the circumstances set forth in items (1) and (2) shall be subject to a resolution of the shareholders' meeting; and a company purchasing its own shares under any of the circumstances set forth in items (3), (5) and (6) may, pursuant to its articles of association or the authorization of the shareholders' meeting, be subject to a resolution of a meeting of the board of directors at which more than two-thirds of directors are present.

After purchasing its own shares in accordance with these requirements, a company shall, under the circumstance set forth in item (1), cancel them within 10 days after the purchase; while under the circumstance set forth in either item (2) or (4), transfer or cancel them within six months; and while under the circumstance set forth in item (3), (5) or (6), aggregately hold not more than 10% of the total shares that have been issued by the company, and transfer or cancel them within three years.

A listed company purchasing its own shares shall perform the obligation of information disclosure and under any of the circumstances set forth in items (3), (5) and (6) shall carry out trading in a public and centralized manner.

Transfer of Shares

Shares may be transferred in accordance with the relevant laws and regulations. A shareholder shall transfer his/her shares in stock exchanges established pursuant to laws or by other means as stipulated by the State Council. Registered shares may be transferred by endorsement of the shareholders or in any other manner specified in applicable laws and regulations. Bearer shares are transferred by delivering the shares to relevant transferees. Unless otherwise stipulated by laws, no modifications of registration in the share register caused by transfer of shares shall be made within twenty days prior to convening a shareholders' general meeting or five days prior to any record date for determination of dividend distributions. Shares of a company held by its promoter(s) shall not be transferred within one year from the date of incorporation of such company. Shares in issue prior to the company's public offering of shares shall not be transferred within one year from the listing date of its shares on the stock exchange.

Directors, supervisors and senior management of a company shall not transfer over 25% of the total shares held by them in the company each year during their term of office, and shall not transfer the shares held by them in the company within one year from the listing date of the shares. Such persons shall also not transfer the shares held by them in the company within half a year after they leave office. The articles of association may set other restrictive requirements on the transfer of the company's shares held by its directors, supervisors and senior management.

Shareholders

The company's articles of association set forth the rights and duties of its shareholders, which are binding on all shareholders. Pursuant to the PRC Company Law and the Guidelines for Articles of Association, the rights of shareholders include:

- the right to attend shareholders' general meetings in person or by proxy and to vote in respect of the number of shares held;
- the right to transfer their shares in accordance with the applicable laws, regulations and the company's articles of association;
- the right to inspect the company's articles of association, share register, counterfoil of company debentures, minutes of shareholders' general meetings, resolutions of board meetings, resolutions of meetings of the board of supervisors and financial and accounting reports and to make proposals or enquires on the company's business operations;
- where a resolution passed by shareholders' general meetings or the board of directors violates the articles of association or infringe the lawful rights and interests of shareholders, the right to institute an action in a people's court demanding the cessation of such unlawful infringement;
- the right to receive dividends based on the number of shares held; and
- any other rights of shareholders specified in the company's articles of association.

The obligations of shareholders include the obligation to abide by the company's articles of association, to pay the subscription monies in respect of the shares subscribed for, to be liable for the company's debts and liabilities to the extent of the amount of subscription monies agreed to be paid in respect of the shares taken up by them and any other shareholder obligation specified in the articles of association.

Shareholders' General Meetings

The shareholders' general meeting is the organ of authority of the company, which exercises its powers in accordance with the PRC Company Law. The shareholders' general meeting exercises the following powers:

- to decide on the company's operational policies and investment plans;
- to elect or remove the directors and supervisors who are not representatives of the employees;
- to decide on matters relevant to remuneration of directors and supervisors;
- to review and approve reports of the board of directors;
- to review and approve reports of the board of supervisors or supervisors;
- to review and approve annual financial budget and final accounts proposed by the company;
- to review and approve the company's proposals on profit distribution and recovery of loss;
- to decide on any increase or reduction of the registered capital of the company;
- to decide on the company's issuance of bonds;
- to decide on merger, division, dissolution and liquidation of the company and other
- matters;
- to amend the company's articles of association; and
- other powers as specified in the articles of association.

Annual general meetings shall be held once a year. An extraordinary general meeting shall be held within two months after the occurrence of any of the following circumstances:

- the number of directors is less than the number stipulated by the PRC Company Law or less than two thirds of the number specified in the articles of association;
- the losses of the company which are not recovered reach one-third of the company's total paid up share capital;
- as requested by the shareholder alone or in aggregate holding 10% or more of the shares of the company; when deemed necessary by the board of directors;
- when proposed by the board of supervisors; or
- other circumstances as specified in the articles of associations.

Shareholders' general meetings shall be convened by the board of directors and presided over by the chairman of the board of directors.

The notice to convene an annual general meeting and an extraordinary general meeting shall be given 20 days and 15 days, respectively, before the date of such meeting pursuant to the PRC Company Law. For the issuance of bearer share certificates, the time and venue of and matters to be considered at the meeting shall be announced 30 days before the meeting.

There is no specific provisions in the PRC Company Law regarding the number of shareholders constituting a quorum in a general meeting. Shareholders alone or in aggregate holding more than 3% of the shares of the company may put forth interim proposals and submit the same in writing to the board of directors 10 days before a general meeting. The board of directors shall notify other shareholders within 2 days after receiving such proposals, and submit the interim proposals to the general meeting for review and approval. The contents of the interim proposal shall be within the scope of the functions and powers of the general meeting of shareholders, with clear topics and specific matters for resolutions. The general meeting shall not make any resolution on any matter not listed in the notice. Where holders of bearer shares intend to attend the general meeting of shareholders, they shall deposit their share certificates with the company for a period beginning from five days prior to the convening of the meeting to the end of the meeting.

Pursuant to the PRC Company Law, shareholders present at a shareholders' general meeting have one vote for each share they hold, save that shares held by the company are not entitled to any voting rights. An accumulative voting system may be adopted for the election of directors and supervisors at the general meeting pursuant to the provisions of the articles of association or a resolution of the general meeting. Under the accumulative voting system, each share shall be entitled to the number of votes equivalent to the number of directors or supervisors to be elected at the general meeting, and shareholders may consolidate their votes for one or more directors or supervisors when casting a vote.

Pursuant to the PRC Company Law, resolutions of the shareholders' general meeting shall be adopted by more than half of the voting rights held by the shareholders present at the meeting. However, resolutions of the shareholders' general meeting regarding the following matters shall be adopted by more than two-thirds of the voting rights held by the shareholders present at the meeting: (i) amendments to the articles of association; (ii) the increase or decrease of registered capital; (iii) the issue of any types of shares, warrants or other similar securities; (iv) the issue of debentures; (v) the merger, division, dissolution, liquidation or change in the form of the company; (vi) other matters considered by the shareholders' general meeting, by way of an ordinary resolution, to be of a nature which may have a material impact on the company and should be adopted by a special resolution.

Under the PRC Company Law, meeting minutes shall be prepared in respect of decisions on matters discussed at the shareholders' general meeting. The chairman of the meeting and directors attending the meeting shall sign to endorse such minutes. The minutes shall be kept together with the shareholders' attendance register and the proxy forms.

Board of Directors

A company shall have a board of directors, which shall consist of 5 to 19 members. The term of office of the directors shall be provided for by the articles of association, but each term of office shall not exceed three years. The directors may hold consecutive terms by re-election upon the expiry of term.

Meetings of the board of directors shall be convened at least twice a year. A notice of meeting shall be given to all directors and supervisors at least ten days before the meeting. As for extraordinary meetings convened by the board of directors, the way of giving notice and the notice period may be otherwise determined.

Under the PRC Company Law, the board of directors exercises the following functions and powers:

- to convene the shareholders' meeting and report on its work to the shareholders;
- to implement the resolution of the shareholders' meeting;
- to decide on the company's business plans and investment plans;
- to formulate the company's proposed annual financial budget and final accounts;
- to formulate the company's proposals for profit distribution and for recovery of losses;
- to formulate proposals for the increase or reduction of the company's registered capital and the issue of corporate bonds;
- to formulate plans for the merger, division, dissolution or change in the form of the company;
- to decide on the company's internal management structure;
- to appoint or dismiss the company's general manager, and based on the general manager's nomination, to appoint or dismiss deputy general managers and financial officers of the company and to decide on their remuneration;
- to formulate the company's basic management system; and
- other functions and powers as specified in the articles of association.

Interim board meetings may be convened by shareholders representing more than 10% of the voting rights, more than one-third of the directors or the supervisory board. The chairman shall convene the meeting within ten days of receiving such proposal, and preside over the meeting. Meetings of the board of directors could be held only if more than half of the directors are present. Resolutions of the board of directors require the approval of more than half of all directors. If a director is unable to attend a board meeting, he/she may appoint another director by a written power of attorney specifying the scope of the authorization for another director to attend the meeting on his/her behalf.

If a resolution of the board of directors violates the laws, administrative regulations or the company's articles of association as a result of which the company sustains serious losses, the directors participating in the resolution are liable to compensate the company. However, if it can be proven that a director expressly objected to the resolution when the resolution was voted on, and that such objections were recorded in the minutes of the meeting, such director may be relieved of that liability.

Under the PRC Company Law, the following persons may not act as a director of a company:

- persons without capacity or restricted capacity to undertake civil liabilities;
- persons who have committed the offense of corruption, bribery, taking of property, misappropriation of property or destruction of the order of socialist market economy, and have been sentenced to criminal punishment, where less than five years have elapsed since the date of completion of the sentence; or persons who have been deprived of their political rights due to criminal offense, where less than five years have elapsed since the date of the completion of implementation of this deprivation;
- persons who have been former directors, factory managers or general managers of a company or an enterprise that has been bankrupt and has been liquidated, and those persons are personally liable for the bankruptcy of such company or enterprise, where less than three years have elapsed since the date of the completion of the bankruptcy and liquidation of the company or enterprise;
- persons who were legal representatives of a company or enterprise which had its business license revoked due to violation of the law and who are personally liable, and less than three years have elapsed since the date of the revocation of the business license;
- persons who have a relatively large amount of debt due and outstanding.

The board of directors shall appoint a chairman, who is elected with approval of more than half of all the directors. The chairman of the board of directors exercises the following functions and powers (including but not limited to):

- to preside over general meetings and convene and preside over meetings of the board of directors; and
- to check on the implementation of the resolutions of the board of directors.

According to the PRC Company Law, the legal representative of a company may be the chairman, any executive director (if the limited liability company does not have a board of directors) or the general manager.

The PRC Company Law provide that a company's directors, supervisors, general managers and other senior management shall bear fiduciary duties and the obligation to act diligently. They are required to faithfully perform their duties, protect the interests of the company and not to use their positions and power for their own benefit.

Board of Supervisors

A company shall have a board of supervisors composed of not less than three members. The term of office of a supervisor shall be three years, and the supervisors may hold consecutive terms by re-election. The board of supervisors is made up of shareholders' representatives and an appropriate proportion of the company's staff representatives, which shall be no less than one-third. Directors and senior management shall not act as supervisors.

The board of supervisors exercises the following functions and powers:

- check the financial affairs of the company;
- supervise the directors and senior management in the performance of their duties, and to put forward proposals on the removal of any director or senior management who violates laws, administrative regulations, the articles of association or any resolution of the shareholders' meeting;
- require the director or senior management to make corrections if his/her act is detrimental to the interest of the company;

- propose the convening of interim shareholders' general meetings, and to convene and preside over shareholders' general meetings when the board of directors fails to exercise the function of convening and presiding over shareholders' general meetings as prescribed by the PRC Company Law;
- put forward proposals at shareholders' general meetings;
- initiate actions against directors or senior management as prescribed by the PRC Company Law; and
- other functions and duties as provided for by the articles of association.

The circumstances under which a person is disqualified from being a director described above apply mutatis mutandis to supervisors of a company.

General Manager and Other Senior Managements

"Senior management" refers to the general manager, vice manager, person in charge of finance, and the secretary of the board of directors of a listed company as well as any other person as stipulated in the articles of association. A company shall have a manager who shall be appointed or removed by the board of directors. The general manager is accountable to the board of directors and may exercise the following powers:

- manage the production, operation and management of the company and arrange for the implementation of resolutions of the board of directors;
- arrange for the implementation of the company's annual business and investment plans;
- formulate plans for the establishment of the company's internal management structure;
- formulate the basic administration system of the company;
- formulate the company's specific rules;
- recommend the appointment and dismissal of deputy general managers and person in charge of finance;
- decide to appoint or dismiss other management personnel (other than those required to be appointed or dismissed by the board of directors);
- attend board meetings as a non-voting attendant; and
- other powers conferred by the board of directors or the company's articles of association.

The circumstances under which a person is disqualified from being a director of a company described above apply mutatis mutandis to general manager and other senior management of the company. The articles of association of a company shall have binding effect on the shareholders, directors, supervisors, general manager and other senior management of the company. Such persons shall be entitled to exercise their rights, apply for arbitration or initiate legal proceedings according to the articles of association of the company.

Duties of Directors, Supervisors and Senior Managers

Directors, supervisors, general manager and other senior management of a company are required under the PRC Company Law to comply with the relevant laws, regulations and the company's articles of association, carry out their duties honestly and protect the interests of the company. Each director, supervisor, general manager and senior officer of a company is also under a duty of fidelity to the company and is prohibited from divulging secret information of the company unless permitted by the relevant laws and regulations or by the shareholders.

Any director, supervisor, general manager and other senior management who contravenes any laws, regulations or the company's articles of association in the performance of his duties which results in any loss to the company shall be personally liable to the company.

Finance and Accounting

A company shall establish its financial and accounting systems according to the laws, administrative regulations and the regulations of the MOF.

At the end of each financial year, a company shall prepare a financial report, which shall be audited and verified according to laws.

A company shall make available its financial statements for the inspection by the shareholders at least 20 days before the convening of the annual shareholders' general meeting. A company with public issuance of shares must publish its financial statements to the public.

When distributing each year's after-tax profits, the company shall set aside 10% of its after-tax profits for the company's statutory common reserve (except where such reserve has reached 50% of the company's registered capital). After a company has made an allocation to its statutory common reserve from its after-tax profit, subject to a resolution of the shareholders or the general meeting, the company may make an allocation to a discretionary common reserve from the after-tax profits. If the company's statutory common reserve is not enough to make up for the losses of the company for the previous year, the current year's profits shall first be used for making up the losses before the statutory common reserve is set aside according to the method mentioned hereof.

After the losses have been made up and surplus reserves have been set aside, the remaining after-tax profits shall be distributed to shareholders in proportion to the number of shares held by shareholders as in the case of a company, except as otherwise provided in the articles of association. The capital common reserve of a company is made up of the premium from the issuance of shares generated by the gap between the issuance price and the nominal value of the shares of the company, and other amounts required by the MOF to be allocated to the capital common reserve. The company's common reserves shall be used for making up losses, expanding the production and business scale or increasing the registered capital of the company, but the capital common reserve shall not be used for making up the company's losses. Where the statutory common reserve is converted into registered capital, the balance of the statutory common reserve shall not be less than 25% of the registered capital before such conversion.

Appointment and Dismissal of Accounting Auditors

Pursuant to the PRC Company Law, the appointment or dismissal of accounting firms responsible for the auditing of the company shall be determined by shareholders' general meeting or board of directors in accordance with the articles of association. The accounting firm is to be appointed for a term commencing from the conclusion of an annual general meeting and ending at the conclusion of the next annual general meeting. The accounting firm should be allowed to make representations when the shareholders' general meeting conducts a vote on the dismissal of the accounting firm. The company should provide true and complete accounting evidences, books, financial and accounting reports and other accounting data to the accounting firm which it employs without any refusal, withholding and misrepresentation.

Distribution of Profits

According to the Guide to the Program for "Full Circulation" of H shares promulgated by CSDC on February 7, 2020, cash dividends to domestic investors of H-share "full circulation" shall be distributed through CSDC. An H-share listed company shall transfer RMB cash dividends to the designated bank account of the Shenzhen subsidiary of CSDC, who shall complete the clearing of cash dividends by distributing the cash dividends to investors through domestic securities companies.

Amendments to the Articles of Association

Any amendments to the company's articles of association must be made in accordance with the procedures set forth in the company's articles of association. In relation to matters involving the company's registration, its changes in registration shall be applied with the company registry.

Dissolution and Liquidation

Under the PRC Company Law, a company shall be dissolved in any of the following events:

- the term of its operations set down in its articles of association has expired or events of dissolution specified in its articles of association have occurred;
- the shareholders' general meeting have resolved to dissolve the company;
- the company is dissolved by reason of its merger or demerger;
- the company is subject to the revocation of business license, a closure order or elimination in accordance with laws; or
- in the event that the company encounters substantial difficulties in its operation and management, and its continuance shall cause a significant loss in the interest of shareholders, and where this cannot be resolved through other means, shareholders who hold more than 10% of the total shareholders' voting rights of the company may present a petition to the people's court for the dissolution of the company.

Where the company is dissolved in the circumstances described in (1), (2), (4) and (5) above, a liquidation committee must be formed within 15 days after the occurrence of origin incident of dissolution. Members of the liquidation committee shall be appointed by directors or shareholders' general meeting. If a liquidation committee is not established within the stipulated period, the company's creditors can apply to the people's court for its establishment. Liquidation committee shall be notified to the creditors within 10 days of its formulation and shall be publicized in the newspapers within 60 days of its formulation as well. A creditor shall lodge its claim with the liquidation committee within 30 days after receiving notification, or within 45 days of the public notice if it has not received such notification.

The liquidation committee shall exercise the following functions and powers during the liquidation period:

- to take stock of the company's assets and to prepare a balance sheet and a property list;
- to notify creditors or issue public notices to such creditors;
- to deal with any outstanding business of the company related to the liquidation;
- to pay any tax overdue and those arising from the liquidation process;
- to settle the company's financial claims and liabilities;
- to handle the residual property of the company after paying off its debts; and
- to represent the company in civil lawsuits.

Company's assets shall be applied towards the payment of the liquidation expenses, wages owed to the employees, social insurance expenses and legal reimbursement, tax overdue and debts of the company. Any surplus assets shall be distributed to the shareholders of the company in proportion to the number of shares held by them. During the liquidation period, a company shall not engage in operating activities unrelated to the liquidation. If the liquidation committee becomes aware that the company does not have sufficient assets to meet its liabilities, it shall immediately apply to the people's court for a declaration for bankruptcy. Following such declaration, the liquidation committee shall hand over all affairs of the liquidation to the people's court.

Upon completion of the liquidation, the liquidation committee shall submit a liquidation report to the shareholders' general meeting or people's court for confirmation. Thereafter, the report shall be submitted to the company registration authority in order to cancel the company's registration, and a public notice of its termination shall be issued. Members of the liquidation committee are required to discharge their duties honestly and perform their obligation according to laws. A member of liquidation committee is liable to indemnify the company and its creditors in respect of any loss arising from his willful or material default.

"Full Circulation" of H Shares

Shareholders of domestic unlisted shares may determine by themselves through consultation the amount and proportion of shares, for which an application will be filed for circulation, provided that the requirements laid down in the relevant laws and regulations and set out in the policies for state-owned asset administration, foreign investment and industry regulation are met, and the corresponding H-share listed company may be entrusted to file the said application for "full circulation". To file an application for "Full Circulation", an H-share listed company shall file the application with the CSRC according to the procedures for the "examination and approval of public offering and listing (including additional issuance) of shares overseas by a joint stock company".

An H-share listed company may apply for "Full Circulation" separately or when applying for refinancing abroad. An unlisted domestic joint stock company may apply for "full circulation" when applying for an overseas initial public offering.

Merger and Demerger

Companies may merge through merger by absorption or through the establishment of a newly merged entity. If it merges by absorption, the company which is absorbed shall be dissolved. If it merges by forming a new corporation, both companies will be dissolved. Where there is a demerger of a company, its assets shall be divided up accordingly and a balance sheet and a property list shall be prepared. The company shall notify its creditors within ten days of the date of the company's demerger resolution and shall publish an announcement in a newspaper within thirty days of the date of the company's demerger resolution. Debts of the company prior to demerger shall be assumed by the companies which exist after the division on a joint and several basis, except to the extent that prior to demerger, the company has otherwise reached a written agreement with its creditors in respect of the settlement of debts.

SECURITIES LAW AND OTHER RELEVANT REGULATIONS

The PRC has promulgated a number of regulations that relate to the issue and trading of shares and disclosure of information. In October 1992, the State Council established the Securities Committee and the CSRC. The Securities Committee is responsible for coordinating the drafting of securities regulations, formulating securities-related policies, planning the development of securities markets, directing, coordinating and supervising all securities-related institutions in the PRC and administering the CSRC.

The CSRC is the regulatory arm of the Securities Committee and is responsible for the drafting of regulatory provisions of securities markets, supervising securities companies, regulating offers of securities by PRC companies in the PRC or overseas, regulating the trading of securities, compiling securities related statistics and undertaking relevant research and analysis. In 1998, the State Council consolidated the two departments and the CSRC has since taken over the original functions of the Securities Commission.

On December 25, 1995, the State Council promulgated and implemented the Regulations of the State Council Concerning Domestic Listed Foreign Shares of Joint Stock Limited Companies (《國務院關於股份有限公司境內上市外資股的規定》). These regulations deal mainly with the issue, subscription, trading and declaration of dividends and other distributions of domestic listed and foreign invested shares and disclosure of information of joint stock limited companies having domestic listed and foreign invested shares.

The Securities Law came into force on July 1, 1999, and was recently revised on December 28, 2019. This law is the first national securities law in China, which is divided into 14 chapters and 226 articles, regulating (including) the issuance and trading of securities, the acquisition of listed companies, stock exchanges, securities companies and the duties and responsibilities of the securities regulatory authority under the State Council. The Securities Law comprehensively regulates the activities of China's securities market. Article 224 of the Securities Law stipulates that a domestic enterprise shall comply with the relevant provisions of the State Council in issuing securities or listing its securities abroad directly or indirectly. Article 225 of the Securities Law stipulates that the specific measures for subscription and trading of shares of domestic companies in foreign currencies shall be separately formulated by the State Council. At present, the shares (including H shares) issued and traded abroad are still subject to the rules and regulations promulgated by the State Council and the CSRC.

Overseas Listing

The Overseas Listing Trial Measures stipulates that domestic company listed overseas must file with the CSRC, submit filing reports, legal opinions and other related materials, and truthfully, accurately and completely explain shareholder information. If the issuer publicly issues or lists securities oversea, it shall file with the CSRC within 3 working days after submitting the application documents for issuance and listing overseas; if the issuer issues securities in the same oversea market after being listed overseas, it shall file with the CSRC within 3 working days after completion of issuance.

ARBITRATION AND ENFORCEMENT OF ARBITRAL AWARDS

The Arbitration Law of the People's Republic of China (《中華人民共和國仲裁法》) (the"**Arbitration Law**") passed by the SCNPC on August 31, 1994, became effective on September 1, 1995 and was recently amended on September 1, 2017. It is applicable to contract disputes and other property disputes between natural person, legal person and other organizations, and the parties have entered into a written agreement to refer the matter to arbitration committee constituted in accordance with the Arbitration Law. Under the Arbitration Law, an arbitration committee may, before the promulgation by the PRC Arbitration Association of arbitration regulations, formulate interim arbitration rules in accordance with the Arbitration Law and the PRC Civil Procedure Law. Where the parties have by agreement provided arbitration as the method for dispute resolution, the people's court will refuse to handle the case.

The Listing Rules require an arbitration clause to be included in contracts between the company and each of its directors and supervisors, to the effect that any disputes or claims arising among the following parties will be referred to arbitration including between holders of H shares and the company, between holders of H Shares and the directors, supervisors, manager or other senior management of the company, and between holders of H shares and holders of Domestic Shares, with respect to any disputes or claims in relation to the companies affairs or as a result of rights or obligations arising under its articles of association, the PRC Company Law or other relevant laws and administrative regulations. Where a dispute or claim of rights referred to in the preceding paragraph is referred to arbitration, the entire claim or dispute must be referred to arbitration, and all persons who have a cause of action based on the same facts giving rise to the dispute or claim or whose participation is necessary for the resolution of such dispute or claim, must comply with the arbitration. Disputes in respect of the definition of shareholder and disputes in relation to our register of shareholders need not be resolved by arbitration.

A claimant may elect for arbitration to be carried out at either the China International Economic or Trade Arbitration Commission in accordance with its rules or the Hong Kong International Arbitration Center in accordance with the Securities Arbitration Rules. Once a claimant refers to a dispute or claim to arbitration, the other party shall submit to the arbitral body elected by the claimant. If the claimant elects for arbitration to be carried out at the Hong Kong International Arbitration Center, any party to the dispute or claim may apply for a hearing to take place in Shenzhen in accordance with the Securities Arbitration Rules of the Hong Kong International Arbitration Center.

Under the Arbitration Law and Civil Procedure Law, an arbitral award is final and binding on the parties.

SUMMARY OF MAJOR DIFFERENCES BETWEEN THE HONG KONG AND PRC COMPANY LAWS

The Laws of Hong Kong applicable to companies incorporated in Hong Kong are mainly Companies Ordinance (《公司條例》), Companies (Winding Up and Miscellaneous Provisions) Ordinance (《公司(清盤及雜項條文)條例》) and other Hong Kong Legislation (hereinafter collectively referred to as Hong Kong Legislation), which are supplemented by the common law and equity rules applicable in Hong Kong. The Company, as a joint stock limited company established in the PRC and seeking to [**REDACTED**] H-shares on the Hong Kong Stock Exchange, is subject to the PRC Company Law and other rules and regulations promulgated under the PRC Company Law.

A summary of the major differences in the laws and regulations respectively applicable to the companies incorporated in Hong Kong and the company limited by shares incorporated and existing under the PRC Company Law is carried out as follows. However, this summary is not an exhaustive comparison.

INCORPORATION OF A COMPANY

Pursuant to the Hong Kong Legislation, a company with share capital becomes an independent legal entity upon its registration with the head of the Companies Registry. A company can be incorporated as a public company or a private company. Pursuant to the Hong Kong Legislation, provisions of pre-emptive rights shall be included in the articles of association of a private company incorporated in Hong Kong, but are not required in that of a public company.

In accordance with the PRC Company Law, a joint stock limited company may be established either by way of promotion or by way of public subscription.

SHARE CAPITAL

In accordance with the Hong Kong Legislation, a company may specify in its articles of association the maximum number of shares that it may issue. Once such maximum number is declared, the company does not need to issue shares in full. Therefore, the maximum number of shares that the company may issue may be larger than the issued share capital. Under this circumstance, the directors of a Hong Kong company may, with the prior approval of the shareholders (if necessary), issue new shares of the company. The PRC Company Law does not specify the maximum number of shares to be issued. Our registered capital is the amount of our issued share capital. If we want to increase our registered capital, we must obtain the approval at the shareholders' general meeting and abide by applicable regulations of relevant governments and regulatory authorities in China.

The Laws of Hong Kong does not specify the minimum capital for a company incorporated in Hong Kong. The PRC Company Law does not provide for a minimum registered capital of a company limited by shares unless otherwise prescribed by laws, administrative regulations and the decisions of the State Council on the actual payment of registered capital and the minimum registered capital of a company limited by shares.

In accordance with the PRC Company Law, shares may be in the form of monetary or non-monetary assets (except for property that cannot be contributed as specified by laws and administrative regulations). Where a subscription is made in non-monetary property, the transfer formalities of its property rights shall be handled in accordance with the law. Following the establishment of a joint stock limited company, where it is found that the actual value of any non-financial asset used as a capital contribution for the establishment of the company is clearly lower than its value as stipulated in the articles of association, the promoter who made the capital contribution shall make up the shortfall, failing which, other promoters shall be jointly and severally liable for the shortfall. However, pursuant to the Hong Kong Legislation, a company incorporated in Hong Kong is not subject to such restrictions.

RESTRICTIONS ON SHAREHOLDING AND TRANSFER OF SHARES

Pursuant to the PRC Company Law, Company shares held by the promoters of the company shall not be transferred within one year of the date of incorporation of the company. Shares issued prior to any public offer of shares shall not be transferred within one year of the date on which the shares of the company are first listed and traded on a stock exchange.

Directors, supervisors and senior officers of a company shall notify the company of the shares they hold and any changes therein. During their respective terms of office, any shares transferred by any of the company's directors, supervisors and senior officers in any year shall not exceed 25% of the relevant individual's total stake in the company. Company shares held by any director, supervisor or senior officer shall not be transferred within one year of the date on which the shares are first listed and traded on a stock exchange. Any of the aforesaid persons who ceases to hold his post shall not transfer any of his shares within six months of the date on which he ceased to hold his post. Any other restrictions on transfers of shares held by directors, supervisors and senior officers may be specified in the articles of association.

There are no restrictions on shareholdings and transfers of shares under Hong Kong law apart from (i) the restriction on the Company to issue additional Shares within six months after listing, and (ii) the prohibition of controlling shareholders from disposing of shares within 12 months after the lockup.

FINANCIAL ASSISTANCE FOR ACQUISITION OF SHARES

While the PRC Company Law does not prohibit or restrict a company or its subsidiaries from providing financial assistance for the purpose of purchasing shares in the company, the the Guidelines for Articles of Association contain several restrictions similar to those in the Hong Kong Legislation on such financial assistance provided by the company and its subsidiaries. In accordance with the Guidelines for Articles of Association, a company or its subsidiaries shall not at any time provide any financial assistance in any form to purchasers or prospective purchasers of the shares in the company. Purchasers of shares in the company as referred to above shall include persons that directly or indirectly undertake obligations for the purpose of purchasing shares in the company. The company or its subsidiaries shall not at any time provide any financial assistance in any form to the above obligators in order to reduce or discharge their obligations.

CHANGES IN RIGHTS OVER CLASSIFIED SHARES

In accordance with the Hong Kong Legislation, the rights attached to any class of shares may only be changed if (1) the written consent of the holder representing at least 75% of the total voting rights of the holders of the relevant class of shares is obtained, (2) such change is approved by the holders of the relevant class of shares through a special resolution at an independent shareholders' general meeting, or (3) there is any provision for changing such rights in the articles of association of the company.

DIRECTORS

Unlike the Hong Kong Legislation, the PRC Company Law has no provision on the report of the interests of directors in major contracts, restrictions on certain benefits and guarantees for the directors' debts provided by the company to directors, and prohibition of compensation for resignation without the approval of shareholders. However, the Guidelines for Articles of Association impose certain restrictions on the contract of interest, as well as the provisions for directors to receive compensation for losing their positions. These provisions are included in the Company's articles of association and summarized in "Appendix VI — Summary of Our Articles of Association".

BOARD OF SUPERVISORS

The directors and senior management of the company are subject to the supervision of the Board of Supervisors under the PRC Company Law, but a Board of Supervisors is not required for a company incorporated in Hong Kong under the Hong Kong Legislation. In accordance with the Guidelines for Articles of Association, the supervisors shall, in exercising their powers, act in good faith in the best interests of the company, and perform their due acts with care, diligence and skill as a reasonable and prudent person should do under similar circumstances.

DERIVATIVE ACTION BY MINORITY SHAREHOLDERS

Where a director violates the fiduciary duty to the company and controls the majority voting rights of the shareholders' general meeting, thereby effectively preventing the company from suing the director for breach of liability in its own name, the minority shareholders may file a derivative action against such director as per the Laws of Hong Kong. Where any director, supervisor or senior management personnel of the company violates laws, administrative regulations or the company's articles of association during the performance of duties, causing damage to the company, the minority shareholders are entitled to file a lawsuit in the people's court to investigate such person's liability in accordance with the PRC Company Law. In addition, the Guidelines for Articles of Association provide that the company may take other measures when any director, supervisor and senior management personnel violates his/her duties to the company.

In addition, as a condition for the listing of H-shares on the Hong Kong Stock Exchange, each director and supervisor of the company (as an agent of each shareholder) must make a commitment to the company to allow minority shareholders to take action against directors and supervisors who fail to fulfill their respective duties.

PROTECTION OF MINORITY SHAREHOLDERS' RIGHTS

In accordance with the Laws of Hong Kong, where a shareholder complains about the unfair conduct of a company incorporated in Hong Kong and damage to his/her interests, he/she may apply to the court for winding up the company or applying for an appropriate decree governing the affairs of the company. In addition, where the number of such applications of shareholders reaches a specific value, the Financial Secretary may appoint an inspector and grant him/her a broad statutory power to investigate the affairs of the company incorporated in Hong Kong.

Pursuant to the PRC Company Law, where a company faces material difficulty in operations and management such that the interests of its shareholders will suffer heavy losses if the company continues to exist, and there is no other way to resolve the problem, the shareholders representing more than ten percent of the voting rights of all the shareholders of the company may file a request with the competent people's court to dissolve the company.

Pursuant to the Guidelines for Articles of Association the company's controlling shareholder and the actual controller shall not use their related parties to harm the interests of the company. Compensation liability shall be borne if a violation of the provision above causes losses to the company. The company's controlling shareholder and actual controller have a duty of good faith towards the company and its public shareholders. The controlling shareholder shall strictly exercise the rights of investors in accordance with laws and regulations and shall not use methods such as profit distribution, asset restructuring, external investment, fund occupation, or loan guarantee to damage the legitimate rights and interests of the company or its public shareholders. They also cannot use their control position to harm the interests of both.

NOTICE OF SHAREHOLDERS' GENERAL MEETINGS

Pursuant to the PRC Company Law, the notice of an annual shareholders' general meeting and that of an extraordinary general meeting shall be issued no less than 20 days and 15 days prior to the meeting respectively. A limited company incorporated in Hong Kong shall send a notice of an annual shareholders' general meeting at least 21 days in advance and of other meetings 14 days in advance.

QUORUM OF SHAREHOLDERS' GENERAL MEETINGS

In accordance with the Laws of Hong Kong, the quorum for a shareholders' general meeting shall be not less than two shareholders, except as otherwise provided in the articles of association. For a company with only one shareholder, the quorum shall be a one shareholder. The PRC Company Law has no stipulation on the quorum of the a shareholders' general meeting.

VOTING RIGHTS

Pursuant to the Laws of Hong Kong, an ordinary resolution shall be approved by half of the shareholders attending the shareholders' general meeting in person or by proxy, while a special resolution shall be approved by no less than three-quarters. Pursuant to the PRC Company Law, any resolution of the shareholders' general meeting shall be passed by the shareholders representing more than half of the voting rights of all shareholders present at the meeting. However, a resolution of the shareholders' general meeting on modification of the articles of association, increase or reduction of the registered capital, merger, division or dissolution, or the conversion of the company shall be passed by the shareholders representing more than two-thirds of the voting rights of all shareholders present at the meeting.

FINANCIAL DISCLOSURE

Pursuant to the PRC Company Law, the financial report of a joint stock limited company shall be prepared for inspection by shareholders at the offices of the company 20 days in advance of the date on which the annual shareholders' general meeting is held. A joint stock limited company that has offered its shares to the public shall publicize its financial report, and shall, at the end of each accounting year, prepare a financial and accounting report which shall be audited by an accounting firm in accordance with the law. Pursuant to the Hong Kong Legislation, a company incorporated in Hong Kong shall send copies of financial statements, director's reports and auditor's reports to be used by shareholders at the annual shareholders' general meeting at least 21 days prior to the meeting.

In accordance with PRC law, we shall prepare financial statements pursuant to China's accounting standards.

INFORMATION ABOUT DIRECTORS AND SHAREHOLDERS

Pursuant to the PRC Company Law, shareholders are entitled to inspect the company's articles of association, minutes of the shareholders' general meetings and financial and accounting reports. Shareholders are entitled to inspect and copy (subject to cost or reasonable fees) information about the shareholders and directors under the Laws of Hong Kong.

RECEIVING AGENTS

Pursuant to the PRC Company Law and the Laws of Hong Kong, dividends become debts payable to shareholders upon declaration.

Pursuant to the Hong Kong Legislation, a registered trust company is a receiving agent who, on behalf of H-share shareholders, collects dividends declared and other unpaid payments related to the shares owned by the company.

COMPANY REORGANIZATION

A company incorporated in Hong Kong may be reorganized in multiple manners, including transferring all or part of the business or property of the company to another company in the voluntary liquidation process or reaching a compromise or arrangement between the company and its creditors or members in accordance with the Hong Kong Legislation; provided that the aforesaid shall be subject to a court decision. The merger, division or dissolution, or the conversion of a Chinese company shall be approved at the shareholders' general meeting.

DISPUTE AND ARBITRATION

In Hong Kong, disputes between a shareholder (a party) and a company incorporated in Hong Kong or its director (the other party) may be settled by a court.

COMPULSORY WITHDRAWAL

Pursuant to the PRC Company Law, when a company distributes its after-tax profit to shareholders, it shall first allocate the amount stipulated by itself to its statutory common reserve fund. There is no relevant provision in the Hong Kong Legislation.

REMEDIES

Pursuant to the PRC Company Law, where any director, supervisor or senior officer violates any law, administrative regulation, or the articles of association in the course of performing his duties, he shall be liable to compensate the company for any loss thereby caused to the company. In addition, pursuant to the Hong Kong Listing Rules, the company shall include remedies similar to those provided in the Laws of Hong Kong (including cancellation of contracts and claiming profits from directors, supervisors or senior management personnel) in the articles of association.

DIVIDENDS

Pursuant to the articles of association, the company may, in accordance with Chinese laws, make tax withholdings in respect of any dividend or other distribution to shareholders and pay taxes payable to the relevant tax authorities. The time limit for filing a claim for debt repayment (including the recovery of dividends) is six years under the Laws of Hong Kong and three years under the Chinese law. The company shall not exercise any right to confiscate any unclaimed H-share dividends until the applicable time limit expires.

FIDUCIARY DUTY

The common law of Hong Kong defined the directors' fiduciary responsibility. Pursuant to the PRC Company Law, the directors, supervisors and senior management personnel of a company shall be faithful and diligent to the company. Pursuant to the Guidelines for Articles of Association, directors, supervisors and senior management personnel shall abide by the principle of good faith, safeguard the interests of the company, and shall not take advantage of their positions and powers in the company to seek personal gain.

SUSPENSION OF SHAREHOLDER REGISTRATION

Pursuant to the Hong Kong Legislation, the full registration suspension of the transfer of shareholders' registered shares within one year shall not exceed 30 days (or 60 days under special circumstances).

This appendix contains a summary of the main provision of the Articles of Association of the Company adopted on June 29, 2023 and amended on February 18, 2023 and June 29, 2023 respectively, which will take effect from the date of the [**REDACTED**] *of H Shares on the Hong Kong Stock Exchange. The main purpose of this appendix is to provide potential investors with an overview of the Articles of Association of the Company, so it may not contain all the information that is important to potential investors.*

SHARES AND REGISTERED CAPITAL

The Company shall issue shares under the principles of openness, fairness and equality and shares of the same class shall carry the equal rights.

Shares of the same class issued at the same time shall be issued under the same condition and at the same price. Shares subscribed by any entity or individual shall be paid for at the same consideration.

INCREASE AND REDUCTION OF CAPITAL AND REPURCHASE OF SHARES

Increase of Capital

The Company may, based on its operating and development needs, increase its capital in the following ways pursuant to the requirements of laws and regulations and subject to the resolutions separately passed at the general meetings:

(1) by public offering of shares;

(2) by non-public offering of shares

(3) by allotting bonus shares to its existing shareholders;

(4) by converting common reserve fund into share capital;

(5) by any other means which is stipulated by law and administrative regulations and approved by the CSRC.

Reduction of Capital

The Company may reduce its registered capital in accordance with the provisions of the Articles of Association. The Company shall reduce its registered capital in accordance with the PRC Company Law and other relevant regulations as well as the procedures stipulated in the Articles of Association.

In case of reduction of registered capital of the Company, a balance sheet and assets list shall be formulated.

The Company shall inform its creditors of the reduction in capital within ten (10) days and make at least three announcements in newspapers within thirty (30) days after the resolution approving the reduction has been adopted. The creditors shall, within thirty (30) days since the date of receiving a written notice or within forty five (45) days since the date of the first public announcement for those who have not received a written notice, be entitled to require the Company to pay off its debts in full or to provide a corresponding guarantee.

The registered capital of the Company following the reduction of capital shall not fall below the minimum statutory requirement.

Repurchase of Shares

The Company shall not repurchase its shares in accordance with the laws and regulations, the Articles of Association and the relevant provisions of the securities regulatory authorities of the place where the Company's shares are listed, except in the following circumstances:

(i) to reduce its capital;

(ii) to merge with another company that holds the shares;

(iii) to utilize shares in the employee share ownership scheme or for share incentive;

(iv) to use the shares in the conversion of the convertible corporate bonds issued by the Company;

(v) Necessary for the Company to protect its value and the shareholders' equity;

(vi) to acquire the shares upon request by shareholders who vote against any resolution adopted at the general meeting on the merger or division of the Company;

(vii) Other circumstances permitted by laws, regulations and regulatory rules of the place where the Company's shares are listed.

Where the Company repurchases its shares under the circumstances set out in items (i) and (ii) of the preceding paragraph, it shall be subject to the resolution of the general meeting; where the Company repurchases its shares under the circumstances set out in items (iii), (iv) and (v) of the preceding paragraph, it shall be subject to the resolution of the Board meeting attended by more than two-thirds (2/3) of the directors in accordance with the provisions of the Articles of Association or the authorization of the general meeting.

The shares repurchased by the Company in accordance with the paragraph 1 shall be processed in the following ways: for the circumstance in item (i), such shares shall be canceled in ten days after the date of repurchase; for the circumstance in item (ii) or (vi), such shares shall be transferred or canceled in six months; for the circumstance in item (iii), (iv) or (v), the total number of shares held by the Company shall not exceed 10% of the total issued shares of the Company, and such shares shall be transferred or canceled in three years.

TRANSFER OF SHARES

The promoters' shares of the Company shall not be transferred within one (1) year from the date of the establishment of the Company. Shares issued by the Company prior to its public offering shall not be transferred within one (1) year as of the date on which the shares are listed and traded in a stock exchange.

The Directors, supervisors, general mangers and other senior management of the Company shall regularly declare the number of shares held by them and the relevant changes. The number of shares transferred each year during their term of office shall not exceed 25% of the total number of shares of the Company held by them. The shares of the Company held by them shall not be transferred within one (1) year as of the [**REDACTED**] of the shares of the Company. The shares of the Company held by them shall not be transferred within six months after their resignation. Where the rules of the stock exchange where the Company's shares are listed have other provisions on the transfer of shares, such provisions shall also be complied with.

The Company shall not accept its own shares as collateral.

SHARE CERTIFICATES AND REGISTER OF SHAREHOLDERS

Share Certificates

The share certificates of the Company shall be in registered form.

Under conditions of the paperless issuance and trading of the Company's shares, the provisions of the securities regulatory body and the stock exchange(s) where the Company's shares are listed shall apply.

RIGHTS AND OBLIGATIONS OF SHAREHOLDERS

Shareholders

The Company shall establish a register of shareholders with the information provided by the securities registration authority. The register of shareholders shall be sufficient evidence of the holding of the shares of the Company by the shareholders. A shareholder shall enjoy the rights and assume the obligations attached to the class of shares held. Shareholders holding the same class of shares shall be entitled to the same rights and assume equal obligations.

Rights and Obligations of Shareholders

Shareholders of the Company shall entitle the following rights:

(i) to the Company for dividends and other forms of profit distribution according to the proportion of shares they hold;

(ii) to request, convene, hold, participate or authorize proxies to attend shareholders' general meeting, and to exercise voting rights according to the proportion of shares they hold;

(iii) to supervise the business operations of the Company and to make suggestions or inquiries;

(iv) to transfer, give or pledge the shares held by them in accordance with the laws and regulations, the Listing Rules and the Articles of Association;

(v) to obtain relevant information in accordance with the laws and regulations and the Articles of Association, which shall include:

  1. to obtain the copies of Articles of Association after paying the production cost;

  2. to inspect and obtain photocopies of the following information upon payment of a reasonable charge:

    (1) all of the register of Shareholders;

    (2) personal information of the directors, supervisors, general manager and other senior management of the Company, including:

      (a) Current and previous names and alias;

      (b) Main address (domicile);

      (c) Nationality;

      (d) Full-time and all other part-time jobs and titles;

      (e) Identity documents and numbers.

    (3) Status of the share capital of the Company;

    (4) Special resolutions of the Company;

    (5) reports showing the aggregate par value, number of shares, and maximum and minimum prices paid in respect of each class of shares bought back by the Company since the last fiscal year as well as all the expenses paid by the Company therefore;

    (6) counterfoils of corporate bonds, resolutions of the Board meetings, resolutions of the Supervisory Committee meetings, financial and accounting reports and minutes of general meetings (for inspection by shareholders only);

(7) The latest audited financial statements, reports of the Board of Directors, and Board of Supervisors and auditors;

(8) The latest annual report/annual return filed with the PRC administration for industry and commerce or other competent authorities;

(9) The minutes of the general meeting.

(vi) To participate in the distribution of the remaining property of the Company according to the proportion of shares they hold when the Company is terminated or liquidated;

(vii) To require the Company to buy back its shares in the event that shareholders objecting to resolutions of the general meeting concerning merger or division of the Company satisfy the requirements of the Articles of Association and relevant laws and regulations on the procedures for share buy-back by the Company;

(viii) The Shareholders holding more than three percent (3%)of the shares of the Company separately or jointly have the right to raise a temporary proposal and submit it in writing to the Board of Directors ten (10) days before the Shareholders' general meeting is held; and

(ix) Other rights set out in laws and regulations and the Articles of Association.

A shareholder requesting for inspection of information or access to materials referred to in the preceding Article shall produce to the Company written documents evidencing the class and number of shares that the shareholder holds. The Company shall provide such information and materials as requested by the shareholder after confirming the identity of the shareholder. Shareholders shall keep confidential the information and materials they inspect.

Shareholders of the Company shall assume the following obligations:

(i) to abide by the laws and regulations, regulatory rules of the place where the Company's shares are listed and the Articles of Association;

(ii) to make a capital contribution according to the shares they subscribe for and the capital participation method;

(iii) not to withdraw capital contribution or withdraw shares unless otherwise provided by laws and regulations;

(iv) not to abuse their shareholders' rights to harm the Company's or other shareholders' interests; not to abuse the Company's legal person status or the shareholders' limited liability to harm the interests of the Company's creditors;

(v) Other obligations to be assumed by the Shareholders according to the laws and regulations and the Articles of Association.

If a shareholder abuses his/her shareholder rights and causes a loss to the Company or other shareholders, he or she shall be held liable for damages in accordance with laws.

SHAREHOLDERS' GENERAL MEETING

General rules for the Shareholders' General Meeting

The general meeting acts as the supreme authority of the Company which, according to laws, exercises the following functions and power:

(i) to decide on the Company's operational policies and investment plans;

(ii) to elect and replace the directors and supervisors assumed by non-representatives of the employees and decide on matters relating to the remuneration of the directors and supervisors;

(iii) to review and approve the reports of the board of directors;

(iv) to review and approve the reports of the board of supervisors;

(v) to review and approve the Company's proposed annual financial budget and final accounts;

(vi) to review and approve the Company's profit distribution plans and loss recovery plans;

(vii) to decide on the increase or reduction of the Company's registered capital;

(viii) to decide on merger, division, dissolution, liquidation of the Company, or changes in the form of the Company;

(ix) to decide on the issue of bonds by the Company;

(x) to decide on the appointment or dismissal of the accounting firms of the Company;

(xi) to amend these Articles of Association;

(xii) to review the matters of purchase and/or sale by the Company within one year of significant assets exceeding 30% of the latest audited total assets of the Company;

(xiii) to review and approve the security-related matters stipulated in Article 48;

(xiv) to review and approve the change of the use of the raised funds;

(xv) to review stock incentive plans and employee stock ownership plans;

(xvi) to review other matters which, according to laws, administrative regulations, departmental rules or these Articles of Association, are subject to shareholders' approval in general meetings.

The Board of Directors shall convene an extraordinary general meeting within two (2) months in any of the following cases:

(i) When the number of Directors is less than the number prescribed by the PRC Company Law or less than two-thirds (2/3) of the amount required by these Articles of Association;

(ii) When the Company's uncovered losses amount to one-third (1/3) of the total paid-up share capital;

(iii) When Shareholders, individually or collectively, holding more than ten percent (10%) of the voting shares of the Company request;

(iv) When the Board of Directors deems it necessary or when the Board of Supervisors proposes to convene it;

(v) Other circumstances as stipulated by laws, regulations, the listing rules of the place where the Company's shares are listed or these Articles of Association.

The Convening of the General Meeting

The independent non-executive Directors shall have the right to propose to the Board of Directors the convening of an extraordinary general meeting. In response to a proposal by an independent non-executive Director to convene an extraordinary general meeting, the Board of Directors shall, in accordance with the laws and regulations, the Listing Rules and these Articles of Association, provide written feedback within ten (10) days after receiving the proposal to agree or disagree with the convening of the extraordinary general meeting. If the Board of Directors agrees to convene an extraordinary general meeting, it will issue a notice of the convening of the general meeting within five (5) days after making a resolution of the Board of Directors.

The Board of Supervisors has the right to propose to the Board of Directors to convene an extraordinary general meeting, and shall make such proposal in writing. The Board of Directors shall, in accordance with the laws and regulations, the Listing Rules and these Articles of Association, provide written feedback on whether it agrees or disagrees with the convening of an extraordinary general meeting within ten (10) days after receiving the proposal.

Shareholders who individually or collectively hold more than ten percent (10%) of the shares of the Company may sign one or more written requests in the same form of content to the Board of Directors requesting the convening of an extraordinary general meeting, stating the topics of the meeting and the inclusion of proposals in the agenda of the meeting. The Board of Directors shall, in accordance with the laws and regulations, the Hong Kong Listing Rules and these Articles of Association, provide written feedback within ten (10) days after receiving the request, whether it agrees or does not agree to convene an extraordinary general meeting.

If the Board of Directors agrees to convene an extraordinary general meeting, it shall, within five (5) days after making a resolution of the Board of Directors, issue a notice to convene the general meeting, and any changes to the original request in the notice shall be subject to the consent of the shareholders concerned.

If the Board of Directors does not agree to convene an extraordinary general meeting, or does not provide feedback within ten (10) days after receiving the request, shareholders, individually or collectively, holding more than ten (10) percent of the shares of the Company shall have the right to propose to the Board of Supervisors the convening of an extraordinary general meeting or a class meeting, and shall submit their request in writing to the Board of Supervisors.

If the Board of Supervisors agrees to convene an extraordinary general meeting, it shall, within five (5) days after receiving the request, issue a notice convening the general meeting, and any changes to the original proposal in the notice shall be subject to the consent of the shareholders concerned.

If the Board of Supervisors fails to issue a notice of a general meeting within the prescribed period, it shall be deemed not to convene and preside over the general meeting. Shareholders who individually or collectively hold more than ten percent (10%) of the shares of the Company for more than ninety (90) consecutive days may convene and preside over the general meeting on their own. The number of shares held above shall be calculated according to the date of the written request of the shareholder. The shareholding of the convening shareholder shall not be less than ten percent (10%) before the announcement of the resolution of the general meeting.

Notices of the Shareholders' General Meeting

The convener shall notify all shareholders of the time, place and matters to be considered at the meeting at least twenty-one (21) calendar days prior to the annual general meeting, and shall notify all shareholders of the time, place and matters to be considered at the meeting fifteen (15) calendar days prior to the extraordinary general meeting. When calculating the starting date and the ending date, the date on which the notice is given is included and the date on which the meeting is convened is excluded.

The general meeting shall not decide on matters not specified in the notice.

The notice of the general meeting shall meet the following requirements:

(i) the time, venue and duration of the meeting;

(ii) subject matters and proposals submitted for consideration and approval at the meeting;

(iii) particulars shall be in clear text that all shareholders are entitled to attend general meetings and may appoint their proxies in writing to attend and vote at the meetings. Such proxies need not be shareholders of the Company;

(iv) the equity registration date of the shareholders who are entitled to attend on the general meetings;

(v) name(s) and telephone number(s) of the standing contact person(s) for the affairs of meetings;

(vi) online or other means of voting time and voting procedures;

(vii) other requirements stipulated by laws and regulations, regulatory rules of the place where the Company's shares are listed and the Articles of Association.

Resolutions at the General Meeting

The resolutions of a general meeting are classified into ordinary resolutions and special resolutions.

Ordinary resolutions of the general meeting shall be adopted by more than half (1/2) of the voting rights held by the shareholders (including shareholders' proxies) present at the general meeting.

Special resolutions of the general meeting shall be adopted by more than two-thirds (2/3) of the voting rights held by the shareholders (including shareholders' proxies) present at the general meeting.

The following matters shall be resolved by way of ordinary resolution of the general meeting:

(i) work reports of the board of directors and the board of supervisors;

(ii) proposals formulated by the board of directors for distribution of profits and for making up accrued losses;

(iii) appointment and removal of members of the board of directors and the board of supervisors, their remuneration and method of payment of their remuneration;

(iv) annual budget and final accounts of the Company;

(v) annual report of the Company;

(vi) all matters required to be approved by a general meeting other than those required to be approved by way of special resolution under any laws, administrative regulations, securities regulatory rules of the place where the shares of the Company are listed or these Articles of Association.

The following matters shall be resolved by way of special resolution of the general meeting:

(i) the increase or reduction of the registered capital by the Company;

(ii) the merger, spin-off, division, dissolution, liquidation or change in the form of the Company;

(iii) the amendment to these Articles of Association;

(iv) the amount of purchase and the sale of major assets or the guarantee by the Company within one year exceeds 30% of the latest audited total assets of the Company;

(v) the share incentive schemes;

(vi) other matters which the laws, administrative regulations, securities regulatory rules of the place where the shares of the Company are listed or these Articles of Association require to be adopted by special resolutions and which the general meeting, by an ordinary resolution, considers to have a material impact on the Company and therefore require to be adopted by a special resolution.

Shareholders (including shareholders' proxies), may exercise voting rights in the amount of the voting shares they represent and each share shall have one vote.

Shares held by the Company do not carry any voting rights and shall not be counted in the total number of voting shares represented by shareholders present at a general meeting.

When a connected transaction is considered at a general meeting, the connected shareholders shall abstain from voting, and the number of voting shares represented by them shall not be counted in the total number of valid votes.

Where any shareholder is, under the laws and regulations and the Hong Kong Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for (or only against) any particular resolution, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

When the votes against and for are equal, whether on a show of hands or on a poll, the presider of the meeting shall be entitled to an additional vote.

DIRECTORS AND THE BOARD OF DIRECTORS

Directors

Directors shall be elected or replaced at the general meeting for a term of three (3) years, and may be re-elected upon the expiration of the term.

If there are no other provisions in the relevant laws and regulations and the listing rules of the place where the Company's shares are listed, the general meeting may, subject to compliance with the relevant laws and regulations, remove any Director whose term of office has not expired by an ordinary resolution (but without prejudice to any claim for damages under any contract).

The general manager or other Senior Management Members may concurrently serve as Directors, provided that the total number of Directors who concurrently serve as general manager or other Senior Management Members and Directors who are employee representatives shall not exceed half (1/2) of the total number of Directors of the Company.

Board of Directors

The Directors of the Company are divided into executive Directors, non-executive Directors and independent non-executive Directors. The number of independent non-executive Directors shall represent at least one-third (1/3) of the members of the Board of Directors and shall not be less than three (3).

The Company shall have a Board of Directors, which shall consist of eleven (11) Directors and shall have one (1) chairman of the Board.

The Board of Directors shall be accountable to the general meeting and exercises the following functions and powers:

(i) to convene general meetings and report on its work to the general meetings;

(ii) to implement the resolutions of the general meeting;

(iii) to determine the business operation plans and investment plans of the Company;

(iv) to formulate the annual financial budgetary plans and final accounting plans of the Company;

(v) to formulate the profit distribution plans and loss recovery plans of the Company;

(vi) to formulate proposals for the increase or reduction of the Company's registered capital, the issuance of bonds or other securities of the Company and listing of shares of the Company;

(vii) to formulate plans for material acquisitions, purchase of shares of the Company or merger, division, dissolution, liquidation or change of corporate form of the Company;

(viii) to decide on matters such as external investment, acquisition and disposal of assets, pledge of assets, external guarantees, entrusted wealth management, connected transactions and external donations of the Company within the scope of authorization of the general meeting or in accordance with the listing rules of the place where the Company's shares are listed;

(ix) to determinate the setup of the Company's internal management organizations;

(x) to decide on the appointment or dismissal of the Company's general manager, secretary to the board of directors and other senior management members, and to decide on matters over the remunerations and rewards and punishments thereof; and to decide on the appointment or dismissal of the Company's deputy general manager, chief financial officer and other senior management as well as their remunerations and rewards and punishments according to the nomination of the general manager;

(xi) to formulate the basic management system of the Company;

(xii) to formulate the amendment to the Articles of Association;

(xiii) to formulate plans for the repurchase of the Company's shares by the Company;

(xiv) to manage the information disclosure of the Company;

(xv) to request the general meeting to engage or replace the accounting firm that provides audits for the Company;

(xvi) to listen to the work report of the manager of the Company and inspect the work of the manager;

(xvii) other functions and powers conferred by laws and regulations, the listing rules of the place where the Company's shares are listed, the Articles of Association or the general meetings.

The chairman of the Board shall exercise the following functions and powers:

(i) to preside over general meetings and to convene and preside over meetings of the Board of Directors;

(ii) to supervise and inspect the implementation of the resolutions of the Board of Directors;

(iii) other functions and powers conferred by the Board of Directors.

The notice of a regular Board meeting shall be sent to all Directors, Supervisors, the general manager and the board secretary at least fourteen (14) days before the date of the meeting.

The notice of an extraordinary Board meeting shall be sent to all Directors, Supervisors and the general manager at least five (5) days before the meeting.

Voting at Board meetings is conducted by open ballot, with each Director having one vote. Resolutions of the Board of Directors shall be passed by more than half of all Directors. Where laws, regulations, regulatory rules of the place where the Company's shares are listed and the Articles of Association require the consent of more Directors to form a resolution, such provisions shall prevail.

GENERAL MANAGER

The Company shall have one (1) general manager, who shall be appointed or dismissed by the Board of Directors.

The Company shall have several deputy general managers and one (1) chief financial officer, who shall be appointed or dismissed by the Board of Directors upon nomination by the general manager.

The general manager shall be directly accountable to the Board of Directors and exercise the following functions and powers:

(i) to be in charge of the production, operation and management of the Company, to organize and implement the resolutions of the Board of Directors, and to report on his/her work to the Board of Directors;

(ii) to organize and implement the Company's annual business plan and investment plan;

(iii) to formulate the plan for establishment of the Company's internal management organization;

(iv) to formulate the Company's basic management system;

(v) to formulate the detailed rules and regulations of the Company;

(vi) to request the Board of Directors to engage or dismiss deputy general manager and chief financial officer of the Company;

(vii) to appoint or dismiss management personnel other than those required to be appointed or dismissed by the Board of Directors;

(viii) other functions and powers conferred by the Articles of Association and the Board of Directors.

SECRETARY TO THE BOARD

The Company shall have one (1) board secretary. The Board secretary shall be a Senior Management Member of the Company and shall be appointed or dismissed by the Board of Directors.

The Company shall have a secretary to the board of directors, whose responsibilities include preparing general meetings and board meetings of the Company, maintaining documents and managing shareholder information of the Company, and handling the information disclosure of the Company.

The secretary to the board of directors shall comply with relevant provisions of the laws, administrative regulations, departmental rules, and these Articles of Association.

SUPERVISORY COMMITTEE

The Company shall establish a board of supervisors. The board of supervisors shall consist of three supervisors.

The board of supervisors shall appoint a chairperson, who shall be elected by more than half of the supervisors. The meetings of the board of supervisors shall be convened and presided over by the chairperson of the board of supervisors. If the chairperson of the board of supervisors is unable or fails to perform his/her duties, such meeting shall be convened and presided over by a supervisor elected by half or more of the supervisors.

The board of supervisors consists of shareholder representatives and an appropriate proportion of employee representatives of the Company, which proportion shall not be lower than 1/3. The employee representatives of the board of supervisors shall be elected by employees of the Company at the employee representatives' meeting, employee meeting or otherwise democratically.

The directors of the Company, general managers, chief financial officers and other senior management shall not serve concurrently as supervisors.

The voting at meetings of the Supervisory Committee shall be conducted in the form of open ballot. Each Supervisor shall have one vote.

The resolutions of Supervisory Committee shall be passed by the votes of more than two-thirds (2/3) of the members of the Supervisory Committee.

The Board of Supervisors shall be responsible for the general meeting and exercise the following functions and powers in accordance with the law:

(i) To review the regular reports of the Company prepared by the Board of Directors and to submit written review opinions thereon;

(ii) To check the finance of the Company;

(iii) To supervise the Directors, the general managers and Senior Management Members in the performance of their duties and to propose the dismissal of aforementioned people who violate laws, regulations, the Articles of Association or resolutions of the general meeting;

(iv) To require the Director, general manager or other Senior Management Members to correct his/her act that is detrimental to the Company's interests;

(v) To propose the holding of extraordinary general meetings and, in the event that the Board of Directors fails to perform its duty of convening and presiding over a general meeting, to convene and preside over such a meeting in accordance with the PRC Company Law and the Articles of Association;

(vi) To submit proposals to the general meeting;

(vii) To file legal proceedings against directors and senior management under the PRC Company Law;

(viii) investigate any irregularities in the operation of the Company; If necessary, professional institutions such as accounting firms and law firms may be engaged to assist in their work at the expense of the Company;

(ix) other functions and powers imposed by the laws, regulations and the Articles of Association.

FINANCIAL AND ACCOUNTING SYSTEM

The Company shall formulate its own financial and accounting systems in accordance with the laws, regulations and the relevant rules enacted by the competent financial department of the State Council.

The Company shall publish its annual report within four months from the ending date of each financial year, and its interim report within three months from the ending date of the first half of each financial year. The above-mentioned annual and interim reports shall be prepared in accordance with the relevant laws, administrative regulations and the provisions of the CSRC and the stock exchange(s).

PROFIT DISTRIBUTION

Profit distribution policy of the Company:

(i) Principle of profit distribution: the Company implements a continuous and stable profit distribution policy. The profit distribution of the Company attaches importance to the reporting of investment and reasonable investment and takes into account the sustainable development of the Company.

(ii) Form of profit distribution: the Company may distribute profits in the form of cash, shares or a combination of cash and shares. If the conditions for cash dividends are satisfied, priority shall be given to cash dividends for profit distribution.

(iii) Specific conditions for cash dividend distribution: in the event that the Company records profit for the year and the accumulated undistributed profit is positive, in principle, the annual cash dividend of the Company shall not be less than 10% of the distributable profit realized for the year if the Company does not have major investment plans or major capital expenditures. The specific distribution plan will be determined by the general meeting based on the actual operation of the Company in the year.

The Board of Directors shall propose differentiated cash dividend policies based on the following situations after comprehensively considering such factors as the industry characteristics, the Company's development stage, operation mode, profitability and whether it has any significant capital expenditure arrangement:

1. If the Company is in mature development stage and has no significant capital expenditure arrangement, when profit distribution is made, the cash dividend shall at least account for 80% of the profit distribution;

2. If the Company is at the mature stage of development and has significant capital expenditure arrangements, when profit distribution is made, the cash dividends shall at least account for 40% of the profit distribution;

3. If the Company is at the growth stage of development and has significant capital expenditure arrangements, when profit distribution is made, the cash dividends shall at least account for 20% of the profit distribution;

If it is difficult to distinguish the development stage of the Company and there are major capital expenditure arrangements, the profit distribution may be dealt with pursuant to the preceding provisions.

(iv) Specific conditions for distribution of share dividends: The Company mainly adopts the profit distribution policy of cash dividends. If the Company's revenue increases rapidly, and the Board of Directors considers that the Company's share price does not match the size of the Company's share capital and the distribution of share dividends is beneficial to the interests of all shareholders of the Company as a whole, the Company may propose and implement a share dividend distribution plan under the above conditions for distribution of cash dividends.

DISSOLUTION AND LIQUIDATION OF THE COMPANY

The Company shall be dissolved and liquidated according to law in any of the following circumstances:

(i) the general meeting resolves to dissolve the Company;

(ii) dissolution is required due to merger or division of the Company;

(iii) the Company is revoked of its business license, ordered to close down or annulled according to law due to violation of laws and regulations;

(iv) there is severe difficulty in the operation and management of the Company, and the continued existence of the Company will have material prejudice to the interests of its shareholders and there is no other way to resolve, shareholders who hold an aggregate of over ten percent (10%) of the whole voting rights can make a petition to the People's Court to dissolve the Company.

If the Company is dissolved under items (i), (iii), and (iv), a liquidation committee shall be set up, which shall start liquidation within fifteen (15) days from the date of occurrence of the cause for dissolution. The members of such liquidation committee shall be determined by the Directors or the general meeting.

If the liquidation committee is not established within the prescribed period, creditors can submit an application to the people's court to appoint relevant officers to establish such committee to carry out the liquidation.

The liquidation committee shall notify its creditors within a period of ten (10) days since the date it is established, and make announcements in newspapers within sixty (60) days. Creditors shall, within thirty (30) days since the date of receiving the notice, or for creditors who do not receive the notice, within forty five (45) days since the date of the public announcement, report their creditors' rights to the liquidation committee.

If the liquidation committee, having thoroughly examined the Company's property and prepared a balance sheet and schedule of assets, discovers that the Company's property is insufficient to pay its debts in full, it shall apply to the People's Court for a declaration of bankruptcy.

After the People's Court has ruled for the Company to declare itself bankrupt, the Company's liquidation committee shall refer the liquidation matters to the People's Court.

Following the completion of liquidation of the Company, the liquidation committee shall formulate a liquidation report, submit the same to the general meeting or the people's court for confirmation, and submit the aforementioned documents to the company registration authority to apply for company deregistration, and announce the Company's termination.

AMENDMENTS TO THE ARTICLES OF ASSOCIATION

The Company shall amend the Articles of Association under any of the following circumstances:

(i) after the PRC Company Law or relevant laws and regulations are amended, the provisions of the Articles of Association are in conflict with the provisions of the amended ones;

(ii) there has been a change to the Company, resulting in inconsistency with the contents in the Articles of Association;

(iii) the general meeting decides to amend the Articles of Association.

A. FURTHER INFORMATION ABOUT OUR COMPANY AND OUR SUBSIDIARIES

1. Incorporation

Our Company was established as a limited liability company in the PRC on March 31, 2012 and was converted into a joint stock limited company on March 29, 2019 under the laws of the PRC. Our registered office is located at Room 2201, Building C1, Nanshan Smart Park, No. 1001 Xueyuan Avenue, Changyuan Community, Taoyuan Street, Nanshan District, Shenzhen, PRC.

We were registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on February 2, 2023 and our principal place of business in Hong Kong is 5/F, Manulife Place, 348 Kwun Tong Road, Kowloon, Hong Kong. Ms. Ng Wai Kam has been appointed as the authorized representative of our Company for the acceptance of service of process in Hong Kong whose address for service of process is 5/F, Manulife Place, 348 Kwun Tong Road, Kowloon, Hong Kong.

As our Company was established in the PRC, its operations are subject to the relevant laws and regulations of the PRC. A summary of the relevant aspects of laws and regulations of the PRC and the Articles of Association is set out in Appendix V and VI, respectively.

2. Changes in Share Capital of Our Company

As of the date of our establishment as a joint stock company, our registered capital was RMB360,000,000 consisting of 360,000,000 issued Domestic Shares with a nominal value of RMB1.00 each, which has been fully paid up.

The changes in the share capital of our Company within two years immediately preceding the date of this document:

(a) On July 20, 2022, our registered capital was increased to RMB390,426,011;

(b) On July 21, 2022, our registered capital was increased to RMB394,127,877;

(c) On December 13, 2022, our registered capital was increased to RMB396,173,136; and

(d) On February 21, 2023, our registered capital was increased to RMB406,568,674.

Save as disclosed above, there has been no alteration in the share capital of the Company within two years immediately preceding the date of this document. For details of changes in our share capital, please see "History, Development and Corporate Structure" of this document.

3. Resolutions of our Shareholders in relation to the [REDACTED]

At the general meeting of the Shareholders held on December 27, 2022, the following resolutions, among other things, were duly passed:

(a) the [**REDACTED**] by the Company of H Shares with a nominal value of RMB1.00 each and such H Shares be [**REDACTED**] on the Hong Kong Stock Exchange;

(b) the number of H Shares to be issued shall be no more than [**REDACTED**]% of the total issued share capital of our Company upon completion of the [**REDACTED**], and the grant of the [**REDACTED**] in respect of no more than [**REDACTED**]% of the number of H Shares issued pursuant to the [**REDACTED**];

(c) authorization of the Board or its authorized individual to handle all matters relating to, among other things, the [**REDACTED**], the [**REDACTED**] and the [**REDACTED**]; and

(d) subject to the completion of the [**REDACTED**], the conditional adoption of the revised Articles of Association, which shall become effective on the [**REDACTED**].

At the general meetings of the Shareholders held on February 18, 2023 and June 29, 2023 respectively, resolutions were passed to, among other things, approve the amendments to the conditionally adopted Articles of Association which shall become effective on the [**REDACTED**].

Pursuant to a general meeting held on 10 October, 2023, our Shareholders resolved that subject to the CSRC's approval, upon completion of the [**REDACTED**], [**REDACTED**].

4. Changes in the Share Capital of our Subsidiaries

Save as disclosed below, there has been no alteration in the share capital of any of our subsidiaries within the two years immediately preceding the date of this document:

(a) The issued share capital of UBTECH ROBOTICS LIMITED was increased from HK$232,773,000 to HK$310,584,000 on February 22, 2022.

(b) The issued share capital of U&ME Innovation Technology Company Limited was increased from HK$10,000 to HK$38,915,500 on February 22, 2022.

(c) The issued share capital of Futronics (Hong Kong) Limited was increased from US$500,000 to US$5,000,000 on April 26, 2022 and further increased from US$5,000,000 to US$10,000,000 on August 26, 2022.

(d) The registered capital of Wuxi Uqi was increased from RMB20,000,000 to RMB25,000,000 on December 31, 2021, was further increased from RMB25,000,000 to RMB27,000,000 on May 27, 2022, and was further increased from RMB27,000,000 to RMB27,671,600 on December 30, 2022, and further increased from RMB27,671,600 to RMB30,019,500 on January 6, 2023.

(e) The issued share capital of UBTECH ROBOTICS CORP was increased from USD20,650,000 to USD21,750,000 on April 18, 2022, increased to USD21,900,000 on June 13, 2022, increased to USD22,260,000 on July 21, 2022, increased to USD22,560,000 on January 17, 2023, increased to USD22,760,000 on March 8, 2023, increased to USD23,760,000 on May 8, 2023 and further increased to USD25,000,000 on May 19, 2023.

(f) The authorized stock capital of FUTRONICS (NA) CORPORATION was increased from USD4,500,000 to USD9,500,000 on January 17, 2023 and its issued share capital was increased from USD4,500,000 to USD6,400,000 on January 18, 2023, increased to USD6,950,000 on February 24, 2023, increased to USD7,250,000 on March 24, 2023, increased to USD7,550,000 on April 21, 2023, increased to USD8,650,000 on May 15, 2023, increased to USD9,100,000 on July 21, 2023 and further increased to USD9,500,000 on August 18, 2023. On October 31, 2023, its authorized stock capital was further increased from USD9,500,000 to USD14,500,000. Additional shares were subsequently issued, as a result of which, its issued share capital was further increased from USD9,500,000 to USD10,200,000 on November 10, 2023.

(g) The registered capital of UBKang (Qingdao) Technology Co., Ltd.* (優必康(青島)科技有限公司) was increased from RMB50,000,000 to RMB62,500,000 on April 23, 2023.

(h) The registered capital of UBTECH (Hubei) Technology Co., Ltd.* (優必選(湖北)科技有限公司) was increased from RMB20,000,000 to RMB70,000,000 on July 28, 2023.

The following subsidiaries of our Company were established or deregistered within two years immediately preceding the date of this document:

(a) Shaoyang UBTECH Technology Co., Ltd.* (邵陽優必選科技有限公司) was established on March 14, 2022 with a registered capital of RMB30,000,000.

(b) Sichuan UBTECH Intelligent Technology Development Co., Ltd.* (四川優必選智慧科技有限公司) was established on April 19, 2022 with a registered capital of RMB10,000,000.

(c) Shenzhen Uqi Zhixing Technology Co., Ltd.* (深圳優奇智行科技有限公司) was established on March 23, 2022 with a registered capital of RMB20,000,000.

(d) Chengdu Longquanyi UBTECH Technology Co., Ltd.* (成都龍泉驛優必泰克科技有限公司) was established on May 18, 2022 with a registered capital of RMB20,000,000.

(e) Jiujiang Youbixing Technology Co., Ltd.* (九江優必行科技有限公司) was established on June 20, 2022 with a registered capital of RMB210,000,000.

(f) Liuzhou UBTECH Intelligent Technology Co., Ltd.* (柳州優必選智能科技有限公司) was established on June 27, 2022 with a registered capital of RMB200,000,000.

(g) Yang Ling UBTECH Intelligent Agricultural Technology Co., Ltd.* (楊凌優必選智慧農業科技有限公司) was established on July 12, 2022 with a registered capital of RMB30,000,000.

(h) UBKang (Qingdao) Technology Co., Ltd.* (優必康(青島)科技有限公司) was established on September 22, 2022 with a registered capital of RMB50,000,000.

(i) UBTECH (Puyang) Technology Co., Ltd.* (優必選(濮陽)科技有限公司) was established on November 2, 2022 with a registered capital of RMB176,000,000.

(j) Jiujiang Youye Technology Co., Ltd.* (九江優耶科技有限公司) was established on December 22, 2022 with a registered capital of RMB20,000,000.

(k) Shenzhen Unilaibo Technology Co., Ltd.* (深圳市優尼萊博科技有限公司) was established on February 10, 2022 with a registered capital of RMB3,000,000, and was deregistered on July 31, 2023.

(l) Shenzhen Youzhixue Education Technology Co., Ltd.* (深圳市優智學教育科技有限公司) was established on February 15, 2022 with a registered capital of RMB10,000,000.

(m) Kunming Uqi Intelligent Technology Co., Ltd.* (昆明優奇智能科技有限公司) was established on December 17, 2021 with a registered capital of RMB10,000,000.

(n) UBTECH (Shenyang) Technology Co., Ltd.* (優必選(瀋陽)科技有限公司) was established on November 14, 2022 with a registered capital of RMB100,000,000.

(o) Shenzhen Youshijie Robot Co., Ltd.* (深圳市優世界機器人有限公司) was established on July 22, 2022 with a registered capital of RMB5,000,000.

(p) UBot Innovation technology Limited was incorporated on January 18, 2023 with an issued share capital of HK$10,000.

(q) Chaozhou UBTECH Education Technology Co., Ltd.* (潮州市優必選教育科技有限公司) was established on February 22, 2023 with a registered capital of RMB16,800,000.

(r) Liuzhou Youxue Technology Co., Ltd.* (柳州優學科技有限公司) was established on February 28, 2023 with a registered capital of RMB200,000,000.

(s) Liuzhou UBTECH Technology Industry Co., Ltd.* (柳州優必選科技產業有限公司) was established on March 2, 2023 with a registered capital of RMB200,000,000.

(t) Liuzhou UBTECH Intelligent Industry Co., Ltd.* (柳州優必選智能實業有限公司) was established on March 3, 2023 with a registered capital of RMB600,000,000.

(u) Shenzhen Youxuan Zhiyi Elderly Caring Service Co., Ltd.* (深圳市優選智頤養老服務有限公司) was established on April 11, 2023 with a registered capital of RMB20,000,000.

(v) Shenzhen Xuanyou Technology Co., Ltd.* (深圳市選優科技有限公司) was established on June 25, 2023 with a registered capital of RMB20,000,000.

(w) Shenzhen Youbifu Technology Co., Ltd.* (深圳市優必服科技有限公司) was established on June 25, 2023 with a registered capital of RMB20,000,000.

(x) Shenzhen Youlingjing Technology Co., Ltd.* (深圳市優靈境科技有限公司) was established on June 12, 2023 with a registered capital of RMB5,000,000.

(y) Youdi Health Technology (Shenzhen) Co., Ltd.* (優邸健康科技(深圳)有限公司) ("**Youdi Health**") was established on June 16, 2023 with a registered capital of RMB10,000,000.

(z) Ganzhou UBTECH Intelligent Technology Co., Ltd.* (贛州優必選智能科技有限公司) was established on August 2, 2023 with a registered capital of RMB20,000,000.

(aa) Shenzhen UBTECH Medical Robot Co., Ltd.* (深圳市優必選醫療機器人有限公司) was established on August 7, 2023 with a registered capital of RMB5,000,000.

(bb) Beijing UBTECH Intelligent Robot Co., Ltd.* (北京優必選智能機器人有限公司) was established on August 15, 2023 with a registered capital of RMB50,000,000.

(cc) Guangzhou UBTECH Intelligent Health Industry Co., Ltd.* (廣州優必選智慧健康產業有限公司) was established on August 17, 2023 with a registered capital of RMB20,000,000.

(dd) UBTECH (Hejin) Technology Co., Ltd.* (優必選(河津)科技有限公司) was established on August 30, 2023 with a registered capital of RMB50,000,000.

(ee) Hebei UBTECH Intelligent Technology Co., Ltd.* (河北優必選智能科技有限公司) was established on August 31, 2023 with a registered capital of RMB20,000,000.

(ff) UBTECH (Hebi) Technology Co., Ltd.* (優必選(鶴壁)科技有限公司) was established on September 4, 2023 with a registered capital of RMB20,000,000.

(gg) UBTECH (Suzhou) Technology Co., Ltd.* (優必選(宿州)科技有限公司) was established on September 4, 2023 with a registered capital of RMB20,000,000.

(hh) UBTECH (Zhengzhou) Intelligent Agricultural Technology Co., Ltd.* (優必選(鄭州)智慧農業科技有限公司) was established on September 19, 2023 with a registered capital of RMB80,000,000.

(ii) UBTECH (Xiamen) Software Technology Co., Ltd.* (優必選(廈門)軟件技術有限公司) was established on October 30, 2023 with a registered capital of RMB20,000,000.

(jj) Ubhome Technology Company Limited was incorporated on October 30, 2023 with an issued share capital of HK$100,000.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of Material Contracts

We have entered into the following contracts (not being contracts entered into in the ordinary course of business) within the two years immediately preceding the date of this document that are or may be material:

(a) the capital increase agreement dated May 30, 2022, entered into among Liuzhou Government Investment Guidance Fund Management Company Limited* (柳州市政府投資引導基金管理有限公司), Mr. Zhou Jian (周劍) and our Company, pursuant to which, our Company agreed to increase its registered share capital by RMB2,535,497 and Liuzhou Government Investment Guidance Fund Management Company Limited* agreed to subscribe our Company's registered share capital of RMB2,535,497 at a total consideration of RMB200,000,000;

(b) the capital increase agreement dated June 11, 2022, entered into among Jiujiang Youxuan Zhihui Changye Investment Development Center Limited Partnership* (九江市優選智慧產業投資發展中心(有限合夥)), Mr. Zhou Jian (周劍) and our Company, pursuant to which, our Company agreed to increase its registered share capital by RMB6,338,742 and Jiujiang Youxuan Zhihui Changye Investment Development Center Limited Partnership* agreed to subscribe our Company's registered share capital of RMB6,338,742 at a total consideration of RMB500,000,000;

(c) the supplemental shareholders agreement of Shanghai UBJ Education Technology Co., Ltd.* (上海優必傑教育科技有限公司) dated June 15, 2022 entered into among Suzhou Industrial Park Qiming Rongke Investment Limited Partnership* (蘇州工業園區啟明融科股權投資合夥企業(有限合夥)), Suzhou Qiming Rongying Start-up Investment Limited Partnership* (蘇州啟明融盈創業投資合夥企業(有限合夥)), Gongqingcheng Jialu Investment Management Limited Partnership* (共青城嘉麓投資管理合夥企業(有限合夥)), Gongqingcheng Yachang Jiake Investment Management Limited Partnership* (共青城亞昌嘉科投資管理合夥企業(有限合夥)), Hangzhou Yuanxing Yuhan Equity Investment Fund Limited Partnership* (杭州源星昱瀚股權投資基金合夥企業(有限合夥)), Mr. Huang Jingsong (黃勁松), Ms. Ma Ping (馬萍), Ms. Wang Yahua (王亞花), Shanghai Niuyin Education Technology Limited Partnership* (上海紐印教育科技合夥企業(有限合夥)), Mr. Bo Qingrong (卜慶榕), Mr. Zheng Weifeng (鄭衛峰), Mr. Li Mingmin (李明珉), Zhuhai Shuisengmu Management Consulting Limited Partnership* (珠海水森木管理諮詢合夥企業(有限合夥)) and our Company, which stipulates, among others, the rights and obligations of the then shareholders of Shanghai UBJ Education Technology Co., Ltd.*;

(d) the share transfer agreement dated July 5, 2022 entered into among Shanghai Niuyin Education Technology Limited Partnership* (上海紐印教育科技合夥企業(有限合夥)), Mr. Huang Jingsong (黃勁松), Ms. Ma Ping (馬萍), Ms. Wang Yahua (王亞花), Shanghai UBJ Education Technology Co., Ltd.* (上海優必傑教育科技有限公司) and our Company, pursuant to which Shanghai Niuyin Education Technology Limited Partnership*, Mr. Huang Jingsong, Ms. Ma Ping and Ms. Wang Yahua transferred their 37.8457% equity interests held in Shanghai UBJ Education Technology Co., Ltd.* to our Company at a consideration of RMB65,000,000;

(e) the share transfer agreement dated July 5, 2022 entered into between Hangzhou Yuanxing Yuhan Equity Investment Fund Limited Partnership* (杭州源星昱瀚股權投資基金合夥企業(有限合夥)), Shanghai UBJ Education Technology Co., Ltd.* (上海優必傑教育科技有限公司) and our Company, pursuant to which Hangzhou Yuanxing Yuhan Equity Investment Fund Limited Partnership* transferred its 3.7735% equity interests held in Shanghai UBJ Education Technology Co., Ltd.* to our Company at a consideration of RMB60,000,000;

(f) the share transfer agreement dated July 5, 2022 entered into between Gongqingcheng Yachang Jiake Investment Management Limited Partnership* (共青城亞昌嘉科投資管理合夥企業(有限合夥)), Shanghai UBJ Education Technology Co., Ltd.* (上海優必傑教育科技有限公司) and our Company, pursuant to which Gongqingcheng Yachang Jiake Investment Management Limited Partnership* transferred its 3.0189% equity interests held in Shanghai UBJ Education Technology Co., Ltd.* to our Company at a consideration of RMB48,000,510;

(g) the share transfer agreement dated July 5, 2022 entered into between Gongqingcheng Jialu Investment Management Limited Partnership* (共青城嘉麓投資管理合夥企業(有限合夥)), Shanghai UBJ Education Technology Co., Ltd.* (上海優必傑教育科技有限公司) and our Company, pursuant to which Gongqingcheng Jialu Investment Management Limited Partnership* transferred its 1.8868% equity interests held in Shanghai UBJ Education Technology Co., Ltd.* to our Company at a consideration of RMB30,000,120;

(h) the share transfer agreement dated July 5, 2022 entered into between Mr. Bo Qingrong (卜慶榕), Shanghai UBJ Education Technology Co., Ltd.* (上海優必傑教育科技有限公司) and our Company, pursuant to which Mr. Bo Qingrong transferred his 1.2754% equity interests held in Shanghai UBJ Education Technology Co., Ltd.* to our Company at a consideration of RMB6,759,620;

(i) the capital increase agreement dated September 27, 2022, entered into among Puyang Financial Holding Co., Ltd.* (濮陽市金融控股有限公司), our Company and Mr. Zhou Jian (周劍), pursuant to which, Puyang Financial Holding Co., Ltd.* agreed to subscribe our Company's registered share capital of RMB2,789,047 at a total consideration of RMB220,000,000;

(j) the capital increase and share swap agreement in relation to Wuxi Uqi Intelligent Technology Co., Ltd.* (無錫優奇智能科技有限公司) ("**Wuxi Uqi**") and Jiangsu Tianhui Science and Technology Development Company Limited* (江蘇天慧科技開發有限公司) ("**Jiangsu Tianhui**") dated December 30, 2022, entered into among Jiangsu Tianqi Borui Zhineng Equipment Development Company Limited* (江蘇天奇博瑞智能裝備發展有限公司) ("**Jiangsu Tianqi**"), Mr. Cai Xuyu (蔡旭宇), Wuxi Uqi, our Company, Miracle Automation Engineering Co., Ltd.* (天奇自動化工程股份有限公司), Shenzhen Quantum Leap Investment Limited Partnership* (深圳量子躍遷投資合夥企業(有限合夥)), Suzhou Zhengxuan Qianzhan Zhihe Venture Capital (Limited Partnership)* (蘇州市正軒前瞻志合創業投資合夥企業(有限合夥)), Shenzhen Zhengxuan Qianzhan Ruiyuan Venture Capital Limited Partnership* (深圳市正軒前瞻睿遠創業投資合夥企業(有限合夥)), and Ningbo Yuanhao Tianchun Enterprise Management Limited Partnership* (寧波沅灝天淳企業管理合夥企業(有限合夥)), Mr. Wan Qiuyang (萬秋陽), Mr. Li Bei (李貝) and Jiangsu Tianhui, pursuant to which, Jiangsu Tianqi and Mr. Cai Xuyu agreed to subscribe for RMB1,995,700 and RMB352,200 of the increased registered capital of Wuxi Uqi for the considerations of approximately RMB59.43 million and RMB10.49 million respectively, the considerations of which were settled by the transfers of 85% and 15% equity interest in Jiangsu Tianhui by Jiangsu Tianqi and Mr. Cai Xuyu to Wuxi Uqi, respectively;

(k) the capital increase agreement dated January 29, 2023, entered into among Liuzhou Industrial Guidance Fund Investment Management Company Limited* (柳州市產業引導基金投資管理有限公司), Mr. Zhou Jian (周劍) and our Company, pursuant to which, our Company agreed to increase its registered share capital by RMB10,395,538 and Liuzhou Industrial Guidance Fund Investment Management Company Limited* agreed to subscribe our Company's registered share capital of RMB10,395,538 at a total consideration of RMB820,000,000;

(l) the [**REDACTED**];

(m) the Undertaking of Indemnity;

(n)

[**REDACTED**]

(o)

[**REDACTED**]

2. Intellectual Property Rights

(a) Trademarks

As at the Latest Practicable Date, we had registered the following trademarks which we consider to be or may be material to our business:

No.	Trademark	Place of registration	Rights holder	Category	Registration number	Expiration date (yyyy.mm.dd)
1.	空气萝卜	PRC	Best Epoch Technology Co. LTD (深圳市優紀元科技有限公司) ("Best Epoch")	21	61246630	2032.05.27
2.	优 必 选	PRC	Our Company	10	60621242	2033.01.06
3.	优必选 UBTECH	PRC	Our Company	11	53093326	2031.12.13
4.	Jimu	PRC	Our Company	28	43188977	2031.10.13
5.	优 必 选	PRC	Our Company	9	33233297	2031.02.13
6.	优 必 选	PRC	Our Company	7	33217055	2029.06.06
7.	优 必 选	PRC	Our Company	28	33209589	2029.06.06
8.	优 必 选	PRC	Our Company	41	33209581	2029.06.06
9.	UBTECH	PRC	Our Company	41	33233310	2029.05.20
10. . . .	UBTECH	PRC	Our Company	9	33229337	2029.06.13
11. . . .	UBTECH	PRC	Our Company	28	33222110	2029.06.06
12. . . .	UKIT	PRC	UBTECH Education (Shenzhen) Co., Ltd.* (優必選教育(深圳)有限公司) ("UBTECH Education")	28	25904499	2028.09.27
13. . . .	AiRROBO	Japan	Best Epoch	7, 35	6487223	2031.12.16
14. . . .	UBTECH	Japan	Our Company	7, 9, 28	6248221	2030.4.24
15. . . .	AiRROBO	European Union	Best Epoch	21	018658917	2032.02.22
16. . . .	AiRROBO	European Union	Our Company	7, 35	018436131	2031.03.24
17. . . .	UBTECH	European Union	Our Company	7, 9, 28	018040325	2029.03.22
18. . . .	UBTECH	Hong Kong	Our Company	7, 9, 28	304872051	2029.03.26
19. . . .	UBTECH	Hong Kong	Our Company	7, 10, 11, 12, 21, 41	306163326	2033.02.05

No.	Trademark	Place of registration	Rights holder	Category	Registration number	Expiration date (yyyy.mm.dd)
20. . . .	UBTECH	U.S.	Our Company	7	6564296	2031.11.15
21. . . .	UBTECH	U.S.	Our Company	9, 28	6154260	2030.09.14
22. . . .	Jimu robot	U.S.	Our Company	28	5439920	2028.04.02
23. . . .	AiRROBO	U.S.	Our Company	7	6881515	2032.10.17
24 . . .	AiRROBO	U.S.	Best Epoch	11	7063468	2033.05.22
25. . . .	AiRROBO	U.S.	Best Epoch	21	7088549	2033.06.19

(b) Copyrights

(i) Registered copyright

As at the Latest Practicable Date, we had registered the following copyrights which we consider to be or may be material to our business:

No.	Copyright	Copyright owner	Place of registration	Registration number	Date of registration (yyyy.mm.dd)
1. .	Cruzr Robotic System Software [Abbreviation: Cruzr System Software] V1.0 (Cruzr機器人系統軟件[簡稱:Cruzr系統軟件]V1.0)	Our Company	PRC	2018SR294018	2018.04.28
2. .	STM32F302RB-MU (60KG) embedded software [Abbreviation: STM32F302RB-MU embedded software] V1.0 (STM32F302RB-MU (60KG)嵌入式軟件[簡稱: STM32F302RB-MU嵌入式軟件]V1.0)	Our Company	PRC	2018SR293853	2018.04.28
3. .	ATSAMD10D14A-MU (4KG) embedded software [Abbreviation: ATSAMD10D14A-MU embedded software] (ATSAMD10D14A-MU (4KG)嵌入式軟件[簡稱: ATSAMD10D14A-MU嵌入式軟件]V1.0)	Our Company	PRC	2018SR294041	2018.04.28

No.	Copyright	Copyright owner	Place of registration	Registration number	Date of registration (yyyy.mm.dd)
4.	ATSAMD10D14A-MU (12KG) embedded software [Abbreviation: ATSAMD10D14A-MU embedded software] (ATSAMD10D14A-MU (12KG)嵌入式軟件[簡稱: ATSAMD10D14A-MU嵌入式軟件]V1.0)	Our Company	PRC	2018SR293875	2018.04.28
5.	ATSAMD10D14A-MU (20KG) embedded software V1.0 (ATSAMD10D14A-MU(20KG)嵌入式軟件 V1.0)	Our Company	PRC	2018SR386254	2018.05.28
6.	Wukong Robot System Software V1.0 (悟空機器人系統軟件V1.0)	UBTECH Software Technology (Shenzhen) Co., Ltd.* (優必選軟件技術(深圳)有限公司) ("UBTECH Software")	PRC	2018SR639321	2018.08.10
7.	ATSAMD10D14A-MU (3KG) embedded software [Abbreviation: ATSAMD10D14A-MU embedded software] (ATSAMD10D14A-MU (3KG)嵌入式軟件[簡稱: ATSAMD10D14A-MU嵌入式軟件]V1.0)	Our Company	PRC	2018SR624068	2018.08.07
8.	uCode Windows Installation Software [Abbreviation: uCode Installation Package] V1.0 (uCode windows端安裝軟件[簡稱: uCode安裝包]V1.0)	Our Company	PRC	2019SR0193008	2019.02.28
9.	uKit Explore Visual Programming Teaching Software [Abbreviation: uKit Explore Programming Software] V1.0 (uKit Explore可視化編程教學軟件[簡稱: uKit Explore編程軟件]V1.0)	Our Company	PRC	2019SR0260083	2019.03.19

No.	Copyright	Copyright owner	Place of registration	Registration number	Date of registration (yyyy.mm.dd)
10.	ROSA Android Robot Operating System Software V1.0 (ROSA Android機器人操作系統軟件V1.0)	UBTECH Software	PRC	2019SR0261229	2019.03.19
11.	Distributed Image Server Software [Abbreviation: Image Server Software] V1.0 (分佈式圖片服務器軟件[簡稱:圖片服務器軟件]V1.0)	Our Company	PRC	2019SR1138213	2019.11.11
12.	Cloud Platform Smart Map Software [Abbreviation: Smart Map Software] V1.0 (雲平台智能地圖軟件[簡稱:智能地圖軟件]V1.0)	Our Company	PRC	2019SR1179316	2019.11.20
13.	USLAM Mobile terminal control software [Abbreviation: USLAM] V1.0.0 (USLAM移動端控制軟件[簡稱:USLAM]V1.0.0)	Our Company	PRC	2019SR1196027	2019.11.23
14.	Walker High Torque Servo Embedded Software V1.0 (Walker大扭矩舵機嵌入式軟件V1.0)	Our Company	PRC	2019SR1205132	2019.11.25
15.	uKit EDU Android Mobile Teaching Software [Abbreviation: uKit EDU] V1.6.0 (uKit EDU Android移動端教學軟件[簡稱:uKit EDU]V1.6.0)	UBTECH Software	PRC	2019SR1318579	2019.12.09
16.	Online Voice Changer Software V1.0 (在線語音轉換軟件V1.0)	UBTECH Software	PRC	2020SR0463251	2020.05.18
17.	ROSA Robot Remote Diagnosis Software V1.0 (ROSA機器人遠程診斷軟件V1.0)	UBTECH Software	PRC	2020SR0499064	2020.05.22
18.	ROSA Linux Robot Operating System Software V1.0 (ROSA Linux機器人操作系統軟件V1.0)	Our Company	PRC	2020SR0780300	2020.07.16
19.	ROSA Python Robot Application Framework Software V1.0 (ROSA Python 機器人應用框架軟件 V1.0)	Our Company	PRC	2020SR0776086	2020.07.15

No.	Copyright	Copyright owner	Place of registration	Registration number	Date of registration (yyyy.mm.dd)
20.	Smart Wellness and Elderly Care Operation Software V1.0 (智慧康養養老運營軟件V1.0)	UBTECH Software	PRC	2023SR0058346	2022.07.31
21.	USLAM Wheeled Robot Positioning and Navigation Software V1.0 (USLAM輪式機器人定位導航軟件V1.0)	Our Company	PRC	2020SR1002349	2020.08.28
22.	AIMBOT Robot Application Software [Abbreviation: AIMBOT] V1.0 (AIMBOT機器人應用軟件[簡稱:AIMBOT]V1.0)	Our Company	PRC	2020SR0425024	2020.05.09
23.	UBTECH Artificial Intelligence Teaching Experiment Platform [Abbreviation: AI Teaching Management Platform] V1.0.0 (優必選人工智慧教學實驗平台[簡稱:AI教學管理平台] V1.0.0)	Our Company	PRC	2021SR0187150	2021.02.03
24.	ADIBOT robot application software [Abbreviation: ADIBOT] V1.0.0 (ADIBOT機器人應用軟件[簡稱:ADIBOT] V1.0.0)	Our Company	PRC	2021SR1139170	2021.08.03
25.	UBTech AI Smart Education Platform V1.1 (優必選AI智慧教育平台V1.1)	Our Company	PRC	2021SR2074096	2021.12.17
26.	uCode Visual Programming Teaching Software [Abbreviation: uCode] V1.0 (優編程uCode視覺化程式設計教學軟件 [簡稱:優編程uCode] V1.0)	Our Company	PRC	2021SR1806776	2021.11.19
27.	uPython Interactive Programming Teaching Software [Abbreviation: uPython] V1.1.7 (uPython交互式編程教學軟件[簡稱:uPython]V1.1.7)	Our Company	PRC	2022SR0067628	2022.01.11

No.	Copyright	Copyright owner	Place of registration	Registration number	Date of registration (yyyy.mm.dd)
28.	Transland Event System [Abbreviation: Event System] V1.6 (Transland 賽事系統[簡稱:賽事系統]V1.6)	Our Company	PRC	2022SR0422113	2022.04.01
29.	ADIBOT navigation robot application software [Abbreviation: ADIBOT-A] V1.3.9 (ADIBOT導航版機器人應用軟件[簡稱: ADIBOT-A]V1.3.9)	Shenzhen Youbixing Technology Co., Ltd.* (深圳市優必行科技有限公司) ("Shenzhen Youbixing")	PRC	2022SR0477492	2022.04.15
30.	UBTECH robot management platform [Abbreviation: URMS] V1.0 (UBTECH機器人管理平台[簡稱:URMS] V1.0)	Shenzhen Youbixing	PRC	2022SR0907263	2022.07.07

(c) Patents

As of June 30, 2023, our Group held more than 1,800 registered robotic and AI-related patents. As at the Latest Practicable Date, we had registered the following patents which we consider to be or may be material to our business:

No.	Patent name	Patentee	Type of patent	Place of registration	Patent number	Application date (yyyy.mm.dd)
1.	Face detection and tracking method, robot head rotation control method and robot (人臉檢測跟蹤方法及機器人頭部轉動控制方法和機器人)	Our Company	Invention	PRC	ZL201610539480.8	2016.07.08
2.	Face detection and tracking method and device, robot head rotation control method and system (人臉檢測跟蹤方法及裝置、機器人頭部轉動控制方法及系統)	Our Company	Invention	PRC	ZL201610619340.1	2016.07.29
3.	A servo motor and its control method (一種伺服電機及其控制方法)	Our Company	Invention	PRC	ZL201610615912.9	2016.07.30
4.	Servo (舵機)	Our Company	Invention	PRC	ZL201610665976.X	2016.08.12
5.	Power-failure anti-drop method and device for robot and power-failure anti-fall robot (機器人掉電防摔方法和裝置及掉電防摔機器人)	Our Company	Invention	PRC	ZL201611266119.9	2016.12.31

No.	Patent name	Patentee	Type of patent	Place of registration	Patent number	Application date (yyyy.mm.dd)
6.	Alignment method for robot recharging, robot, system and storage medium (機器人回充的對準方法及機器人、系統和存儲介質)	Our Company, Shenzhen Youbixing	Invention	PRC	ZL201710502200.0	2017.06.27
7.	Face data processing method, device and equipment (人臉數據處理方法、裝置及設備)	Our Company	Invention	PRC	ZL201711417296.7	2017.12.25
8.	Image processing method, device and terminal equipment (一種圖像處理的方法、裝置及終端設備)	Our Company, Shenzhen Youbixing	Invention	PRC	ZL201711417358.4	2017.12.25
9.	A positioning method, device and equipment based on a base station (一種基於基站的定位方法、裝置及設備)	Our Company	Invention	PRC	ZL201711421382.5	2017.12.25
10.	A biped robot and its equivalent trajectory generation method and device (一種雙足機器人及其等效軌跡生成方法和裝置)	Our Company	Invention	PRC	ZL201711423256.3	2017.12.25
11.	A grasping control method, device and robot based on visual servo (一種基於視覺伺服的抓取控制方法、裝置和機器人)	Our Company	Invention	PRC	ZL201711431821.0	2017.12.26
12.	Positioning method and terminal equipment (定位方法及終端設備)	Our Company	Invention	PRC	ZL201711436701.X	2017.12.26
13.	A robot and its map autonomous exploration method and device (一種機器人及其地圖自主探索方法和裝置)	Our Company	Invention	PRC	ZL201711449310.1	2017.12.27
14.	A robot pose recognition method and robot (一種機器人位姿的識別方法及其機器人)	Our Company	Invention	PRC	ZL201711449568.1	2017.12.27
15.	Scene analysis method, robot and storage device based on binocular vision (基於雙目視覺的場景解析方法、機器人及存儲裝置)	Our Company, Shenzhen Youbixing	Invention	PRC	ZL201711468458.X	2017.12.27
16.	A robot target tracking method, robot and storage medium (一種機器人的目標跟蹤方法、機器人及存儲介質)	Our Company	Invention	PRC	ZL201711468568.6	2017.12.27

No.	Patent name	Patentee	Type of patent	Place of registration	Patent number	Application date (yyyy.mm.dd)
17.	Robot motion path planning method, device, storage medium and terminal equipment (機器人運動路徑規劃方法、裝置、存儲介質及終端設備)	Our Company	Invention	PRC	ZL201711462962.9	2017.12.28
18.	A wake-up method for electronic equipment, storage medium and robot (一種電子設備的喚醒方法、存儲介質及機器人)	Our Company	Invention	PRC	ZL201711472911.4	2017.12.28
19.......	A robot charging method, device and robot (一種機器人充電方法、裝置及機器人)	Our Company	Invention	PRC	ZL201711459459.8	2017.12.28
20.	Gait control method of biped robot, device, terminal equipment and medium (雙足機器人的步態控制方法、裝置、終端設備及介質)	Our Company	Invention	PRC	ZL201711471845.9	2017.12.29
21.	A head and shoulder detection method, electronic equipment and device with storage function (一種頭肩檢測 方法、電子設備及具有存 儲功能的裝置)	Our Company	Invention	PRC	ZL201711498381.0	2017.12.29
22.	Method and device for human body detection based on embedded system (基於嵌入式系統的人體檢測的方法以及裝置)	Our Company	Invention	PRC	ZL201711498652.2	2017.12.29
23.	A robot motion path planning method, robot and storage medium (一種機器人運動路徑規劃方法、機器人及存儲介質)	Our Company	Invention	PRC	ZL201711498653.7	2017.12.29
24.	Active interactive robot, system, method and storage device (一種主動交互的機器人、系統、方法及存儲裝置)	Our Company	Invention	PRC	ZL201711498760.X	2017.12.29
25.	Method, device and robot for gravity compensation in robot walking (一種機器人行走中重力補償的方法、裝置及機器人)	Our Company	Invention	PRC	ZL201810045622.4	2018.01.17

No.	Patent name	Patentee	Type of patent	Place of registration	Patent number	Application date (yyyy.mm.dd)
26.	Motion control method for a robot, device and robot (一種機器人的運動控制 方法、裝置及機器人)	Our Company	Invention	PRC	ZL201810401936.3	2018.04.28
27.	Method for acquiring direction angle of moving target and terminal equipment (運動目標方向角獲取方法及終端設備)	Our Company	Invention	PRC	ZL201810595287.5	2018.06.11
28.	Method, device and storage device for robot relocation (機器人重定位的方法、裝置以及存儲裝置)	Our Company	Invention	PRC	ZL201810689594.X	2018.06.28
29.	Robot positioning method, device and storage device (機器人定位方法、裝置以及存儲裝置)	Our Company	Invention	PRC	ZL201810691846.2	2018.06.28
30.	A robot interaction method, robot and device with storage function (一種機器人的交互方法、機器人及具有存儲功能的裝置)	Our Company	Invention	PRC	ZL201810713466.4	2018.06.29
31.	A robot control method, robot and storage medium (一種機器人控制方法、機器人及計算機存儲介質)	Our Company	Invention	PRC	ZL201810714797.X	2018.06.29
32.	A robot and its navigation and positioning method and device (一種機器人及其導航定位方法和裝置)	Our Company, Shenzhen Youbixing	Invention	PRC	ZL201810828741.7	2018.07.25
33.	A monocular vision target positioning pattern, method, device and equipment (一種單目視覺的目標定位的圖案、方法、裝置及設備)	Our Company	Invention	PRC	ZL201810864207.1	2018.08.01
34.	Robot control method, device and equipment (機器人控制方法、裝置及設備)	Our Company	Invention	PRC	ZL201810942781.4	2018.08.17
35.	Robot interaction method, robot and device with storage function (機器人交互方法、機器人及具有存儲功能的裝置)	Our Company	Invention	PRC	ZL201811101090.8	2018.09.20
36.	Vision-assisted distance SLAM method and device, robot (視覺輔助的距離SLAM方法及裝置、機器人)	Our Company	Invention	PRC	ZL201811203021.8	2018.10.16

No.	Patent name	Patentee	Type of patent	Place of registration	Patent number	Application date (yyyy.mm.dd)
37.	Robot and its finger transmission structure (機器人及其手指傳動結構)	Our Company	Invention	PRC	ZL201811289986.3	2018.10.31
38.	Servo and robot (舵機及機器人)	Our Company	Invention	PRC	ZL201811291334.3	2018.10.31
39.	Servo and robot (舵機及機器人)	Our Company	Invention	PRC	ZL201811291351.7	2018.10.31
40.	Robot and its finger transmission structure (機器人及其手指傳動結構)	Our Company	Invention	PRC	ZL201811291574.3	2018.10.31
41.	A robot and its voice interaction system (一種機器人及其語音交互系統)	Our Company	Invention	PRC	ZL201811441703.2	2018.11.29
42.	Positioning method and terminal equipment (定位方法及終端設備)	Our Company	Invention	PRC	ZL201811553517.8	2018.12.19
43.	Method, device and robot for position calibration of UWB positioning equipment (一種UWB定位設備的位置標定方法、裝置及機器人)	Our Company	Invention	PRC	ZL201811583456.X	2018.12.24
44.	Robot, robot decision-making method and terminal equipment (機器人、機器人的決策方法及終端設備)	Our Company	Invention	PRC	ZL201811626694.4	2018.12.28
45.	A biped robot gait control method and biped robot (一種雙足機器人步態控制方法以及雙足機器人)	Our Company	Invention	PRC	ZL201811629463.9	2018.12.28
46.	Relocation method and device, robot (重定位方法及裝置、機器人)	Our Company	Invention	PRC	ZL201811635479.0	2018.12.29
47.	Finger servo and dexterous hand (手指舵機及靈巧手)	Our Company	Invention	PRC	ZL201811636415.2	2018.12.29
48.	Electrode contact structure and robot charging pile (電極觸點結構及機器人充電樁)	Our Company	Invention	PRC	ZL201811640547.2	2018.12.29
49.	Robot and its fingers (機器人及其手指)	Our Company	Invention	PRC	ZL201811640948.8	2018.12.29
50.	Pull line adjustment mechanism and fingers (牽引線調節機構及手指)	Our Company	Invention	PRC	ZL201811642999.4	2018.12.29
51.	Method and device for detecting rotation angle (轉動角度的檢測方法及裝置)	Our Company	Invention	PRC	ZL201811654660.6	2018.12.29

No.	Patent name	Patentee	Type of patent	Place of registration	Patent number	Application date (yyyy.mm.dd)
52.	Relocation method and device, robot (重定位方法及裝置、機器人)	Our Company	Invention	PRC	ZL201910085267.8	2019.01.29
53.	A motion control method, a motion control device, and a mechanical arm (一種運動控制方法、運動控制裝置及機械臂)	Our Company	Invention	PRC	ZL201910208948.9	2019.03.19
54.	Biped robot deviation warning method, device and biped robot (一種雙足機器人的偏移預警方法、裝置及雙足機器人)	Our Company	Invention	PRC	ZL201910355320.1	2019.04.29
55.	Robot inspection method, device, readable storage medium and robot (機器人巡檢方法、裝置、計算機可讀存儲介質及機器人)	Our Company	Invention	PRC	ZL201910622871.X	2019.07.11
56.	Joint structure and robot (關節結構及機器人)	Our Company	Invention	PRC	ZL201980064068.7	2019.09.30
57.	A robot and its positioning method and device (一種機器人及其定位方法和裝置)	Our Company	Invention	PRC	ZL201911051039.5	2019.10.31
58.	Human arm motion imitation method, device, terminal equipment and storage medium (人體手臂動作模仿方法、裝置、終端設備及存儲介質)	Our Company	Invention	PRC	ZL201911134999.8	2019.11.19
59.	Foot-waist coordination gait planning method for robot, device, medium and robot (機器人的足腰協調步態規劃方法、裝置、介質及機器人)	Our Company	Invention	PRC	ZL201911188547.8	2019.11.28
60.	Robot climbing stairs control method, device, storage medium and robot (機器人的爬樓控制方法、裝置、存儲介質和機器人)	Our Company	Invention	PRC	ZL201911198984.8	2019.11.29
61.	An action imitation method, device, readable storage medium and robot (一種動作模仿方法、裝置、計算機可讀存儲介質及機器人)	Our Company	Invention	PRC	ZL201911227303.6	2019.12.04
62.	A method and device for obtaining inspection points (一種獲取巡檢點的方法及裝置)	Our Company	Invention	PRC	ZL201911257348.8	2019.12.10

No.	Patent name	Patentee	Type of patent	Place of registration	Patent number	Application date (yyyy.mm.dd)
63.	A load balancing method, load balancing system and registration server (一種負載均衡方法、負載均衡系統及註冊伺服器)	Our Company	Invention	PRC	ZL201911268483.2	2019.12.11
64.	Robot control method, device, readable storage medium and robot (機器人控制方法、裝置、計算機可讀存儲介質及機器人)	Our Company	Invention	PRC	ZL201911279287.5	2019.12.13
65.	A robot balance control method, device, readable storage medium and robot (一種機器人平衡控 制方法、裝置、可讀存儲介質及機器人)	Our Company	Invention	PRC	ZL201911279537.5	2019.12.13
66.	Robot control method, device, readable storage medium and robot (機器人控制方法、裝置、計算 機可讀存儲介質及機器人)	Our Company	Invention	PRC	ZL201911279545.X	2019.12.13
67.	An application control method and robot (一種應用的控制方法及機器人)	Our Company	Invention	PRC	ZL201911302660.4	2019.12.17
68.	Method and device for controlling a robot (一種控制機器人的方法及裝置)	Our Company	Invention	PRC	ZL201911328353.3	2019.12.20
69.	A navigation map update method, device, readable storage medium and robot (一種導航地圖更新方法、裝置、可讀存儲介質及機器人)	Our Company, Shenzhen Youbixing	Invention	PRC	ZL201911330291.X	2019.12.20
70.	Robotic arm control method, robotic arm control device, and terminal equipment (機械臂控制方法、機械臂控制裝置及終端設備)	Our Company	Invention	PRC	ZL201911330302.4	2019.12.20
71.	A robot pose estimation method, device, readable storage medium and robot (一種機器人位姿估計方法、裝置、可讀存儲介質及機器人)	Our Company	Invention	PRC	ZL201911340211.9	2019.12.23
72.	A robot motion control method, device, readable storage medium and robot (一種機器人運動控制方法、裝置、可讀存儲介質及機器人)	Our Company	Invention	PRC	ZL201911344527.5	2019.12.24

No.	Patent name	Patentee	Type of patent	Place of registration	Patent number	Application date (yyyy.mm.dd)
73.	Method, device, system and intelligent terminal for synchronous playback of multiple intelligent terminals (多智能終端同步播放的方法、裝置、系統及智慧終端)	Our Company	Invention	PRC	ZL201911366614.0	2019.12.26
74.	Positioning method for a mobile robot, positioning device and mobile robot (一種移動機器人的定位方法、定位裝置及移動機器人)	Our Company, Shenzhen Youbixing	Invention	PRC	ZL201911372349.7	2019.12.27
75.	A brushless motor and a method for detecting the rotor position of the motor (一種無刷電機及電機轉子位置的檢測方法)	Our Company	Invention	PRC	ZL201911390155.X	2019.12.30
76.	Servo and robot (舵機及機器人)	Our Company	Invention	PRC	ZL201911395980.9	2019.12.30
77.	A camera method and device based on Raspberry Pi (一種基於樹莓派的拍照方法及裝置)	UBTECH Software	Invention	PRC	ZL201911396727.5	2019.12.30
78.	Hip joint structure and humanoid robot (髖關節結構及類人形機器人)	Our Company	Invention	PRC	ZL201911397803.4	2019.12.30
79.	An action imitation method, device, terminal and storage medium (一種動作模仿方法、裝置、終端及計算機存儲介質)	Our Company	Invention	PRC	ZL201911397998.2	2019.12.30
80.	Method and device for adjusting spatial position of mechanical arm, mechanical arm and storage medium (機械臂空間位置調整方法、裝置、機械臂及存儲介質)	Our Company	Invention	PRC	ZL201911398775.8	2019.12.30
81.	Robot walking control method, device, robot and readable storage medium (機器人的行走控制方法、裝置、機器人和可讀存儲介質)	Our Company	Invention	PRC	ZL201911399923.8	2019.12.30
82.	Redundant robotic arm control method, device, readable storage medium and equipment (冗餘機械臂控制方法、裝置、可讀存儲介質及設備)	Our Company	Invention	PRC	ZL201911403020.2	2019.12.30

No.	Patent name	Patentee	Type of patent	Place of registration	Patent number	Application date (yyyy.mm.dd)
83.	Robotic arm control method, robotic arm control device, and terminal equipment (機械臂控制方法、機械臂控制裝置及終端設備)	Our Company	Invention	PRC	ZL201911401000.1	2019.12.30
84.	Robot joint structure and robot (機器人關節結構及機器人)	Our Company	Invention	PRC	ZL201911419446.7	2019.12.31
85.	A mobile device and its positioning method and device (一種移動設備及其定位方法和裝置)	Our Company	Invention	PRC	ZL201911423598.4	2019.12.31
86.	Map optimization method, device and robot (地圖優化方法、裝置及機器人)	Our Company, Shenzhen Youbixing	Invention	PRC	ZL202010112029.4	2020.02.24
87.	Gait planning method, device, readable storage medium and robot for dynamic obstacle avoidance (動態避障的步態規劃方法、裝置、可讀存儲介質及機器人)	Our Company	Invention	PRC	ZL202010330688.5	2020.04.24
88.	Locking mechanism, knuckle structure and robot (鎖緊機構、指節結構及機器人)	Our Company	Invention	PRC	ZL202010355924.9	2020.04.29
89.	Force-torque sensor output compensation method, device and storage medium (力-力矩傳感器輸出補償方法、裝置及存儲介質)	Our Company	Invention	PRC	ZL202010421664.0	2020.05.18
90.	Finger structure and robot (手指結構及機器人)	Our Company	Invention	PRC	ZL202010454832.6	2020.05.26
91.	Joint energy storage ancillary structure, robot joint structure and robot (關節儲能助力機構、機器人關節結構及機器人)	Our Company	Invention	PRC	ZL202010455925.0	2020.05.26
92.	Finger structure and robot (手指結構及機器人)	Our Company	Invention	PRC	ZL202010455928.4	2020.05.26
93.	Joint energy storage ancillary structure, robot joint structure and robot (關節儲能助力機構、機器人關節結構及機器人)	Our Company	Invention	PRC	ZL202010455958.5	2020.05.26
94.	Direct force feedback control method, device, controller and robot (直接力反饋控制方法、裝置、控制器和機器人)	Our Company	Invention	PRC	202010538326.5	2020.06.12

No.	Patent name	Patentee	Type of patent	Place of registration	Patent number	Application date (yyyy.mm.dd)
95.	Multi-leg robot joint control method, device and multi-leg robot (多足機器人關節控制方法、裝置和多足機器人)	Our Company	Invention	PRC	ZL202010540353.6	2020.06.15
96.	Hollow robotic arm (中空機械臂)	UBKang (Qingdao) Technology Co., Ltd.* (優必康(青島)科技有限公司) ("**UBKang**")	Invention	PRC	ZL202010589449.1	2020.06.24
97.	Servo module and robotic arm (舵機模組及機械臂)	UBKang	Invention	PRC	ZL202010589625.1	2020.06.24
98.	Rotary arm structure and mechanical arm (轉動臂結構及機械臂)	UBKang	Invention	PRC	ZL202010590429.6	2020.06.24
99.	A processing method and processing system based on multi-output shaft steering gear (一種基於多輸出軸舵機的處理方法及處理系統)	Our Company	Invention	PRC	ZL202010591285.6	2020.06.24
100.	A robot map update method, device, readable storage medium and robot (一種機器人地圖更新方法、裝置、可讀存儲介質及機器人)	Our Company	Invention	PRC	ZL202010604039.X	2020.06.29
101.	Robotic arm and its three-dimensional reconstruction method and device (機械臂及其 三維重建方法和裝置)	Our Company	Invention	PRC	ZL202010647900.0	2020.07.07
102.	Hierarchy of tasks control method, device, robot and readable storage medium (任務分層控制方 法、裝置、機器人和可讀 存儲介質)	Our Company	Invention	PRC	ZL202010649070.5	2020.07.08
103.	Impedance control method, device, impedance controller and robot (阻 抗控制方法、裝置、阻抗 控制器和機器人)	Our Company	Invention	PRC	ZL202010650259.6	2020.07.08

No.	Patent name	Patentee	Type of patent	Place of registration	Patent number	Application date (yyyy.mm.dd)
104.	Redundant robot inverse kinematics solution method, device and redundant robot (冗餘機器人逆運動學求解方法、裝置和冗餘機器人)	Our Company	Invention	PRC	ZL202010659812.2	2020.07.10
105.	Floating base dynamics feed-forward control method, device and multi-legged robot (浮動 基動力學前饋控制方法、 裝置和多足機器人)	Our Company	Invention	PRC	ZL202010671790.1	2020.07.14
106.	A method and device for synchronous control of robots (一種機器人同步控制方法及裝置)	Our Company	Invention	PRC	ZL202010672875.1	2020-07-14
107.	Black body alignment method, device, robot and readable storage medium (黑體對準方法、 裝置、機器人及計算機可 讀存儲介質)	Our Company	Invention	PRC	ZL202010703865.X	2020-07-21
108.	Control method, device, terminal equipment and storage medium of brushless DC motor (無 刷直流電機的控制方法、 裝置、終端設備和存儲介 質)	Our Company	Invention	PRC	ZL202010704339.5	2020-07-21
109.	Robot control method, device, readable storage medium and robot (機器人控制方法、裝置、計算機可讀存儲介質及機器 人)	Our Company	Invention	PRC	ZL202010736468.2	2020-07-28
110.	Robot and its collision detection method and device (機器人及其碰撞 檢測方法和裝置)	Our Company	Invention	PRC	ZL202010752413.0	2020-07-30
111.	Multi-system timing method, device, equipment and medium (多系統校時方法、裝 置、設備及介質)	Our Company	Invention	PRC	ZL202010760046.9	2020-07-31
112.	A three-dimensional reconstruction method, device and terminal equipment (一種三維重建方法、裝置及終端設備)	Our Company	Invention	PRC	ZL202010766571.1	2020-08-03

No.	Patent name	Patentee	Type of patent	Place of registration	Patent number	Application date (yyyy.mm.dd)
113.	A robot pose control method, device, readable storage medium and robot (一種機器人姿態控 制方法、裝置、可讀存儲 介質及機器人)	Our Company	Invention	PRC	ZL202010773743.8	2020-08-04
114.	A gait planning method, device, readable storage medium and robot (一種步態規劃方法、裝置、計算機可讀存儲介質及機器人)	Our Company	Invention	PRC	ZL202010773787.0	2020-08-04
115.	Image processing method, device, system, electronic equipment and readable storage medium (圖像處理方法、裝置、系統、電子設備及可讀存儲介質)	Our Company	Invention	PRC	ZL202010775325.2	2020-08-05
116.	A face recognition method, face recognition device and electronic equipment (一種人臉識別方法、人臉識別裝置及電子設備)	Our Company	Invention	PRC	ZL202010776692.4	2020-08-05
117.	Balance control method, device, humanoid robot and readable storage medium (平衡控制方法、裝置、仿人機器人及可讀存儲介質)	Our Company	Invention	PRC	ZL202010781984.7	2020-08-06
118.	Robot and its map construction method and device (機器人及其地圖 構建方法和裝置)	Our Company	Invention	PRC	ZL202010843669.2	2020-08-20
119.	An obstacle avoidance method, device, mechanical arm and storage medium (一種避障方法、裝置、機械臂及存儲介質)	Our Company	Invention	PRC	ZL202010862102.X	2020-08-25
120.	Robot pose estimation method, device, humanoid robot and storage medium (機器人 位姿估計方法、裝置、仿 人機器人及存儲介質)	Our Company	Invention	PRC	ZL202010862104.9	2020-08-25
121.	A robot footprint planning method, device, readable storage medium and robot (一種機器人足跡規 劃方法、裝置、可讀存儲 介質及機器人)	Our Company	Invention	PRC	ZL202010887219.3	2020-08-28

No.	Patent name	Patentee	Type of patent	Place of registration	Patent number	Application date (yyyy.mm.dd)
122.	Method, device, equipment and storage medium for determining stability of camera shooting parameters (相機拍攝參 數穩定性確定方法、裝 置、設備及存儲介質)	Our Company	Invention	PRC	ZL202010901148.8	2020-08-31
123.	Chassis motor control method, chassis motor control device, robot and medium (底盤電機控制方法、底盤電機控制裝置、機器人及介質)	Our Company	Invention	PRC	ZL202010916385.1	2020-09-03
124.	Biped robot (雙足機器人)	Our Company	Invention	PRC	ZL202011055219.3	2020-09-29
125.	Joint energy storage ancillary structure, robot joint structure and robot (關節儲能助力機構、機 器人關節結構及機器人)	Our Company	Invention	PRC	ZL202011196318.3	2020-10-30
126.	Joint energy storage ancillary structure, robot joint structure and robot (關節儲能助力機構、機 器人關節結構及機器人)	Our Company	Invention	PRC	ZL202011196334.2	2020-10-30
127.	Hip structure and humanoid robot (髖部結構及仿人機器人)	Our Company	Invention	PRC	ZL202011196728.8	2020-10-30
128.	A mapping method, device, readable storage medium, and robot (一種建圖方法、裝置、計算機可讀存儲介質及機器人)	Our Company	Invention	PRC	ZL202011232065.0	2020-11-06
129.	Gait correction method, device and equipment for biped robot (雙足機器人的步態糾偏方法、裝置和計算機設備)	Our Company	Invention	PRC	ZL202011284461.8	2020-11-17
130.	Method, device, robot and storage medium for determining robot pose (機器人位姿的確定方 法、裝置、機器人及存儲 介質)	Our Company	Invention	PRC	ZL202011287700.5	2020-11-17
131.	Method, device, readable storage medium and robot for passing narrow passage (機器人通過窄道 的方法、裝置、可讀存儲 介質及機器人)	Our Company	Invention	PRC	ZL202011330842.5	2020.11.24

No.	Patent name	Patentee	Type of patent	Place of registration	Patent number	Application date (yyyy.mm.dd)
132.	Robot motion planning method, device, mobile robot and storage medium (機器人運動規劃 方法、裝置、可移動機器 人及存儲介質)	Our Company	Invention	PRC	ZL202011383752.2	2020.11.30
133.	Positioning method, device, electronic device and readable storage medium (定位方法、裝置、電子 設備及可讀存儲介質)	Our Company	Invention	PRC	ZL202011413611.0	2020.12.03
134.	Black body detection method, temperature measuring robot, terminal equipment and storage medium (黑體檢測方法、 測溫機器人、終端設備及 存儲介質)	Our Company	Invention	PRC	ZL202011415493.7	2020.12.07
135.	Servo coding control structure and servo module (舵機編碼控制結 構及舵機模組)	UBKang	Invention	PRC	ZL202011415562.4	2020.12.07
136.	Robot control method, device, readable storage medium and robot (機器人控制方法、裝置、計算機可讀存儲介質及機器 人)	Our Company	Invention	PRC	ZL202011416299.0	2020.12.07
137.	A model training method, model training device and intelligent equipment (一種模型訓練方法、模 型訓練裝置及智能設備)	Our Company	Invention	PRC	ZL202011424297.6	2020.12.08
138.	Motion track planning method and device of robotic arm, robotic arm and storage medium (機械臂的運動軌跡規劃方法及裝置、機械臂及存儲介質)	Our Company	Invention	PRC	ZL202011435841.7	2020.12.10
139.	Two-axis output servo and robot (雙軸輸出舵機及機器人)	Our Company	Invention	PRC	ZL202011444264.8	2020.12.11
140.	Robot and its method and device for scanning piles (機器人及其掃描上樁方 法和裝置)	Our Company	Invention	PRC	ZL202011517431.7	2020.12.21
141.	A robot pose control method, device and robot (一種機器人姿態控制方 法、裝置及機器人)	Our Company	Invention	PRC	ZL202011532454.5	2020.12.22

No.	Patent name	Patentee	Type of patent	Place of registration	Patent number	Application date (yyyy.mm.dd)
142	A robot torque control method, device, readable storage medium and robot (一種機器人力矩控制方法、裝置、可讀存儲介質及機器人)	Our Company	Invention	PRC	ZL202011532379.2	2020.12.22
143.	Method, device, humanoid robot and readable storage medium for acquiring centroid state (合質心狀態獲取方法、 裝置、仿人機器人和可讀 存儲介質)	Our Company	Invention	PRC	ZL202011535826.X	2020.12.23
144.	A robot centroid planning method, device, readable storage medium and robot (一種機器人質心規 劃方法、裝置、可讀存儲 介質及機器人)	Our Company	Invention	PRC	ZL202011547544.1	2020.12.24
145.	A robot condition estimation method, device, readable storage medium and robot (一種 機器人狀態估計方法、裝 置、可讀存儲介質及機器 人)	Our Company	Invention	PRC	ZL202011547547.5	2020.12.24
146.	A control method, control device and robot (一種控制方法、控制裝置及機器人)	Our Company	Invention	PRC	ZL202011565456.4	2020.12.25
147.	Servo module and robot (舵機模組及機器人)	UBKang	Invention	PRC	ZL202011588807.3	2020.12.28
148.	Inverse kinematics analysis method, device and equipment of mechanical arm (機械臂的逆運動學 解析方法、裝置及設備)	UBKang	Invention	PRC	ZL202011605529.8	2020.12.29
149.	Joint motion mechanism and robot (關節運動機構 及機器人)	Our Company	Invention	PRC	ZL202011617517.7	2020.12.30
150.	A humanoid robot control method, device, equipment and storage medium (一種仿人機器人 控制方法、裝置、計算機 設備及存儲介質)	Our Company	Invention	PRC	ZL202011626497.X	2020.12.30
151.	Monitoring method and device of ultraviolet sterilizing equipment and ultraviolet sterilizing system (紫外線殺菌設備的監控方法、裝置及紫外線殺菌系統)	UBKang	Invention	PRC	ZL202110143148.0	2021.02.02

No.	Patent name	Patentee	Type of patent	Place of registration	Patent number	Application date (yyyy.mm.dd)
152.	Human-machine cooperative control method, device and robot (機器人的人機協作控制方法、裝置和機器人)	Our Company	Invention	PRC	ZL202110179249.3	2021.02.07
153.	A robot trajectory planning method, device, readable storage medium and robot (一種機器人軌跡規 劃方法、裝置、可讀存儲 介質及機器人)	Our Company	Invention	PRC	ZL202110194548.4	2021.02.21
154.	Robot swing leg landing detection method, device and robot (機器人擺動腿落地檢測方法、裝置和機器人)	Our Company	Invention	PRC	ZL202110209706.9	2021.02.24
155	A torque control method, device, terminal equipment and storage medium (一種力矩控制方法、裝置、終端設備及存儲介質)	Our Company	Invention	PRC	ZL202110206469.0	2021.02.24
156	Decoupling control method and device for humanoid robot and humanoid robot (仿人機器人的解耦控制方法、裝置和仿人機器人)	Our Company	Invention	PRC	ZL202110209690.1	2021.02.24
157.	Multi-legged robot load balancing method, device and multi-legged robot (多足機器人負重平衡方 法、裝置和多足機器人)	Our Company	Invention	PRC	ZL202110247296.7	2021.03.05
158.	Connecting rod structure, robot fingers and robot (連桿結構、機器人手指 及機器人)	Our Company	Invention	PRC	ZL202110261846.0	2021.03.10
159.	A method for inverse solution of arm angle interval of a mechanical arm, device and terminal equipment (一種機械臂的 臂角區間的逆解方法、裝 置及終端設備)	Our Company	Invention	PRC	ZL202110290519.8	2021.03.18
160.	A robot calibration method, device, robot and storage medium (一種機器人標定方法、裝置、機器人及存儲介質)	Our Company	Invention	PRC	ZL202110296720.7	2021.03.19

No.	Patent name	Patentee	Type of patent	Place of registration	Patent number	Application date (yyyy.mm.dd)
161.	A method, device, readable storage medium and robotic arm for motion planning of a robotic arm (一種機械臂運動規劃方法、裝置、可讀存儲介質及機械臂)	Our Company	Invention	PRC	ZL202110301126.2	2021.03.22
162.	A robot control method, controller, robot and control system (一種機器人的控制方法、控制器、機器人及控制系統)	Our Company	Invention	PRC	ZL202110302928.5	2021.03.22
163.	A control method, control system and intelligent device (一種控制方法、 控制系統及智慧設備)	Our Company	Invention	PRC	ZL202110327255.9	2021.03.26
164.	Finger structure and robot (手指結構及機器人)	Our Company	Invention	PRC	ZL202110330583.4	2021.03.26
165.	Robot forward kinematics solution method, device, readable storage medium and robot (機器人正運動學求解方法、裝置、可讀存儲介質及機器人)	Our Company	Invention	PRC	ZL202110334669.4	2021.03.29
166.	A robot control method, device and robot (一種機器人的控制方法、裝置及機器人)	Our Company	Invention	PRC	ZL202110343464.2	2021.03.30
167.	Motion control method, device, robot control device and readable storage medium (運動控制方法、裝置、機器人控制設備及可讀存儲介質)	Our Company	Invention	PRC	ZL202110349082.0	2021.03.31
168.	Robot motion control method, device and robot (機器人運動控制方法、 裝置和機器人)	Our Company	Invention	PRC	ZL202110360660.0	2021.04.02
169.	Robot control method, device, computer readable storage medium and robot (機器人控制方法、裝置、電腦可讀存儲介質及機器人)	Our Company	Invention	PRC	ZL202110479498.4	2021.04.30
170.	Centroid pose estimation method, device, readable storage medium, and robot (質心位姿估計方 法、裝置、計算機可讀存 儲介質及機器人)	Our Company	Invention	PRC	ZL202110479942.2	2021.04.30

No.	Patent name	Patentee	Type of patent	Place of registration	Patent number	Application date (yyyy.mm.dd)
171.	A robot autonomous operation method, device, robot and storage medium (一種機器人自主 作業方法、裝置、機器人 及存儲介質)	Our Company	Invention	PRC	ZL202110571634.2	2021.05.25
172.	Massage motion control method, device, robot control device and storage medium (按摩運 動控制方法、裝置、機器 人控制設備及存儲介質)	Our Company	Invention	PRC	ZL202110577585.3	2021.05.26
173.	Robot's admittance control method, admittance control system and robot (機器人的導納控制方 法、導納控制系統和機器 人)	Our Company	Invention	PRC	ZL202110578796.9	2021.05.26
174.	Robot balance control method, device, robot control device and storage medium (機器人 平衡控制方法、裝置、機 器人控制設備及存儲介 質)	Our Company	Invention	PRC	ZL202110579167.8	2021.05.26
175.	Humanoid robot balance control method, device and humanoid robot (仿 人機器人平衡控制方法、 裝置和仿人機器人)	Our Company	Invention	PRC	ZL202110592574.2	2021.05.28
176.	Automatic calibration alignment system and method (自動標定對位系統及方法)	Our Company	Invention	PRC	ZL202110601327.4	2021.05.31
177.	Visual positioning method, device and equipment (視覺定位方法、裝置和 計算機設備)	Our Company	Invention	PRC	ZL202110618509.2	2021.06.03
178.	Condition estimation method for parallel configuration of humanoid robot, device, equipment and media (並聯構型仿人機器人的狀態估計方法、裝置、設備及介質)	Our Company	Invention	PRC	ZL202110634737.9	2021.06.08
179.	Multi-target tracking method, device, equipment and storage medium (多目標追蹤方 法、裝置、設備及存儲介 質)	Our Company	Invention	PRC	ZL202110640635.8	2021.06.09

No.	Patent name	Patentee	Type of patent	Place of registration	Patent number	Application date (yyyy.mm.dd)
180.	Method, device, robot and storage medium for determining robot pose (機器人位姿的確定方 法、裝置、機器人及存儲 介質)	Our Company	Invention	PRC	ZL202110709447.6	2021.06.25
181.	A robot motion analysis method, device, readable storage medium and robot (一種機器人運動分 析方法、裝置、可讀存儲 介質及機器人)	Our Company	Invention	PRC	ZL202110818134.4	2021.07.20
182.	Robot foot end collision stability control method, device and footed robot (機器人足端碰撞穩定控 制方法、裝置和足式機器 人)	Our Company	Invention	PRC	ZL202110846375.X	2021.07.26
183.	A method for determining configuration information of robot joints, device and terminal equipment (一種機器人關節的配置 信息的確定方法、裝置及 終端設備)	Our Company	Invention	PRC	ZL202110937653.2	2021.08.16
184.	A dynamic obstacle avoidance method for robot, device and robot (一種機器人動態避障方法、裝置和機器人)	Our Company	Invention	PRC	ZL202110975114.8	2021.08.24
185.	Biped robot dance balance control method, device and biped robot (雙足機器人舞蹈平衡控制方法、裝置和雙足機器人)	Our Company	Invention	PRC	ZL202110975302.0	2021.08.24
186.	Robot joint pose optimization method, robot control method and robot (機器人關節位姿優 化方法、機器人控制方法 和機器人)	Our Company	Invention	PRC	ZL202110976981.3	2021.08.24
187.	A robot obstacle avoidance method, device and robot (一種機 器人避障方法、裝置和機器人)	Our Company	Invention	PRC	ZL202110977027.6	2021.08.24
188.	Two-armed robot control method, device, two-armed robot and readable storage medium (雙臂機器人控制方法、裝置、雙臂機器人和可讀存儲介質)	Our Company	Invention	PRC	ZL202110982414.9	2021.08.25

No.	Patent name	Patentee	Type of patent	Place of registration	Patent number	Application date (yyyy.mm.dd)
189.	Two-legged machine walking control method, device and equipment (雙足機器人步態控制方 法、裝置和計算機設備)	Our Company	Invention	PRC	ZL202111023763.4	2021.09.02
190.	Control method for cooperative transportation by robot, device and equipment (機器人協同搬運的控制 方法、裝置和計算機設 備)	Our Company	Invention	PRC	ZL202111054669.5	2021.09.09
191.	Throwing trajectory planning method for redundant arm of humanoid robot, device and medium (仿人機器人的冗餘手臂的拋投軌跡規劃方法、裝置及介質)	Our Company	Invention	PRC	ZL202111082022.3	2021.09.15
192.	Joint acceleration planning method, device, equipment and medium for redundant robots (冗 餘度機器人的關節加速度 規劃方法、裝置、設備及 介質)	Our Company	Invention	PRC	ZL202111133210.4	2021.09.27
193.	Robot control method, device, robot and readable storage medium (機器人控制方法、裝 置、機器人和可讀存儲介 質)	Our Company	Invention	PRC	ZL202111137896.4	2021.09.27
194.	Robot control method, device, robot and storage medium (機器人控制方法、裝置、機器人及存儲介質)	Our Company	Invention	PRC	ZL202111163727.8	2021.09.30
195.	Control method, device, equipment and medium of humanoid robot joint (仿人機器人關節的控制 方法、裝置、設備及介 質)	Our Company	Invention	PRC	ZL202111297037.1	2021.11.04
196.	3D pose estimation method, device, computer equipment and storage medium (3D姿態估計方法、裝置和計算機設備及存儲介質)	Our Company	Invention	PRC	ZL202111427804.6	2021.11.29
197.	Bounce motion control method and device of biped robot and biped robot (雙足機器人的彈跳運動控制方法、裝置及雙足機器人)	Our Company	Invention	PRC	ZL202111528491.3	2021.12.14

No.	Patent name	Patentee	Type of patent	Place of registration	Patent number	Application date (yyyy.mm.dd)
198.	A robot control method, device, terminal device and storage medium (一種機器人控制方法、裝置、終端設備及存儲介質)	Our Company	Invention	PRC	ZL202111632915.0	2021.12.28
199.	Mechanical arm gripping control method, device, robot and readable storage medium (機械臂夾持控制方法、裝置、機器人和可讀存儲介質)	Our Company	Invention	PRC	ZL202111443726.9	2021.11.30
200.	A robot balance control method, device, readable storage medium and robot (一種機器人平衡控制方法、裝置、可讀存儲介質及機器人)	Our Company	Invention	PRC	ZL202111221807.4	2021.10.20
201.	Robot control method, device, computer readable storage medium and robot (機器人控制方法、裝置、計算機可讀存儲介質及機器人)	Our Company	Invention	PRC	ZL202111214282.1	2021.10.19
202.	A robot hand eye calibration method, device, readable storage medium and robot (一種機器人手眼標定方法、裝置、可讀存儲介質及機器人)	Our Company	Invention	PRC	ZL202110114619.5	2021.01.26
203.	Robot mapping method, device, computer readable storage medium and robot (機器人建圖方法、裝置、計算機可讀存儲介質及機器人)	Our Company	Invention	PRC	ZL202011330699.X	2020.11.24
204.	A robot and its climbing stairs control method and device (一種機器人及其爬樓控制方法和裝置)	Our Company	Invention	PRC	ZL201911266155.9	2019.12.11
205.	Robot navigation method, system, robot and storage medium (機器人導航方法、系統、機器人及存儲介質)	Our Company	Invention	PRC	ZL201911159641.0	2019.11.22
206.	Robot and its integrated joints (機器人及其集成關節)	Our Company	Invention	PRC	ZL201980064069.1	2019.09.30

No.	Patent name	Patentee	Type of patent	Place of registration	Patent number	Application date (yyyy.mm.dd)
207.	A robot position confirmation method, device, readable storage medium and robot (一種機器人位姿確定方法、裝置、可讀存儲介質及機器人)	Our Company	Invention	PRC	ZL201910800816.5	2019.08.28
208.	Pedestrian detection and tracking method, apparatus, terminal device and medium (行人檢測跟蹤方法、裝置、終端設備及介質)	Our Company	Invention	PRC	ZL201811641863.1	2018.12.29
209.	Path tracking method and terminal device (路徑跟蹤方法及終端設備)	Our Company	Invention	PRC	ZL201811289515.2	2018.10.31
210.	Servo components, robot joint structure and robot (一種舵機組件、機器人關節結構及機器人)	Our Company	Invention	PRC	ZL201711365286.3	2017.12.18
211.	A servo of entertainment robot (一種娛樂機器人舵機)	Our Company	Utility model	PRC	ZL201520516530.1	2015.07.15
212.	Toy assembling parts (玩具搭建元件)	Our Company	Utility model	PRC	ZL201620237103.4	2016.03.24
213.	Robot joint structure (機器人關節結構)	Our Company	Utility model	PRC	ZL201620505834.2	2016.05.27
214.	A robot (一種機器人)	Our Company	Utility model	PRC	ZL201822240151.0	2018.12.28
215.	A robot (一種機器人)	Our Company	Utility model	PRC	ZL201822241357.5	2018.12.28
216.	Frame and wheelchair (車架及輪椅)	Our Company	Utility model	PRC	ZL202123300921.4	2021.12.24
217.	Vibration-absorbing Wheel Assembly and Wheelchair (減振輪組件 及輪椅)	Our Company	Utility model	PRC	ZL202123340713.7	2021.12.28
218.	Robot (entertainment type) (機器人(娛樂型))	Our Company	Design	PRC	ZL201330081207.2	2013.03.25
219.	Robot (Alpha 1P) (機器人(Alpha 1P))	Our Company	Design	PRC	ZL201630060838.X	2016.03.04
220.	Robot (機器人)	Our Company	Design	PRC	ZL201630496683.4	2016.10.10
221.	Robot (機器人)	Our Company	Design	PRC	ZL201830039956.1	2018.01.27
222.	Biped robot (雙足機器人)	Our Company	Design	PRC	ZL201830630987.4	2018.11.08
223.	Inspection robot (Aimbot) (巡檢機器人(Aimbot))	Our Company	Design	PRC	ZL201930477839.8	2019.08.30
224.	Biped robot (雙足機器人)	Our Company	Design	PRC	ZL202030445569.5	2020.08.07
225.	Disinfection robot 消殺機器人	Our Company	Design	PRC	ZL202030606503.X	2020.10.13
226.	Intelligent cat litter box (T2091) (智能貓砂盆(T2091))	Our Company	Design	PRC	ZL202130564483.9	2021.08.27

No.	Patent name	Patentee	Type of patent	Place of registration	Patent number	Application date (yyyy.mm.dd)
227.	Robot (機器人)	Our Company	Design	PRC	ZL202230060640.7	2022.01.28
228.	Servo of entertainment robot	Our Company	Invention	United States	US9931577B2	2016-09-19
229.	Servomotor and control method thereof	Our Company	Invention	United States	US10084362B2	2016-10-18
230.	Robot joint structure	Our Company	Invention	United States	US10518408B2	2016-10-18
231.	Robot servo capable of emitting light	Our Company	Invention	United States	US9857036B1	2016-11-10
232.	Face detecting and tracking method and device and method and system for controlling rotation of robot head	Our Company	Invention	United States	US9892312B1	2016-11-10
233.	Face detecting and tracking method, method for controlling rotation of robot head and robot	Our Company	Invention	United States	US10275639B2	2016-11-21
234.	Toy assembling apparatus	Our Company	Invention	United States	US10029187B2	2016-12-25
235.	Robot head rotating structure	Our Company	Invention	United States	US10183403B2	2017-03-02
236.	Robot with rotary structure	Our Company	Invention	United States	US10307914B2	2017-03-02
237.	Anti-falling robots, anti-falling method, and anti-falling device of robots during power outage	Our Company	Invention	United States	US10059393B2	2017-06-26
238.	Distance measuring method of robot, robot thereof, and recharging system	Our Company	Invention	United States	US10528058B2	2017-09-29
239.	Recharging alignment method of robot, and the robot thereof	Our Company	Invention	United States	US10635115B2	2017-09-30
240.	Robot motion path planning method, apparatus and terminal device	Our Company	Invention	United States	US10821605B2	2018-07-02
241.	Servo and robot having the same	Our Company	Invention	United States	US10960538B2	2018-08-09
242.	Image processing method and system	Our Company	Invention	United States	US10447992B1	2018-08-17
243.	Gait control method, device, and terminal device for biped robot	Our Company	Invention	United States	US11022983B2	2018-10-28
244.	Method for controlling walking of robot and robot	Our Company	Invention	United States	US11045945B2	2018-12-06
245.	Servo assembly, robot joint and robot	Our Company	Invention	United States	US10500734B1	2018-12-20
246.	Biped robot equivalent trajectory generating method and biped robot using the same	Our Company	Invention	United States	US11061407B2	2018-12-23

No.	Patent name	Patentee	Type of patent	Place of registration	Patent number	Application date (yyyy.mm.dd)
247.	Robot, method for controlling motion of a robot and non-transitory readable medium	Our Company	Invention	United States	US11020853B2	2018-12-25
248.	Finger of robotic hand and robot having the same	Our Company	Invention	United States	US10384352B1	2018-12-27
249.	Chassis with wheels	Our Company	Invention	United States	US10906585B2	2018-12-27
250.	Motion target direction angle obtaining method, apparatus and robot using the same	Our Company	Invention	United States	US10875178B2	2018-12-28
251.	Finger of robotic hand and robot having the same	Our Company	Invention	United States	US10634225B1	2018-12-29
252.	Finger of robotic hand and robot having the same	Our Company	Invention	United States	US10857681B2	2019-03-30
253.	Robotic hand	Our Company	Invention	United States	US11465298B2	2019-03-30
254.	Positioning method and robot using the same	Our Company	Invention	United States	US10783661B2	2019-05-20
255.	Relocalization method and robot using the same	Our Company	Invention	United States	US11045953B2	2019-05-31
256.	Obstacle detection method and apparatus and robot using the same	Our Company	Invention	United States	US11287828B2	2019-05-31
257.	Robot and audio data processing method thereof	Our Company	Invention	United States	US10827258B2	2019-06-21
258.	Robot and auto data processing method thereof	Our Company	Invention	United States	US10667045B1	2019-06-21
259.	Robot gait planning method and robot with the same	Our Company	Invention	United States	US11420694B2	2019-06-26
260.	Object pose tracking method and apparatus	Our Company	Invention	United States	US11170528B2	2019-08-23
261.	Linear joint and legged robot having the same	Our Company	Invention	United States	US11485028B2	2019-09-11
262.	Biped robot gait control method and biped robot	Our Company	Invention	United States	US11230001B2	2019-09-17
263.	Path tracking method and mobile robot using the same	Our Company	Invention	United States	US11287825B2	2019-09-20
264.	Virtual rail based cruise method and apparatus and robot using the same	Our Company	Invention	United States	US11260529B2	2019-09-27
265.	Localization method and robot using the same	Our Company	Invention	United States	US11474204B2	2019-12-02
266.	Robot pose determination method and apparatus and robot using the same	Our Company	Invention	United States	US11498227B2	2019-12-11
267.	Rotation angle detection method and device thereof	Our Company	Invention	United States	US11346648B2	2019-12-25

No.	Patent name	Patentee	Type of patent	Place of registration	Patent number	Application date (yyyy.mm.dd)
268.	Sentence generation method, sentence generation apparatus, and smart device	Our Company	Invention	United States	US11501082B2	2020-01-05
269.	Method for imitation of human arm by robotic arm, computer readable storage medium, and robot	Our Company	Invention	United States	US11331802B2	2020-01-05
270.	Face image quality evaluating method and apparatus and computer readable storage medium using the same	Our Company	Invention	United States	US11126824B2	2020-03-01
271.	Face identification method and terminal device using the same	Our Company	Invention	United States	US11232289B2	2020-03-12
272.	Robotic arm control method and apparatus and terminal device using the same	Our Company	Invention	United States	US11325247B2	2020-03-12
273.	Robotic assistant	UBKang	Invention	United States	US11518042B2	2020-05-09
274.	Wheeled base	UBKang	Invention	United States	US11511437B2	2020-07-07
275.	Method for utterance generation, smart device, and computer readable storage medium	Our Company	Invention	United States	US11282502B2	2020-08-31
276.	Tendon-driven robotic hand	Futronics (NA) Corporation, Our Company	Invention	United States	US11325264B1	2020-11-12
277.	Loop closure detection method, mobile device and computer readable storage medium	Our Company	Invention	United States	US11423646B2	2020-11-20
278.	Method and apparatus for face recognition and computer readable storage medium	Our Company	Invention	United States	US11373443B2	2020-11-27
279.	Streaming voice conversion method and apparatus and computer readable storage medium using the same	Our Company	Invention	United States	US11367456B2	2020-12-03
280.	Speech synthesis method and apparatus and computer readable storage medium using the same	Our Company	Invention	United States	US11417316B2	2020-12-08

No.	Patent name	Patentee	Type of patent	Place of registration	Patent number	Application date (yyyy.mm.dd)
281.	Gesture recognition method and terminal device and computer readable storage medium using the same	Our Company	Invention	United States	US11423701B2	2020-12-10
282.	Humanoid robot and its control method and computer readable storage medium	Our Company	Invention	United States	US11472024B2	2020-12-24
283.	Method for extracting image of face detection and device thereof	Our Company	Invention	United States	US11475707B2	2020-12-27
284.	Mobile robot control method, computer-implemented storage medium and mobile robot	UBKang	Invention	United States	US11429112B2	2020-12-31
285.	Scene data obtaining method and model training method, apparatus and computer readable storage medium using the same	Our Company	Invention	United States	US11461958B2	2021-03-30
286.	System and method for multichannel speech detection	UBKang	Invention	United States	US11514927B2	2021-04-16
287.	Articulated rack for actuation of a robotic drawer	UBKang	Invention	United States	US11406185B1	2021-06-25
288.	Robot	Our Company	Design	United States	USD872152S	2018-06-29
289.	Robot	Our Company	Design	United States	USD911459S	2018-08-30
290.	Robotic assistant and method for controlling the same	UBKang	Invention	United States	US11554071B2	2021-09-07
291.	Map database, creation method, mobile machine using the same, and computer readable storage medium	Our Company	Invention	United States	US11710277B2	2021-09-23
292.	Dynamic gesture recognition method, device and computer-readable storage medium	Our Company	Invention	United States	US11636712B2	2021-08-31
293.	Mechanical arm	Our Company	Invention	United States	US11685043B2	2020-06-15
294.	Humanoid robot and its balance control method and computer readable storage medium	Our Company	Invention	United States	US11642786B2	2020-12-31
295.	Gait planning method, computer-readable storage medium and robot	Our Company	Invention	United States	US11599118B2	2020-12-30
296.	Navigation map updating method and apparatus and robot using the same	Our Company	Invention	United States	US11629964B2	2020-04-09

No.	Patent name	Patentee	Type of patent	Place of registration	Patent number	Application date (yyyy.mm.dd)
297.	Robot balance, control method, computer-readable storage medium and robot	Our Company	Invention	United States	US11604466B2	2020-12-13
298.	Robot control method, computer-readable storage medium and robot	Our Company	Invention	United States	US11602848B2	2020-12-13
299.	Robot control method, computer-readable storage medium and robot	Our Company	Invention	United States	US11691284B2	2020-12-13
300.	Robot climbing control method and robot	Our Company	Invention	United States	US11644841B2	2020-12-07
301.	Biped robot and its moving method, apparatus and storage medium	Our Company	Invention	United States	US11550335B2	2020-04-03
302.	Robot joint structure	Our Company	Invention	European Union	EP3248735B1	2016.11.02
303.	Entertainment robot servo	Our Company	Invention	European Union	EP3165267B1	2017.02.06
304.	Charging station identifying method and device	Our Company	Invention	European Union	EP3557361B1	2019.04.16
305.	Robots	Our Company	Design	European Union	005511763-0001	2018.07.24
306.	Robots [toys]	Our Company	Design	European Union	005943651-0001	2018.12.24
307.	Servo (舵機)	Our Company	Invention	Japan	6294410	2016.08.24
308.	Toy assembling part buckle device (玩具搭建元件卡扣裝置)	Our Company	Invention	Japan	6165954	2016.11.16
309.	Robot joint structure (機器人關節結構)	Our Company	Invention	Japan	6228655	2016.11.21
310.	Servo motor and its control method (伺服電機及其控制方法)	Our Company	Invention	Japan	6105143	2016.12.02
311.	Face detection and tracking method and device, robot head rotation control method and system (人臉檢測跟踪方法及裝置、機器人頭部轉動控制方法及系統)	Our Company	Invention	Japan	6165959	2016.12.26
312.	Motion path planning method, apparatus, storage medium and terminal device for robot (機器人運動路徑規劃方法、裝置、存儲介質及終端設備)	Our Company	Invention	Japan	6443905	2018.07.20
313.	Servo and robot (舵機及機器人)	Our Company	Invention	Japan	6521552	2018.11.20

No.	Patent name	Patentee	Type of patent	Place of registration	Patent number	Application date (yyyy.mm.dd)
314.	A robot and its audio-processing method (一種機器人及其音訊處理方法)	Our Company	Invention	Japan	6692983	2019.11.18
315.	Robot (機器人)	Our Company	Design	Japan	1628097	2018.07.03
316.	Biped robot (雙足機器人)	Our Company	Design	Japan	1632897	2018.11.22
317.	Wheelchair and walking support robot (輪椅及輔助行走機器人)	Our Company	Design	Japan	1710717	2021.12.13
318.	Toy assembling parts buckle device (玩具搭建元件卡扣裝置)	Our Company	Invention	South Korea	10-1995996	2017.03.16
319.	Servo motor and its control method (伺服電機及其控制方法)	Our Company	Invention	South Korea	10-1908689	2017.04.07
320.	Face detection and tracking method and device, robot head rotation control method and system (人臉檢測跟踪方法及裝置、機器人轉動控制方法及系統)	Our Company	Invention	South Korea	10-1881820	2017.07.19
321.	Servo and robot having the same (舵機及機器人)	Our Company	Invention	South Korea	10-2066488	2018.11.20
322.	Motion path planning method, apparatus, storage medium and terminal device for robot (機器人運動路徑規劃方法、裝置、存儲介質及終端設備)	Our Company	Invention	South Korea	10-2113695	2018.12.27
323.	Toy Robot (玩具機器人)	Our Company	Design	South Korea	30-0986416	2018.07.13
324.	Intelligent service robot (智能服務機器人)	Our Company	Design	South Korea	30-1016484	2018.11.22
325.	Service robot (服務機器人)	Our Company, UBTECH North America Research and Development Center Corp	Design	South Korea	30-1186976	2021.12.21

3. Domain names

As at the Latest Practicable Date, we owned the following domain names which we consider to be or may be material to our business:

No.	Registered Owner	Domain Name	Period of Validity
1. ..	Our Company	ubtrobot.com	2022.12.22 – 2027.12.26

C. FURTHER INFORMATION ABOUT OUR DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

1. Particulars of the Service Contracts

We have entered into a service contract or letter of appointment with each of our Directors and Supervisors in respect of, among other things, (i) compliance of relevant laws of regulations and (ii) observance of the Articles of Association. Such service contracts and letters of appointment have terms of either three years commencing from the date of appointment or from the [**REDACTED**].

Save as disclosed above, none of the Directors or Supervisors has or is proposed to have a service contract with any member of our Group (other than contracts expiring or determinable by the relevant employer within one year without the payment of compensation other than statutory compensation).

2. Directors' and Supervisors' Remuneration

For details of the remuneration of Directors and Supervisors, see "Directors, Supervisors and Senior Management — Remuneration Policy" and Note 10 to "Appendix I — Accountant's Report".

3. Disclosure of interests

(a) Interests and/or short positions of our Directors, Supervisors or chief executives in the share capital of our Company and its associated corporations following completion of the [**REDACTED**]

Immediately following completion of the [**REDACTED**] and [**REDACTED**] (assuming the [**REDACTED**] is not exercised), the interests and/or short positions of our Directors, Supervisors and chief executives in our Shares, underlying shares and debentures of our Company and its associated corporations, within the meaning of Part XV of the SFO, which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she is taken or deemed to have under such provisions of the SFO), or which will be required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein, or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, will be as follows:

Interest in our Company

			As of the Latest Practicable Date		Immediately following the completion of the [REDACTED] and [REDACTED] into H Shares (taking no account of any H Shares which may be issued pursuant to the exercise of the [REDACTED])		
Name of Director	Nature of Interest	Class of Shares	Number of Shares directly or indirectly held(1)	Approximate % of the total issued Share capital of our Company	Number of Shares directly or indirectly held(1)	Approximate % of the relevant class of Shares	Approximate % of the total issued Share capital of our Company
Mr. Zhou Jian	Beneficial owner	Domestic Shares	103,586,040 (L)	25.48	[REDACTED]	[REDACTED]	[REDACTED]
	Interest in controlled incorporation(2)	Domestic Shares	14,538,600 (L)	3.58	[REDACTED]	[REDACTED]	[REDACTED]
	Persons acting in concert(3)	Domestic Shares	95,709,960 (L)	23.54	[REDACTED]	[REDACTED]	[REDACTED]
		H Shares	—	—	[REDACTED]	[REDACTED]	[REDACTED]

			As of the Latest Practicable Date		Immediately following the completion of the [REDACTED] and [REDACTED] into H Shares (taking no account of any H Shares which may be issued pursuant to the exercise of the [REDACTED])		
Name of Director	Nature of Interest	Class of Shares	Number of Shares directly or indirectly held(1)	Approximate % of the total issued Share capital of our Company	Number of Shares directly or indirectly held(1)	Approximate % of the relevant class of Shares	Approximate % of the total issued Share capital of our Company
Mr. Xia Zuoquan	Beneficial owner	Domestic Shares	22,888,800 (L)	5.63	[REDACTED]	[REDACTED]	[REDACTED]
	Persons acting in concert(3)	Domestic Shares	190,945,800 (L)	46.97	[REDACTED]	[REDACTED]	[REDACTED]
		H Shares	—	—	[REDACTED]	[REDACTED]	[REDACTED]
Mr. Xiong Youjun	Beneficial owner	Domestic Shares	8,290,743 (L)	2.04	[REDACTED]	[REDACTED]	[REDACTED]
	Persons acting in concert(3)	Domestic Shares	205,543,857 (L)	50.56	[REDACTED]	[REDACTED]	[REDACTED]
		H Shares	—	—	[REDACTED]	[REDACTED]	[REDACTED]
Ms. Wang Lin	Beneficial owner	Domestic Shares	8,201,880 (L)	2.02	[REDACTED]	[REDACTED]	[REDACTED]
	Interest in controlled incorporation(4)	Domestic Shares	39,599,280 (L)	9.74	[REDACTED]	[REDACTED]	[REDACTED]
	Persons acting in concert(3)	Domestic Shares	166,033,440 (L)	40.84	[REDACTED]	[REDACTED]	[REDACTED]
		H Shares	—	—	[REDACTED]	[REDACTED]	[REDACTED]

Notes:

(1) The letter "L" denotes the person's long position in the Shares.

(2) As at the Latest Practicable Date, Shenzhen Sanciyuan directly held 14,538,600 Domestic Shares. Mr. Zhou Jian is the general partner of Shenzhen Sanciyuan. By virtue of the SFO, Mr. Zhou Jian is deemed to be interested in all the Shares held by Shenzhen Sanciyuan.

(3) Each of Mr. Zhao Guoqun, Mr. Xia Yongjun, Ms. Wang Lin, Mr. Xiong Youjun, Mr. Xia Zuoquan and Shenzhen Zhineng Youxuan has entered into a concert party agreement with Mr. Zhou Jian. For further details, see "Relationship with our Controlling Shareholders". By virtue of the SFO, each of Mr. Zhou Jian, Mr. Zhao Guoqun, Mr. Xia Yongjun, Ms. Wang Lin, Mr. Xiong Youjun, Mr. Xia Zuoquan and Shenzhen Zhineng Youxuan is deemed to be interested in all the Shares which each other is interested in.

(4) Ms. Wang Lin is the general partner of Shenzhen Evolution. By virtue of the SFO, Ms. Wang Lin is deemed to be interested in all of the Shares held by Shenzhen Evolution.

Interest in our associated corporation

Name of Director	Name of associated corporation	Nature of Interest	Approximate shareholding percentage as of the Latest Practicable Date
Mr. Xia Zuoquan	Wuxi Uqi(1)	Interest in controlled incorporation(2)	12.07%

Notes:

(1) Wuxi Uqi is a subsidiary of the Company. Please see "History, Development and Corporate Structure — Our Major Subsidiaries — Wuxi Uqi".

(2) Suzhou Zhengxuan and Guangzhou Zhengxuan directly hold approximately 6.64% and 5.43% shareholding interest in Wuxi Uqi respectively. The general partners of Suzhou Zhengxuan and Guangzhou Zhengxuan are Shenzhen Zhengxuan Qianzhan Zhihe Investment Company Limited* (深圳市正軒前瞻志合投資有限公司) and Shenzhen Zhengxuan Lihang Venture Capital Limited Partnership* (深圳市正軒勵行創業投資合夥企業(有限合夥)) respectively, which are both ultimately controlled by Mr. Xia Zuoquan. Please see "History, Development and Corporate Structure — Our Major Subsidiaries — Wuxi Uqi".

Save as disclosed above, none of the Directors, Supervisors or the chief executive of our Company will, immediately following completion of the [**REDACTED**] and Conversion of Domestic Shares into H Shares, has any interests and/or short positions in the Shares, underlying Shares and debentures of our Company and its associated corporations (within the meaning of Part XV of the SFO), which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she is taken or deemed to have under such provisions of the SFO), or which will be required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein, or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules.

(b) Interests and short positions disclosable under Divisions 2 and 3 of Part XV of the SFO

For information on the persons who will, immediately following the completion of the [**REDACTED**] and the Conversion of Domestic Shares into H Shares, having or be deemed or taken to have beneficial interests or short position in our Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of 2 and 3 of Part XV of the SFO, or directly or indirectly be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group, see the section headed "Substantial Shareholders".

4. Disclaimers

(a) Save as disclosed in "E. Other Information — 6. Promoters" in this section, none of our Directors or Supervisors has any direct or indirect interest in the promotion of our Company, or in any assets which have within the two years immediately preceding the date of this document been acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;

(b) Save in connection with the [**REDACTED**], none of our Directors or Supervisors nor any of the experts referred to in "E. Other Information — 7. Qualifications of Experts" below, is materially interested in any contract or arrangement subsisting at the date of this document which is significant in relation to the business of the Group.

(c) No cash, securities or other benefit has been paid, allotted or given within the two years preceding the date of this document to any promoter of our Company nor is any such cash securities or benefit intended to be paid, allotted or given on the basis of the [**REDACTED**] or related transactions as mentioned.

(d) None of our Directors or Supervisors or their close associates (as defined in the Listing Rules) or the existing Shareholders (who, to the knowledge of our Directors, owns more than 5% of our issued share capital) has any interest in any of the five largest customers or the five largest suppliers of our Group;

(e) Save as disclosed in "Substantial Shareholders", none of our Directors or Supervisors is a director or employee of a company that has an interest in the share capital of our Company which, once the H Shares are [**REDACTED**] on the Hong Kong Stock Exchange, would have to be disclosed pursuant to Divisions 2 and 3 of Part XV of the SFO.

D. Equity Incentive Schemes

Since 2015, we have approved and adopted the equity incentive schemes for the purpose of motivating, retaining and rewarding talents for their contribution to the development of our Group and linking the interests of the participants under the equity incentive schemes with those of our Company and our Shareholders.

Given that no shares or options over shares in our Company or subsidiaries are granted pursuant to the terms the equity incentive schemes, and no Awards will be further granted after the [**REDACTED**], there will not be any dilution effect to the issued Shares after [**REDACTED**] and the equity incentive schemes are not subject to the provisions of Chapter 17 of the Listing Rules.

Shenzhen Evolution, a limited partnership, was established as the "direct level incentive shareholding platform" for the purpose of the equity incentive schemes, and held approximately 9.74% of the issued Shares in our Company as of the Latest Practicable Date. A number of other limited partnerships have been established as the "indirect level incentive shareholding platforms" which act as the limited partners of Shenzhen Evolution. Participants under the equity incentive schemes may be granted partnership interest in the indirect level incentive shareholding platforms (the "**Awards**"). As the indirect level incentive shareholding platforms own partnership interest in Shenzhen Evolution which in turn owns our Shares directly, the participants would be indirectly interested in our Shares.

As of the Latest Practicable Date, Ms. Wang Lin was the sole general partner of Shenzhen Evolution and all of the indirect level incentive shareholding platforms. The above arrangement of the equity incentive schemes could offer incentives to the participants through granting them indirect interest in our Shares while allowing our core management team to retain control on the voting rights of the incentive shareholding platforms in respect of our Shares.

The general principal terms of the equity incentive schemes are summarized below.

(a) Purpose

The equity incentive schemes were established for the purpose of motivating, retaining and rewarding talents for their contribution to the development of our Group and linking the interests of the participants under the equity incentive schemes with those of our Company and our Shareholders.

(b) Participants

Participants include the directors, supervisors, senior management and other core employees of our Group and other designated persons.

(c) Grant of Awards

The participants may be granted limited partnership interest (the "**Award**") in the indirect level incentive shareholding platforms at a consideration specified under the grant agreements, and each becomes a limited partner of the indirect level incentive shareholding platforms upon grant of the Awards.

(d) Administration of the equity incentive schemes

The equity incentives schemes are subject to approval of the shareholders and the Board. Mr. Zhou Jian is responsible for matters pertaining to the implementation of the equity incentive schemes, including but not limited to determining the identity of grantees and the number and considerations of grants.

(e) Lock-up period and return of granted Awards

Subject to requirements which may vary among each equity incentive schemes, the granted Awards may be bound by a lock-up period, and the participants may also be requested to return the granted Awards upon the occurrence of certain events.

(f) Details of Awards

As of the Latest Practicable Date, (i) 41 indirect level incentive shareholding platforms have been established for the purpose of the equity incentive schemes; (ii) there is an aggregate number of 689 participants holding partnership interest in the indirect level incentive shareholding platforms; and (iii) none of our Directors or Supervisors held more than one-third of the partnership interest in any of the indirect level incentive shareholding platforms.

For details of the Awards during the Track Record Period, see Note 30 to "Appendix I – Accountant's Report".

E. OTHER INFORMATION

1. Estate Duty

Our Directors have been advised that no material liability for estate duty is likely to fall on our Group.

2. Litigation

As of the Latest Practicable Date, save as disclosed in "Business — Legal Proceedings", we are not involved in any material litigation, arbitration or administrative proceedings, and so far as our Directors are aware, no such material litigation, arbitration or administrative proceedings are pending or threatened against any members of our Group.

3. Sole Sponsor

The Sole Sponsor has declared its independence pursuant to Rule 3A.07 of the Listing Rules. The Sole Sponsor has made an application on our behalf to the Hong Kong Stock Exchange for [**REDACTED**], and permission to deal in, our H Shares to be issued pursuant to the [**REDACTED**] (including the additional H Shares which may be issued pursuant to the exercise of the [**REDACTED**]). All necessary arrangements have been made to enable our H Shares to be admitted into CCASS.

Pursuant to the engagement letter entered into between our Company and the Sole Sponsor, we have agreed to pay the Sole Sponsor a fee of US$[**REDACTED**] to act as the sponsor of our Company in connection with the proposed [**REDACTED**].

4. Compliance Adviser

We have appointed Guotai Junan Capital Limited as our Compliance Adviser in compliance with Rule 3A.19 of the Listing Rules.

5. Preliminary Expenses

Our Company did not incur material preliminary expense for the purpose of the Hong Kong Listing Rules.

6. Promoters

The promoters as of the time of our Company's conversion into a joint stock company are:

No.	Name
1.	Mr. Zhou Jian
2.	Mr. Xia Zuoquan
3.	QM25 Limited
4.	Huzhou Sanciyuan Enterprise Management Consulting Limited Partnership* (湖州三次元企業管理諮詢合夥企業(有限合夥)) (the former name of Shenzhen Sanciyuan)
5.	Ms. Wang Lin
6.	CDH
7.	Mr. Zhao Guoqun
8.	Mr. Xia Yongjun
9.	Shenzhen Ningjing Youxuan Enterprise Management Center Limited Partnership* (深圳寧靜優選企業管理中心(有限合夥)) (the former name of Qingdao Ningmi)
10. . . .	Leaguer Huarui
11. . . .	Haikun Yujie
12. . . .	Huzhou Tianlangxing
13. . . .	Zhuhai Technology
14. . . .	Zhuhai Huaying
15. . . .	Chia Tai
16. . . .	Shenzhen Evolution
17. . . .	Image Frame
18. . . .	Mr. Xiong Youjun
19. . . .	ICBC (Shenzhen)
20. . . .	Huizhi Tongtai
21. . . .	Shenzhen Zhineng Youxuan
22. . . .	Beijing Juran Investment
23. . . .	Tencent SZ
24. . . .	Shenzhen Unicorn
25. . . .	Beijing Juran Investment
26. . . .	Yiwu Hongyuan
27. . . .	Beijing Tianlang Xingsu
28. . . .	Huizhi Tongying
29. . . .	Jinshi Haorui
30. . . .	iFlytek Stock
31. . . .	Shenzhen Songhe
32. . . .	Telstra Ventures
33. . . .	Zhonghui Jinjiu
34. . . .	Lide Investment
35. . . .	Langma Yongan
36. . . .	Ningbo Jiuyou
37. . . .	Haikun Xinhong Investment
38. . . .	Chengdu Hongzhijia
39. . . .	YBX
40. . . .	Zhuhai Hengqin
41. . . .	Ningbo Haohong
42. . . .	Xiangshi Xiren
43. . . .	Xiangshi Xiyi
44. . . .	Shenzhen Zhineng Jiaxuan
45. . . .	Chengdu Zhongrui

No.	Name
46. . . .	Chongqing Chengwei
47. . . .	Lifu Tianda
48. . . .	Fuzhong Kangding
49. . . .	Qianhai Quanmintong
50. . . .	Taian Taiying

Within the two years immediately preceding the date of this document, no cash, securities or benefit has been paid, allotted or given, or is proposed to be paid, allotted or given to the promoters named above in connection with the [**REDACTED**] or the related transactions described in this document.

7. Qualifications of Experts

The following experts have each given and have not withdrawn their respective written consents to the issue of this document with copies of their reports, letters, opinions or summaries of opinions (as the case may be) and the references to their names included herein in the form and context in which they are respectively included.

Name	Qualification
Guotai Junan Capital Limited	A licensed corporation to conduct type 6 (advising on corporate finance) regulated activities under the SFO
PricewaterhouseCoopers	Certified Public Accountants under Professional Accountant Ordinance (Chapter 50 of the laws of Hong Kong) and Registered Public Interest Entity Auditor under Accounting and Financial Reporting Council Ordinance (Chapter 588 of the Laws of Hong Kong)
King & Wood Mallesons	Legal Advisers as to PRC law and PRC data security and privacy protection matters
Ashurst Hong Kong	Legal advisers as to International Sanctions law and special counsel with respect to U.S. regulatory and compliance matters
Guangdong Sun Law Firm	Legal advisers as to certain PRC litigation matters
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.	Independent industry consultant
International Valuation Limited	Independent property valuer
Shenzhen Qianhai PricewaterhouseCoopers Business Consulting Services Co. Limited	Transfer pricing consultant

8. Consents of Experts

Each of the experts as referred to in "E. Other Information — 7. Qualifications of Experts" of this Appendix has given, and has not withdrawn, its respective written consents to the issue of this document with the inclusion of its reports and/or letter(s) and/or opinion(s) and/or the references to its name included herein in the form and context in which it is respectively included.

As of the Latest Practicable Date, none of the experts named above has any shareholding interests in any members of our Group or the right (other than the penal provisions) of sections 44A of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

9. Binding Effect

This document shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies Ordinance so far as applicable.

10. Bilingual Document

The English language and Chinese language versions of this document are being published separately in reliance upon the exemption provided by section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

11. Tax and Other Indemnities

The sale, purchase and transfer of H Shares are subject to Hong Kong stamp duty. The current rate charged on each of the seller and purchaser is HK$1.30 for every HK$1,000 (or part thereof) of the consideration or, if higher, the fair value of the H Shares being sold or transferred. For further information in relation to taxation, see "Appendix IV — Taxation and Foreign Exchange".

Mr. Zhou Jian, Ms. Wang Lin and Mr. Xiong Youjun [have entered] into the Undertaking of Indemnity with and in favor of the Group (being the contract referred to in "B. Further Information about our Business — 1. Summary of Material Contracts" above) to provide indemnities on a joint and several basis in respect of, among other matters,

(a) any taxation or fees falling on any members of the Group resulting from or by reference to any revenue (including any form of government financial assistance, subsidy or rebate), income, profits or gains granted, earned, accrued, received or made (or deemed to be so granted, earned, accrued, received or made) on or before the [**REDACTED**];

(b) any event, transaction, act or omission occurring or deemed to occur on or before the [**REDACTED**] whether alone or in conjunction with any other event, act or omission occurring or deemed to occur on or before the [**REDACTED**] and whether or not such taxation is chargeable against or attributable to any other person, firm or company; and

(c) non-compliances of any of the members of the Group which has occurred on or before the [**REDACTED**].

Under the Undertaking of Indemnity, Mr. Zhou Jian, Ms. Wang Lin and Mr. Xiong Youjun have also agreed and undertaken to each member of the Group on a joint and several basis that they would indemnify and at all times keep the same indemnified on demand from and against all sums, outgoings, fees, demands, claims, damages, losses, costs, charges, liabilities, fines, penalties and expenses incurred or suffered by the Company or any members of the Group resulting from any and all of the non-compliances of any of the members of the Group with the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Companies Ordinance or other applicable laws, rules or regulations in their respective place of incorporations or operation which has occurred at any time during the Track Record Period and on the [**REDACTED**].

Under the Undertaking of Indemnity, Mr. Zhou Jian has also agreed and undertaken to each member of the Group that, in the event that the Group suffers damages as a result of a breach of any government cooperation agreement, to the extent that such damages suffered by the Group had not been recorded as other payables and accruals in the consolidated audited accounts of the Group or the audited accounts of any of the members of the Group for the years ended December 31, 2020, 2021 or 2022 or the six months ended June 30, 2023, he would indemnify and at all times keep the same indemnified on demand from and against all liabilities and/or compensation incurred or suffered by the Group resulting from any such breach.

However, the indemnities given by Mr. Zhou Jian, Ms. Wang Lin and Mr. Xiong Youjun under the Undertaking of Indemnity do not cover, and none of Mr. Zhou Jian, Ms. Wang Lin and Mr. Xiong Youjun shall be under any liability in respect of, any liability on taxation and taxation claim:

(a) to the extent that provision has been made therefor in the consolidated audited accounts of the Group or the audited accounts of any of the members of the Group for the years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2023;

(b) falling on any members of the Group on or after June 30, 2023 and ending on the [**REDACTED**] unless such liability would not have arisen but for some act or omission of, or transaction entered into by, Mr. Zhou Jian, Ms. Wang Lin and/or Mr. Xiong Youjun or any members of the Group (whether alone or in conjunction with some other act, omission or transaction, whenever occurring), otherwise than: (i) in the ordinary course of business, or in the ordinary course of acquiring or disposing of capital assets, on or before the [**REDACTED**]; or (ii) pursuant to a legally binding commitment created on or before the date of the deed of indemnity or pursuant to any statement of intention made in this document;

(c) to the extent that such liability arises or is incurred as a consequence of any change in the law, rules or regulations, or the interpretation or practice thereof by any statutory or governmental authority (in Hong Kong, the PRC or elsewhere), including without limitation the Inland Revenue Department and the tax bureau of the PRC, having retrospective effect coming into force after the [**REDACTED**] or to the extent that such liability arises or is increased by an increase in rates of taxation or other penalties after the [**REDACTED**] with retrospective effect;

(d) to the extent that such liability is discharged by another person who is not a member of the Group and that none of the member of the Group is required to reimburse such person in respect of the discharge of such liability; or

(e) to the extent of any provision or reserve made for such liability in the audited accounts referred to in Clause (a) above which is finally established to be an overprovision or an excessive reserve provided that the amount of any such provision or reserve applied to reduce the liability of Mr. Zhou Jian, Ms. Wang Lin and/or Mr. Xiong Youjun in respect of such liability shall not be available in respect of any such liability arising thereafter.

12. Related Party Transactions

Our Group entered into the related party transactions within the two years immediately preceding the date of this document as mentioned in "Appendix I — Accountant's Report — II. Notes to the Historical Financial Information — 41. Significant related party transactions."

13. No Material Adverse Change

Our Directors confirm that there has been no material change in our financial or trading position since June 30, 2023 and up to the Latest Practicable Date.

14. Miscellaneous

(a) Within the two years immediately preceding the date of this document:

  (i) Save as disclosed in the section headed "History, Development and Corporate Structure" in this document, no share or loan capital or debenture of our Company or any of our subsidiaries has been issued or agreed to be issued or is proposed to be issued for cash or as fully or partly paid other than in cash or otherwise;

  (ii) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option; and

  (iii) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries.

(b) there are no founder, management or deferred shares nor any debentures in our Company or any of our subsidiaries;

(c) no share or loan capital or debenture of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option; and

(d) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of our Company or any of its subsidiaries by our Company for subscribing or agreeing to subscribe, or procuring or agreeing to procure subscriptions, for any shares in or debentures of our Company or any of our subsidiaries.

(e) Save as disclosed in the paragraph headed "B. Further Information about our Business — 1. Summary of Material Contracts" in this section, none of our Directors or proposed Directors or experts (as named in this document), have any interest, direct or indirect, in any assets which have been, within the two years immediately preceding the date of this document, acquired or disposed of by or leased to, any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group.

(f) no equity or debt securities of any company within our Group is presently listed on any stock exchange or traded on any trading system nor is any [**REDACTED**] or permission to deal being or proposed to be sought, save for the [**REDACTED**].

(g) Our Company has no outstanding convertible debt securities or debentures.

(h) There is no arrangement under which future dividends are waived or agreed to be waived.

(i) There has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this document.

(j) We currently do not intend to apply for the status of a Sino-foreign investment joint stock limited company and do not expect to be subject to the PRC Sino-Foreign Joint Venture Law.

(k) All necessary arrangements have been made by the Company to enable the H shares to be admitted into [**REDACTED**] for clearing and settlement.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to the copy of this document delivered to the Registrar of Companies in Hong Kong for registration were:

(i) the written consents referred to under the paragraph headed "Statutory and General Information — E. Other Information — 8. Consents of Experts" in Appendix VII to this document; and

(ii) copies of the material contracts referred to in the paragraph headed "Statutory and General Information — B. Further Information about our Business — 1. Summary of Material Contracts" in Appendix VII to this document.

DOCUMENTS AVAILABLE ON DISPLAY

Copies of the following documents will be available on display on the website of the Stock Exchange at **www.hkexnews.hk** and our website at **www.ubtrobot.com** during a period of 14 days from the date of this document:

(i) the Articles of Association;

(ii) the Accountant's Report from PricewaterhouseCoopers, the text of which is set out in Appendix I to this document;

(iii) the audited consolidated financial statements of our Group for FY2020 and FY2021 and FY2022 and the six months ended June 30, 2023;

(iv) the report on the unaudited [**REDACTED**] financial information from PricewaterhouseCoopers, the text of which is set out in Appendix II to this document;

(v) the letter, summary of valuation and valuation certificates relating to the property interests of our Group prepared by International Valuation Limited, the texts or extracts of which are set out in "Appendix III — Property Valuation Report";

(vi) the PRC legal opinions issued by King & Wood Mallesons, our PRC Legal Adviser;

(vii) the PRC Company Law, the Securities Law together with their unofficial translation;

(viii) the written consents referred to under the paragraph headed "Statutory and General Information — E. Other Information — 8. Consents of Experts" in Appendix VII to this document;

(ix) the material contracts referred to in "Statutory and General Information — B. Further Information about our Business — 1. Summary of Material Contracts" in Appendix VII to this document;

(x) the service contracts referred to in "Statutory and General Information — C. Further Information about our Directors, Supervisors and Senior Management — 1. Particulars of the Service Contracts" in Appendix VII to this document;

(xi) the Industry Report, the summary of which is set forth in the section headed "Industry Overview" in this document; and

(xii) the legal memorandum issued by Ashurst Hong Kong, our legal advisers as to International Sanctions laws in connection with the [**REDACTED**].