

优 必 选

UBTECH | 9880.HK

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)

2023  
ANNUAL REPORT



# CONTENTS

<b>2</b>	Corporate Information	<b>148</b>	Auditor's Report
<b>4</b>	Chairman's Statement	<b>156</b>	Consolidated and Company Balance Sheet
<b>14</b>	Financial Summary	<b>159</b>	Consolidated and Company Income Statement
<b>15</b>	Management Discussion and Analysis	<b>161</b>	Consolidated and Company Cash Flow Statement
<b>21</b>	Biographical Details of Directors, Supervisors and Senior Management	<b>163</b>	Consolidated Statement of Changes in Shareholders' Equity
<b>30</b>	Corporate Governance Report	<b>164</b>	Company Statement of Changes in Shareholders' Equity
<b>51</b>	Report of the Board of Directors	<b>165</b>	Notes to the Financial Statements
<b>76</b>	Report of the Supervisory Committee		
<b>78</b>	Environmental, Social and Governance Report		



# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Executive Directors

Mr. Zhou Jian (周劍先生)  
*(Chairman of the Board and Chief Executive Officer)*  
Mr. Xiong Youjun (熊友軍先生)  
Ms. Wang Lin (王琳女士)  
Mr. Liu Ming (劉明先生)

### Non-executive Directors

Mr. Xia Zuoquan (夏佐全先生)  
Mr. Zhou Zhifeng (周志峰先生)  
Mr. Chen Qiang (陳強先生)

### Independent Non-executive Directors

Mr. Zhao Jie (趙杰先生)  
Mr. Xiong Chuxiong (熊楚熊先生)  
Mr. Poon Fuk Chuen (潘福全先生)  
Mr. Leung Wai Man, Roger (梁偉民先生)

## SUPERVISORS

Mr. Deng Feng (鄧峰先生) *(Chairman)*  
Mr. Ben Cangsang (賁滄桑先生)  
Ms. Wang Xingru (王興茹女士)

## JOINT COMPANY SECRETARIES

Mr. Zhang Ju (張鉅先生)  
Ms. Ng Wai Kam (伍偉琴女士)

## AUDIT COMMITTEE

Mr. Xiong Chuxiong (熊楚熊先生) *(Chairman)*  
Mr. Leung Wai Man, Roger (梁偉民先生)  
Mr. Poon Fuk Chuen (潘福全先生)

## ESG AND SUSTAINABILITY COMMITTEE

Mr. Liu Ming (劉明先生) *(Chairman)*  
Ms. Wang Lin (王琳女士)  
Mr. Xiong Chuxiong (熊楚熊先生)

## REMUNERATION AND APPRAISAL COMMITTEE

Mr. Poon Fuk Chuen (潘福全先生) *(Chairman)*  
Mr. Zhou Jian (周劍先生)  
Mr. Xiong Chuxiong (熊楚熊先生)

## NOMINATION COMMITTEE

Mr. Zhao Jie (趙杰先生) *(Chairman)*  
Mr. Zhou Jian (周劍先生)  
Mr. Leung Wai Man, Roger (梁偉民先生)

## STRATEGY COMMITTEE

Mr. Zhou Jian (周劍先生) *(Chairman)*  
Mr. Zhao Jie (趙杰先生)  
Mr. Xiong Youjun (熊友軍先生)

## AUTHORISED REPRESENTATIVES

Ms. Wang Lin (王琳女士)  
Ms. Ng Wai Kam (伍偉琴女士)

## AUDITORS

PricewaterhouseCoopers Zhong Tian LLP  
*Recognized Public Interest Entity Auditor*  
11/F PricewaterhouseCoopers Center  
Link Square 2, 202 Hu Bin Road  
Huangpu District  
Shanghai  
PRC

## LEGAL ADVISORS

### as to Hong Kong laws

King & Wood Mallesons  
13/F Gloucester Tower, The Landmark  
15 Queen's Road Central  
Central,  
Hong Kong

### as to PRC laws

King & Wood Mallesons  
28/F, China Resources Tower  
2666 Keyuan South Road  
Nanshan District, Shenzhen  
Guangdong  
PRC

## COMPLIANCE ADVISER

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

## 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

## CORPORATE INFORMATION

### PRINCIPAL PLACE OF BUSINESS IN HONG KONG

5/F, Manulife Place  
348 Kwun Tong Road  
Kowloon  
Hong Kong

### HONG KONG H SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited  
17/F, Far East Finance Centre  
16 Harcourt Road  
Hong Kong

### 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

### STOCK CODE

9880

### COMPANY'S WEBSITE

[www.ubtrobot.com](http://www.ubtrobot.com)





# CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board (the "Board" or "Board of Directors") of directors (the "Directors") of UBTECH ROBOTICS CORP LTD (the "Company") and its subsidiaries (collectively, the "Group", "we", "our" or "us"), I am pleased to present the annual report of the Company for the year ended December 31, 2023.



## CHAIRMAN'S STATEMENT

### OUR TECHNOLOGY AND RESEARCH AND DEVELOPMENT ("R&D")

2023 was an extraordinary year with rapid recovery of the economy of the People Republic of China (the "PRC" or "China"). We have faced multiple pressure and challenges such as severe and complicated external situations and fierce market competition. In the past year, the rise of humanoid robots, large-scale model and AI industry has become a major driving force for the development of global technology. We are committed to research and development of smart humanoid robots, especially large-sized humanoid robots and related AI technologies. We have achieved breakthroughs in humanoid robot related technologies, providing a solid technical foundation for the progress and industrialisation of humanoid robots. We have made technological breakthroughs in the following areas:

#### A. Robotic technologies

For humanoid robots, we continued to improve the motion planning and control technology as well as the full body torque control technology of robots, and carried out the research of humanoid robot gait planning algorithm based on end-to-end reinforcement learning. We also made progress in perception-driven gait planning and generation, allowing robots to move autonomously in complex scenes such as up and down slope and steps based on the recognised terrain information. We have developed a variety of servo actuators and transmission technologies, especially high-thrust linear servo actuators which are highly integrated, which has built the foundation in terms of hardware for improving the motion ability of next generation of large-sized humanoid robots.

#### B. AI technologies

For end-to-end human-robot interaction, we have implemented the lightweighting of high-performance visual models into robots and intelligent products; and self-developed a low-cost binocular depth camera kit to realise binocular visual perception technology. Based on multi-sensor and multimodal integrated perception, stable and reliable panoramic perception has been achieved on driverless vehicles, including object detection, semantic segmentation, drivable area and other functions, providing effective support for path planning and obstacle avoidance.

We have developed offline full-link voice interaction technology, covering key components such as automatic speech recognition (ASR), natural language processing (NLP), and text-to-speech (TTS). Such technology is not dependent on internet connection with features of low latency and high speed, ensuring the fluency of the interaction process while safeguarding user privacy and the security of user data.

## CHAIRMAN'S STATEMENT

### C. Integrated robotic and AI technologies

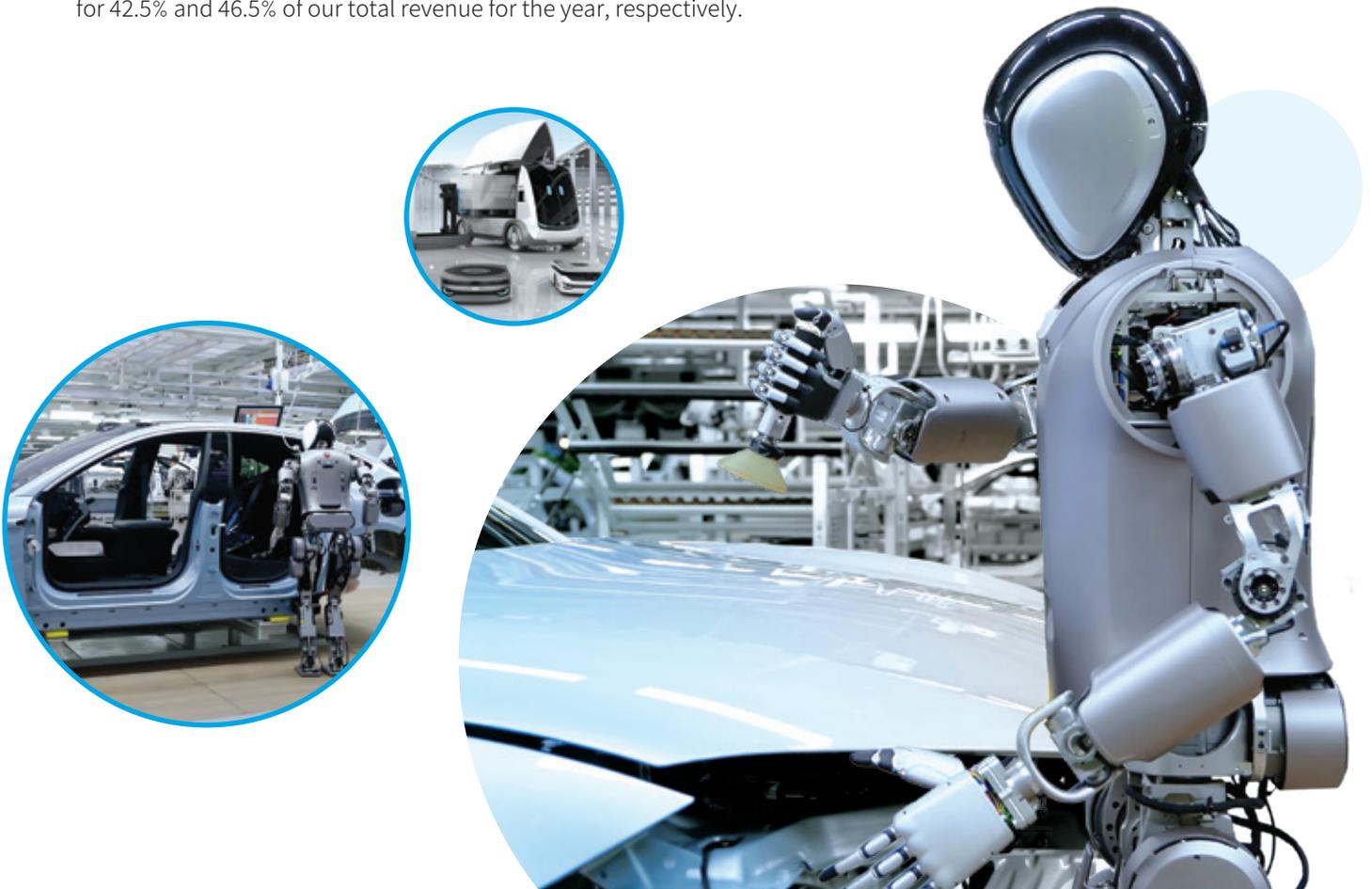
#### 1. SLAM and autonomous technology

We continued to upgrade our self-developed USLAM positioning and navigation system to adapt to a variety of different scenarios and software and hardware platforms, with technological breakthroughs in both indoor and outdoor scenes. In respect of outdoor robots, we have developed low-speed self-driving technology for outdoor areas of industrial parks, and realised smart driverless logistics vehicles solutions independent of RTK high-precision positioning. In respect of indoor robots, we incorporated visual perception decision planning algorithms to help robots perceive multiple types of obstacles in real time, adapt to dynamic and static environments, make optimal behavioral and path planning decisions, and make flexible, safe, and smooth navigation control under high dynamic changes.

#### 2. Embodied intelligence technology

We developed a large multimodal language model technology that can be applied to the perception, decision, and operation of robots, and successfully realised the framework for interaction between robots and the large multimodal language model through the environment and autonomous task planning. This innovative technology integrates multiple modal information such as map data, visual object recognition, and speech recognition, which can provide robots with more comprehensive and accurate environment perception, understanding, and interaction capabilities. With the application of multimodal language large model in task planning, robots can effectively improve multi-task decision-making and execution capabilities such as dialogue, navigation, object grasping, delivery, object recognition, and human-robot interaction. This technical framework has received widespread attention at the 2023 World Robot Conference.

In 2022 and 2023, we incurred R&D expenses of RMB428.3 million and RMB490.5 million, respectively, accounting for 42.5% and 46.5% of our total revenue for the year, respectively.



## CHAIRMAN'S STATEMENT

### BUSINESS REVIEW OF 2023

#### I. Education smart robotic products and services

In 2023, we built a comprehensive educational software and hardware technology development platform, which has become a solid cornerstone of our core product series, including the new generation advanced education platform, Crealand products that integrate education and entertainment, UGOT, the modular robot, and uKit, the block-based programmable robot.

In 2023, we underwent significant technical upgrade and developed a new generation education platform that integrates high-tech AI large model applications to empower our core platform business, and further strengthen our eight key AI functions, namely image recognition, speech recognition, machine learning, facial recognition, natural language processing, gesture recognition, doodling recognition and AI generated content (AIGC). Our platform provides high-quality AI learning resources to primary and secondary school teachers and students from perception, experience to exploration, making it an integrated smart education platform that integrates teaching, programming, practical training, evaluation and management functions. Upon such upgrade, we have made significant progress in education projects, with a significant increase in the proportion of successful bids for the next generation education platform.

In 2023, we strived to open up the broader market and actively explored smart robots + diversified integrated applications solutions. We designed an overall plan of "Technology, Education, Research and Tourism" based on regional characteristics and continuously enriched the education and cultural tourism services in the region, which injected new vitality into urban development. We also have successfully launched UGOT, a universal mimetic assembly robot with rich AI attributes, strong openness, and easy to assemble, and launched it in the market with AI education related courses. This new product stood out in the target education projects in certain provinces, while crowdfunding goals on Kickstarter has also been fully met, signifying wide acceptance in the market. In the future, UGOT will contribute new growth points to the education smart robotic products business.

The revenue generated from our education smart robotic products and services in 2023 amounted to RMB347.4 million, representing a decrease of 32.8% as compared to that in 2022, accounting for 32.9% of our total revenue for the year. Such decrease was primarily because as of December 31, 2023, some of the projects awarded or contracted in 2023 have not been delivered and accepted by the end of the year, resulting in a decrease in revenue.

#### II. Logistics smart robotic products and services

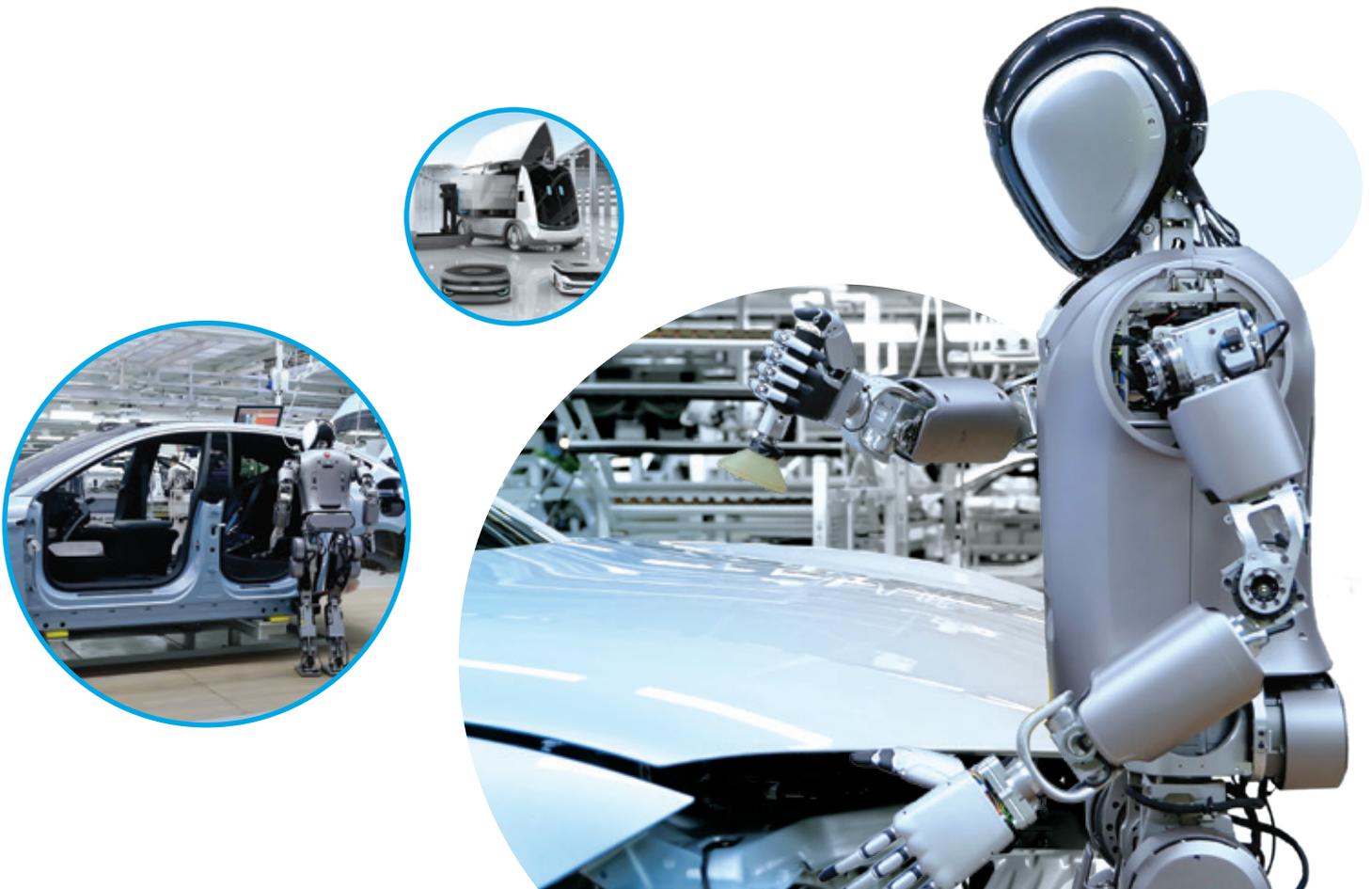
Logistics smart robotic products and services focus on five major industries, including new energy vehicle manufacturers, tire production factories, 3C electronic equipment factories, battery production lines, and e-commerce. Relying on our self-developed UPilot robot operating system and ACU robot core controller, we launched our main products including automatic guided vehicles (AGVs) and autonomous mobile robots (AMRs) under the Wali series, as well as Chitu L4 level driverless logistics vehicles. We provide full stack logistics robots and integrated unmanned factories, unmanned warehousing, and unmanned delivery solutions by equipping cloud platform information systems such as WMS (Warehouse Management System) and MES (Manufacturing Execution System), helping assisting in the intelligent high-efficiency operations of customers in various industries.

## CHAIRMAN'S STATEMENT

In 2023, we aimed to make breakthroughs in full scenario and full stack intelligent logistics. Our low-speed logistics vehicle products achieved a breakthrough from zero to one. The key release of Chitu L4 level driverless logistics vehicle won the "New Strategy • Golden Stone Award" Innovation Product Award and attracted industry attention. Chitu driverless logistics vehicle breaks through the boundaries of indoor and outdoor logistics scenes, expands the operating space of driverless logistics vehicles, meets driverless logistics needs of users in outdoor scenes, and builds indoor-outdoor integrated unmanned factory solutions.

In 2023, our Wali T3000 trailer and traction robot under the Wali series achieved mass production. We focused on AI + robotics technology and provide integrated modular products with a high degree of standardisation. Our logistics smart robotic products and services continued to empower the upgrading of industries such as vehicle, tyre, and battery manufacturing, helping customers achieve a full stack, full process logistics transformation from unmanned factories and warehouses to unmanned delivery.

The revenue generated from our logistics smart robotic products and services in 2023 amounted to RMB389.7 million, representing an increase of 47.9% as compared to that in 2022, accounting for 36.9% of our total revenue for the year. Such increase was attributable to the increased competitiveness of the Company's logistics products and services, the continuous launch of new products, the increase in recurring purchases from existing customers, the increase in new customers and new application scenarios.



## CHAIRMAN'S STATEMENT

### III. Other sector-tailored smart robotic products and services

In 2023, the Company continued to develop and provide intelligent robot services for scenarios such as schools, hospitals, shopping malls, and restaurants. This year, Cruzr series has carried out targeted development for the needs of overseas 4S stores of a leading new energy automobile enterprise in Shenzhen, providing services such as multi-language customer service, automotive knowledge Q&A, product promotion and introduction. Moreover, the Company cooperated with a well-known traditional oil truck manufacturer in China to start customised research and development for 4S shop services. In terms of schools, the Company developed vocational education solutions for higher education and vocational education, and provides integrated solutions for professional construction, industrial college construction and other scenarios for the Cruzr series. In respect of delivery services in restaurants and hotels, we developed Cadebot, a delivery robot, which has been introduced to the market, with nearly 100 agent partners having started testing and partial sales, and the promotion is also rapidly expanding in overseas markets. For the Walker S series, the Company has begun to explore business on assembly lines in new energy vehicle factories. Our specially developed industrial humanoid robots have been piloted on leading new energy vehicle assembly lines in China at present.

In terms of wellness solutions and products, we conducted research and development of solutions in fields such as operation management, security, life care, health management and medical rehabilitation for the elderly, and improved our services with AI and robotics as the core. We have also achieved major breakthroughs in technology research and development and engineering applications in multiple product lines such as rehabilitation robots, desktop robots, smart household devices and information management platforms. Our overall solutions were awarded the United States Edison Technology Invention Award and have been recognised by several authorities and successfully applied in multiple institutions, communities, and home service scenarios. We collaborated with relevant organisations to apply our business models and solutions in real scenarios. Meanwhile, we also actively promoted our overall elderly care service system in China and combined with local characteristics to customize our service products to meet local needs and facilitate digital and systematic health care service applications.

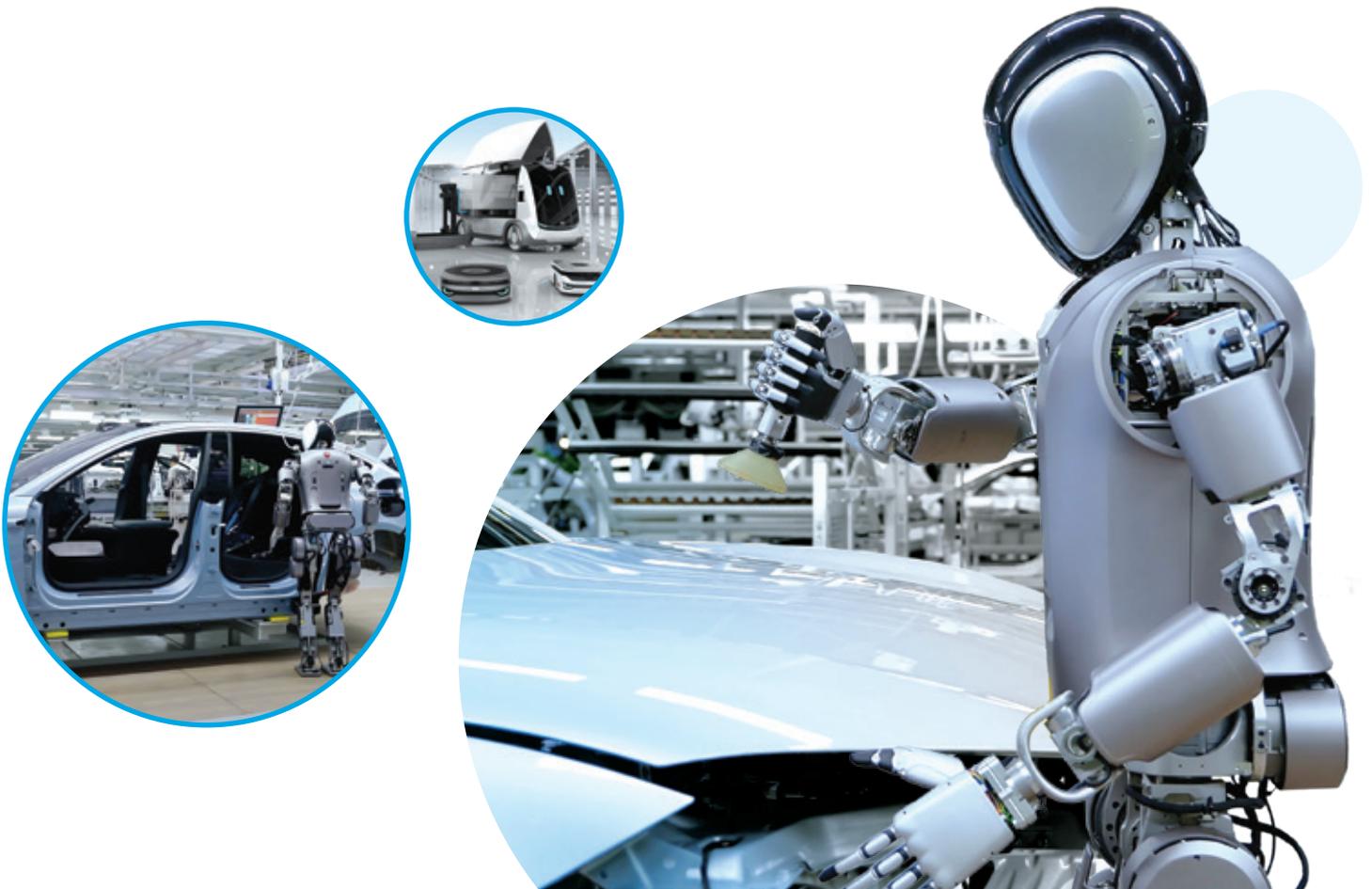
Our revenue from provision of other sector-tailored smart robotic products and services in 2023 reached RMB62.2 million, representing a decrease of 24.5% as compared to that in 2022, accounting for 5.9% of total revenue for the year. The decrease was primarily due to some of the projects awarded or contracted in 2023 have not been delivered and accepted by the end of the year.

## CHAIRMAN'S STATEMENT

### IV. Consumer-level robots and other hardware devices

The Company's first generation of cat litter box received unanimous praise by users and customers in China, the United States, Europe, South Korea, Turkey, Southeast Asia and other regions in 2023. After a year of channel construction, we have built a complete secondary distribution system, covering mainstream markets in countries around the world. The second-generation cat litter box and vacuum cleaners with increased strong suction capabilities have achieved mass production, and the latter has become a Kickstarter hit. We have made stable progress in our borderless smart lawn mower project, and thanks to our strong independent research and development innovation ability and good product performance, the new products have been recognized by the majority of customers.

Our revenue from provision of consumer-level robots and other hardware devices amounted to RMB253.6 million in 2023, representing an increase of 91.5% as compared to that in 2022, accounting for 24% of total revenue for the year. The increase was primarily due to our continuously launching of new consumer-grade smart products which has driven the revenue growth.



## CHAIRMAN'S STATEMENT

### FUTURE OUTLOOK

With humanoid robots and AI as its core strategy, we are committed to penetrating humanoid robots into thousands of households. In the future, we look forward to make breakthroughs in embodied intelligence technology. In particular, we will focus on the following areas:

#### 1. Humanoid robots

We will continue to invest in the software and hardware research and development of humanoid robots, enhance motion capabilities, intelligence and operation capabilities of humanoid robots, deeply integrate the latest AI technology, such as multimodal language large model, and carry out research in multimodal perception, inference, task decision-making and planning. We will also use technology and scenario dual drivers to promote the application of humanoid robots in industrial and service scenarios.

#### 2. Multimodal perception and large model technology

Taking multimodal perception and large model technology as an important strategy, we will enhance the perception ability of robots by integrating and analyzing multimodal signals such as laser, image, video, voice, and text. We will also research on large model robots to enhance multimodal perception, data analysis, inference decision making, and multi-task generalization ability in dynamic scenarios. Specifically, we will expand traditional machine vision scene understanding to more human interactive inference-based understanding according to the input of image and multimodal data, so as to enhance the naturalness of interaction. We will study the high-level semantic information understanding of scenes with lidar and vision cameras as the main sensors, and develop multi-modal large models to integrate data, knowledge and common sense to build a robot brain.

## CHAIRMAN'S STATEMENT

### 3. Embodied intelligence

We will study embodied intelligence technology to enhance the physical world interaction, operation, and learning abilities of robots, enabling them to autonomously perform complex or even unfamiliar tasks. Specifically, we will enhance the perception and understanding abilities of robots towards complex scenes and terrains to enhance their autonomous motion capabilities of the whole scene. We will build a simulation environment to restore the physical world, and combine physical real data with virtual simulation data to improve the flexibility and human-like nature of robots when performing tasks. We will also build and improve the hardware and software structure and platform of embodied intelligence, and iterate the handling, grasping, operation and interaction technologies of robots to improve their understanding and learning capabilities of the physical world.

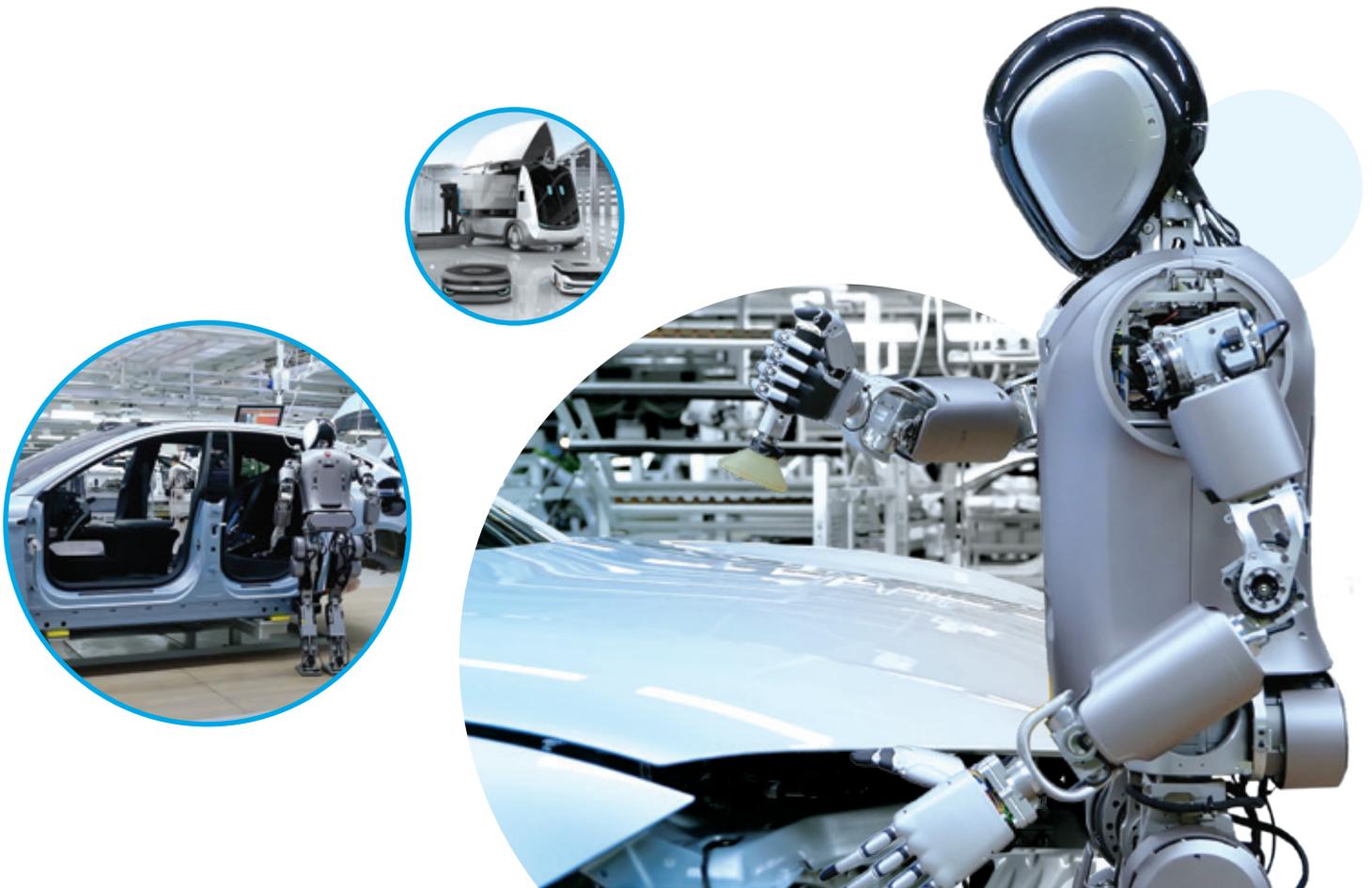
In the coming future, we will continue to promote the high-quality development of the industry, accelerate the construction of new productive forces, and comprehensively boost up new industrialisation. As a globalised company, we will also further optimise our overseas layout and expand the international market to better meet the needs of global customers.

Yours faithfully,

**Zhou Jian**

*Chairman, Executive Director and Chief Executive Officer*  
UBTECH ROBOTICS CORP LTD

Shenzhen, the PRC  
March 28, 2024



## FINANCIAL SUMMARY

Our revenue increased to RMB1,055.7 million for the year ended December 31, 2023 from RMB1,008.3 million for the year ended December 31, 2022. Our gross profit decreased to RMB333 million in the full year of 2023 from RMB397 million in the full year of 2022. Our loss for the year ended December 31, 2023 was RMB1,264.6 million whereas our loss for the year ended December 31, 2022 was RMB987.4 million.

Upon approval at the 2024 first extraordinary general meeting of the Company convened on 8 February, 2024, the Group adopted the China Accounting Standards for Business Enterprises (“CASBE”) to prepare its overseas financial statements from the year ended December 31, 2023 and restated its consolidated financial statements for 2022 according to CASBE. The consolidated financial statements of the Company for the years 2021 and 2020 were prepared in accordance with the Hong Kong Financial Reporting Standards and no adjustments were made thereto.

(Except per share data)	For the year ended December 31,			
	2020 RMB'000	2021 RMB'000	2022 RMB'000	2023 RMB'000
Revenue	740,226	817,230	1,008,272	1,055,698
Cost of sales	(409,488)	(561,277)	(611,104)	(722,880)
Gross profit	330,738	255,953	397,168	332,818
Loss before tax	(675,495)	(900,961)	(970,859)	(1,227,229)
Loss for the year	(706,999)	(917,519)	(987,368)	(1,264,590)
Losses Per Share	(1.90)	(2.41)	(2.50)	(3.05)
Total assets	2,440,179	2,667,245	2,788,002	4,765,635
Total liabilities	1,415,943	1,907,247	1,734,078	2,676,752
Net asset value	1,024,236	759,998	1,053,924	2,088,883

# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL REVIEW

### Overview

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. Revenue of the Group in 2023 increased by 4.7% to RMB1,055.7 million compared to RMB1,008.3 million in 2022 owing to changes in revenue mix as detailed below.

### Revenue by products and services

	Year ended December 31			
	2023		2022	
	Amount RMB'000	% of Revenue Amount	Amount RMB'000	% of Revenue Amount
Education smart robotic products and services	347,328	32.9	516,688	51.2
Logistics smart robotic products and services	389,724	36.9	263,437	26.1
Other sector-tailored smart robotic products and services	62,238	5.9	82,418	8.2
Consumer-level robots and other hardware devices	253,583	24.0	132,448	13.1
Others <sup>(Note)</sup>	2,825	0.3	13,281	1.3
<b>Total</b>	<b>1,055,698</b>	<b>100.0</b>	<b>1,008,272</b>	<b>100.0</b>

Note: "Others" primarily included sales of raw materials and spare parts.

Our revenue attributable to education smart robotic products and services decreased by 32.8% from RMB516.7 million in 2022 to RMB347.3 million in 2023, primarily due to as of December 31, 2023, some of the projects awarded or contracted in 2023 have not been delivered and accepted by the end of the year, resulting in a decrease in revenue.

Our revenue attributable to logistics smart robotic products and services increased by 47.9% from RMB263.4 million in 2022 to RMB389.7 million in 2023, primarily due to the increased competitiveness of the Company's logistics products and services, the continuous launch of new products, the increase in recurring purchases from existing customers, the increase in new customers and new application scenarios.

Our revenue attributable to other sector-tailored smart robotic products and services decreased by 24.5% from RMB82.4 million in 2022 to RMB62.2 million in 2023, primarily due to some of the projects awarded or contracted in 2023 have not been delivered and accepted by the end of the year.

Our revenue attributable to consumer-level robots and other hardware devices increased by 91.5% from RMB132.4 million in 2022 to RMB253.6 million in 2023, primarily due to our continuously launching of new consumer-grade smart products which has driven the revenue growth.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Gross Profit and Gross Profit Margin

Our gross profit decreased by 16.2% from RMB397.2 million in 2022 to RMB332.8 million in 2023. Our gross profit margins were 31.5% and 39.4% in 2023 and 2022, respectively, primarily due to the changes in product sales mix, increase in the revenue share of logistics smart robotic products and services with relatively lower gross margins, and decrease in the revenue share of education smart robotic products and services with higher gross margins.

### Other Income

Our other income, net increased by 189.4% from RMB9.4 million in 2022 to RMB27.2 million in 2023, primarily due to partial refund of value-added tax in 2022 resulting in a less amount of other income.

### Selling Expenses

Our selling expenses increased by RMB132.8 million from RMB373.3 million in 2022 to RMB506.1 million in 2023, and increased to 47.9% in 2023 compared with 37.0% in 2022 as a percentage of the Group's revenue, primarily due to (i) the increase of RMB91.8 million in share-based payment; and (ii) the increase of RMB40.1 million in e-commerce promotion expenses. Employee benefit expenses increased by RMB65.5 million to RMB301.4 million in 2023 from RMB235.9 million in 2022, primarily due to the increase of RMB91.8 million in share-based payment. Other key expenses included advertising and promotion of RMB90.9 million, marketing, conference and traveling expenses of RMB21.3 million, depreciation and amortization of RMB18.1 million and others of RMB74.4 million in 2023.

### Administrative Expenses

Our administrative expenses decreased by RMB10.0 million to RMB399.7 million in 2023 as compared to RMB409.7 million in 2022, and decreased to 37.9% in 2023 compared with 40.6% in 2022 as a percentage of the Group's revenue, primarily due to (i) expenses of RMB92 million incurred in 2022 for the acquisition of subsidiaries, while there was no such expense in 2023; (ii) one-off listing expenses of RMB63.7 million were incurred in 2023; and (iii) the increase of RMB25.8 million in expenses for share-based payments. Administrative expenses in 2023 mainly comprised employee benefit expenses of RMB246.7 million, depreciation and amortization of RMB30.9 million, business development, conference and traveling expenses of RMB5.2 million, office expense of RMB8.3 million, and professional service fees of RMB6.3 million.

### Research and Development Expenses

Our research and development expenses increased by RMB62.2 million from RMB428.3 million in 2022 to RMB490.5 million in 2023, and increased to 46.4% in 2023 compared with 42.5% in 2022 as a percentage of the Group's revenue, primarily due to the increase of RMB60.7 million in expenses for share-based payment. Our research and development expenses mainly comprised staff remuneration of RMB407.5 million, materials consumed of RMB29.0 million and software tools and consumer goods of RMB18.9 million in 2023.

### Credit Impairment Losses

Our net credit impairment losses increased from RMB46.4 million in 2022 to RMB145.0 million in 2023, primarily due to certain government-related customers deferring their payment of receivables and, for prudence sake, a corresponding amount of impairment has been provided for in 2023.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Finance Expenses

Our finance expenses increased from RMB0.2 million in 2022 to RMB9.0 million in 2023, primarily due to the combined effect of the decrease of RMB19.9 million in exchange revenue in 2023 and the decrease of RMB9.5 million in interest expenses.

### Income Tax Expenses

Income tax expenses increased to RMB37.4 million in 2023 as compared to RMB16.5 million in 2022, primarily due to the increase in pre-tax income of subsidiaries subject to tax.

### Loss for the Year

As a result of the foregoing, our loss for the year was RMB987.4 million and RMB1,264.6 million in 2022 and 2023, respectively.

### Non-GAAP Measures

To supplement our consolidated financial statements, which are presented in accordance with PRC GAAP, we also use “adjusted net loss for the year (non-GAAP measure)” and “adjusted EBITDA (non-GAAP 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-GAAP 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-GAAP measures do not have a standardized meaning prescribed by PRC GAAP and therefore, they may not be comparable to similar measures presented by other companies.

We define “adjusted net loss for the year (non-GAAP measure)” as loss for the year adjusted by adding back share-based payments (being non-cash in nature) and listing expenses (which is related to the Global Offering). We define “adjusted EBITDA non-GAAP measure” as “adjusted net loss for the year (non-GAAP measure)” adding back (i) interest expenses, (ii) income tax expense, (iii) credit impairment loss and asset impairment loss; (iv) depreciation of property, plant and equipment, depreciation of right-of-use assets and amortization of intangible assets, which are non-cash in nature, and (v) deducting interest income from it.

## MANAGEMENT DISCUSSION AND ANALYSIS

The following table sets forth the reconciliation of net loss and “adjusted net loss for the year (non-GAAP measure)” and “adjusted EBITDA (non-GAAP measure)” for the years ended December 31, 2022 and 2023:

	<b>Year ended December 31,</b>	
	<b>2023</b>	2022
	<b>RMB'000</b>	RMB'000
Reconciliation of net loss and “adjusted net loss for the year (non-GAAP measure)” and “adjusted EBITDA (non-GAAP measure)”		
<b>Net loss for the year</b>	<b>(1,264,590)</b>	(987,368)
<i>Add:</i>		
Share-based payments	<b>383,839</b>	204,387
Listing expenses	<b>63,749</b>	944
<b>Adjusted net loss for the year (non-GAAP measure)</b>	<b>(817,002)</b>	(782,037)
<i>Add:</i>		
Interest expenses <sup>(Note)</sup>	<b>14,949</b>	24,435
– Interest expenses on lease liabilities	<b>2,847</b>	3,185
– Interest expenses on borrowings	<b>59,408</b>	38,688
– Interest expenses capitalised	<b>(47,306)</b>	(17,438)
Income tax expenses	<b>37,361</b>	16,509
Depreciation of right-of-use assets	<b>46,904</b>	36,693
Depreciation of property, plant and equipment	<b>32,039</b>	51,018
Amortization of intangible assets	<b>7,002</b>	2,332
Credit impairment loss	<b>144,995</b>	46,386
Asset impairment loss	<b>26,376</b>	70,618
<i>Less:</i>		
Finance income	<b>8,078</b>	3,628
<b>Adjusted EBITDA (non-GAAP measure)</b>	<b>(515,454)</b>	(537,674)

Note: Interest expenses included interest expenses on borrowings, net of amount capitalised and interest expenses on lease liabilities.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Liquidity and Capital Resources

Cash used in operation in 2023 was approximately RMB1,000.0 million (RMB538.7 million in 2022). As of December 31, 2023, the Group had cash and cash equivalents of approximately RMB520.9 million (RMB145.4 million as of December 31, 2022) with approximately RMB1,453.5 million of external bank borrowings (RMB622.7 million as of December 31, 2022).

In terms of gearing, the Group's gearing ratios (defined as total interest-bearing borrowings and lease liabilities divided by total equity) in 2022 and 2023 were 65.4% and 73.3%, respectively. The current ratios of the Group (defined as total current assets divided by total current liabilities) as of December 31, 2022 and December 31, 2023 were 1.0 times and 1.5 times respectively. As of December 31, 2023, the Group had no material contingent liabilities. With the cash and bank balances in hand and the net proceeds received from the international placing tranche of the Global Offering of approximately HK\$871.4 million (equivalent to approximately RMB789.2 million) in early 2024, the Group's liquidity position remains strong to meet its working capital requirements.

As of December 31, 2023, our interest-bearing bank and other borrowings were RMB1,453.5 million. Our interest-bearing bank and other borrowings increased from RMB622.7 million as of December 31, 2022 to RMB1,453.5 million as of December 31, 2023 mainly in respect of daily operations and the payments of the construction cost of the headquarter building of the Group located in Shenzhen.

### Pledge of Assets

As of December 31, 2022 and 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.

### Treasury Policies and Exposure to Fluctuations in Exchange Rates

Most of the Group's revenues are denominated in RMB as its operations are mainly located in China. As of December 31, 2023, approximately 79.0% (85.7% as of December 31, 2022) of the Group's bank balances and cash was denominated in RMB and 17.4% (6.8% as of December 31, 2022) of the Group's bank balances and cash was denominated in HKD which was mainly proceeds from the Hong Kong public offering tranche of the Global Offering. The remaining 3.6% (7.5% as of December 31, 2022) was denominated in United States Dollars, Euros, Singapore Dollars, Pounds or Japanese Yen. The Group continues to adopt a conservative approach in its foreign exchange exposure management. For the year ended December 31, 2023, the Group did not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group reviews its foreign exchange risks periodically and uses derivative financial instruments to hedge against such risks when necessary.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Employees and Remuneration Policy

As of December 31, 2023, we had 2,013 full-time employees, 1,997 of which were based in mainland China, primarily at our headquarter in Shenzhen with the rest located in our other offices in Shanghai, Beijing and Xiamen. The total remuneration cost for 2023 was RMB1,006.8 million, as compared to RMB862.8 million for 2022, primarily due to the increase in share-based payment expenses by RMB179.5 million.

We recruit our employees mainly through campus recruitment, internal recruitment, social recruitment, referral by headhunters, internal staff recommendation (also through the open recruitment process) and on-site recruitment. We 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. 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.

We contribute to defined contribution plans for our employees, including social pension insurance organised and implemented by local labour and social security bureau. Please refer to notes 2(18) and 4(22)(b) to the Financial Statements for details. There is no provision under the defined contribution plans for forfeited contributions to be used by the Group to reduce the existing level of contributions.

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.

### Capital Expenditures

The Group's capital expenditure of RMB540.7 million in 2023 was mainly related to construction of our headquarters in Shenzhen.

### Right-of-use Assets and Lease Liabilities

The related right-of-use assets and lease liabilities are located in the PRC. As of December 31, 2023, the Group's right-of-use assets were RMB65.7 million (RMB55.2 million as of December 31, 2022) and its lease liabilities were RMB77.0 million (RMB66.1 million as of December 31, 2022). In 2023, depreciation charges of right-of-use assets amounted to RMB32.0 million and interest charges of lease liabilities amounted to RMB2.8 million.

## BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

### EXECUTIVE DIRECTORS

**Mr. Zhou Jian (周劍)**, aged 48, founder of our Group, currently serves as chairman of the Board, chief executive officer of our Company and an executive Director and is also one of the controlling shareholders of our Company (as defined under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules")). He 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. Mr. Zhou holds positions in various subsidiaries of our Company, including:

Name of subsidiary	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 Weing 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 recognised 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 46, is our executive Director, chief technology officer and deputy general manager and is also one of the controlling shareholders of our Company (as defined under the Listing Rules). He is responsible for the management of technology research and development. He joined our Company as chief technology officer on June 10, 2012, and re-designated as an executive Director on December 9, 2022. He is responsible for the management of technology research and development. Mr. Xiong holds positions in various subsidiaries of our Company, including:

Name of subsidiary	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

## BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Xiong served as a member of the Chinese People's Political Consultative Conference 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 49, is our executive Director, head of general manager's office and assistant to the chairman of the Board and is also one of the controlling shareholders of our Company (as defined under the Listing Rules). She joined our Company as assistant to the chief executive officer on March 31, 2012 and is re-designated as an executive Director on December 9, 2022. She mainly responsible for the coordination of company-level projects and daily administration operations.

Ms. Wang holds positions in various subsidiaries of our Company, including:

Name of subsidiary	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) Intelligent Robot 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
UBTECH (Hebei) Technology Co., Ltd.* (優必選(河北)科技有限公司)	Executive Director

## BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Name of subsidiary	Position
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) (“Youdi Health”)	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
Futronics (Hong Kong) Limited (優創未來有限公司)	Director
UBhome Technology Company Limited (優必家科技有限公司)	Director
Tongren UBTECH Intelligent Health Development Co., Ltd.* (銅仁優必選智慧健康發展有限公司)	Executive Director

## BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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) (formerly known as UBTECH Machinery (Shenzhen) Co., Ltd.\* (優必選機械(深圳)有限公司)), a company principally engaged in the supply of machines for wood processing which was deregistered in November 2020.

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 48, is our executive Director and vice president of the human resources department. He joined our Company as vice president of the human resources department on July 2016 and appointed as a Director on March 20, 2020 and re-designated as an executive Director on December 9, 2022. He is responsible for human resources management and administration.

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), Youdi Health and Wuxi Uqi Intelligent Technology Co., Ltd.\* (無錫優奇智能科技有限公司), members of our Group.

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 (合益集團), 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 61, is our non-executive Director and is also one of the controlling shareholders of our Company (as defined under the Listing Rules). He first joined the Group 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 judgement 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 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.

## BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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 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 47, is our non-executive Director. He first joined our Group 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 judgement to the Board.

Mr. Zhou is also a director of Shanghai UBJ Education Technology Co., Ltd.\* (上海優必傑教育科技有限公司), 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 a 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) post-investment management of invested enterprises.

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 41, is our non-executive Director. He first joined our Group 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 judgement 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 and was promoted as the deputy chief of credit guarantee section in October 2017, responsible for guiding the growth and development of the credit guarantee industry in Jiujiang. From February 2016 to June 2020, he 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 (三級主任科員) 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.

## BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

### INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. Zhao Jie (趙杰)**, aged 56, is our independent non-executive Director. He first joined our Group 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.

In addition to his position in our Group, Mr. Zhao has been serving 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) since July 2008. He 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, since August 2010, and 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 October 2018. From September 2017 to September 2023, Mr. Zhao also served 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 69, is our independent non-executive Director. He first joined our Group 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.

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 venue	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

## BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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 63, is our independent non-executive Director. He first joined our Group 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.

Mr. Poon is currently the chief financial officer and company secretary of Lifestyle International Holdings Limited, a company whose shares were withdrawn from listing on the Stock Exchange in December 2022. He is also the company secretary of Lifestyle China Group Limited, a company listed on the Stock Exchange (stock code: 2136). Mr. Poon worked for PricewaterhouseCoopers in Hong Kong and he was a partner when he left the firm in July 1998.

Mr. Poon obtained his bachelor degree in Accounting and Statistics from the University of Southampton, UK. He is a member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants.

**Mr. Leung Wai Man, Roger (梁偉民)**, aged 68, is our independent non-executive Director appointed on February 18, 2023. He is responsible for providing independent advice to our Group.

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 laws doctor from The University of Western Ontario, Canada in 1990.

## BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

### SUPERVISORS

**Mr. Deng Feng (鄧峰)**, aged 42, is a shareholder representative Supervisor, the chairman of the Board of Supervisors of our Company and the general manager of the compliance center for our group. He first joined our Group in our board secretary's office in December 2017 and has served as a Supervisor since March 23, 2019.

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, with the last position of general manager of infrastructure investment and chairman of the board of supervisors.

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 the EXIN Data Protection Officer certification in October 2021 from the Examination Institute for Information Science (EXIN).

**Mr. Ben Cangsang (黃滄桑)**, aged 48, is our shareholder representative Supervisor and general manager for informatics technology for our Group. He first joined our Group as general manager for informatics technology in February 2020 and has served as a Supervisor since March 20, 2020.

Prior joining our Group, 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 January 2019 to February 2020, an employee of 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 and other services for the futures industry, from March 2008 to December 2018, and an operation and maintenance centre 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, from August 2006 to March 2008.

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 59, is our employee representative Supervisor and internal audit director. She first joined our Group as internal control director in August 2018. She is also a director of Youdi Health and a general manager of UBot Innovation Technology Limited, members of our Group. 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.

## BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

### SENIOR MANAGEMENT

**Mr. Zhou Jian (周劍)** is our executive Director, chief executive officer and the chairman of the Board. See “Executive Directors” in this section for the biographical details of Mr. Zhou.

**Mr. Xiong Youjun (熊友軍)** is our executive Director, chief technology officer and deputy general manager. See “Executive Directors” in this section for the biographical details of Mr. Xiong.

**Mr. Zhang Ju (張鉅)**, aged 49, is our deputy general manager, the chief financial officer and a secretary to the Board. He is mainly responsible for the overall finance and accounting functions and the Board and capital markets affairs of our Group.

Prior joining our Group, Mr. Zhang served 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) from July 2006 to December 2017, a financial controller of Beijing Sigma Jinghua Microelectronics Co., Ltd.\* (北京希格瑪晶華微電子有限公司) from May 2004 to May 2006, a financial manager at Wal-Mart (China) Investment Co., Ltd. (沃爾瑪(中國)投資有限公司) from December 2003 to March 2004, a senior audit associate at PricewaterhouseCoopers Zhong Tian LLP from January 2000 to September 2002, and 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 recognised as a Reserve Professional Talent by Shenzhen Human Resources and Social Security Administration of Shenzhen Municipality in January 2020.

### JOINT COMPANY SECRETARIES

**Mr. Zhang Ju (張鉅)** is the secretary of the Board, and was appointed as the joint company secretary of our Company on December 27, 2022. See “Senior Management” above for the biographical details of Mr. Zhang.

**Ms. Ng Wai Kam (伍偉琴)**, has been appointed as the joint company secretary 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 Onowo 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.

\* For identification purpose only

# CORPORATE GOVERNANCE REPORT

The Board hereby presents this corporate governance report (the “Corporate Governance Report”) in the Company’s annual report for the year ended December 31, 2023.

## CORPORATE GOVERNANCE CULTURE

Built on our vision, values and culture, we are committed to developing a positive corporate governance culture that allows employees across the Group to thrive, meet their full potential, and that enables our Company to deliver long-term sustainable growth and success.

## CORPORATE GOVERNANCE PRACTICES

The Board is committed to maintaining high corporate governance standards.

The Board believes that high corporate governance standards are essential in providing a framework for the Company to safeguard the interests of the shareholders of the Company (the “Shareholder(s)”), enhance corporate value, formulate its business strategies and policies, and enhance its transparency and accountability.

The Company has adopted the principles and code provisions of the Corporate Governance Code as set out in Appendix C1 to the Listing Rules (the “CG Code”) on the Stock Exchange as the basis of the Company’s corporate governance practices.

The Board is of the view that during the period from the date of the listing of the H shares of the Company (the “H Shares”) on the Main Board of the Stock Exchange (the “Listing”), i.e. December 29, 2023 (the “Listing Date”), to December 31, 2023 (the “Relevant Period”), the Company has complied with all the applicable code provisions as set out in the CG Code, except for Code Provision C.2.1 described in the section headed “Chairman and Chief Executive Officer” below. The Board will continue to review and monitor the code of corporate governance practices of the Company with an aim to maintaining a high standard of corporate governance.

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

Since the Company’s Shares were listed on the Stock Exchange on the Listing Date, the provisions regarding compliance with the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) contained in Appendix C3 to the Listing Rules are only applicable to the Company since the Listing Date.

Following the Listing, the Company has adopted the Model Code as set out in Appendix C3 to the Listing Rules as its code of conduct regarding dealings in the securities of the Company by the Directors and the supervisors of the Company (the “Supervisors”), and the Group’s employees who, because of his/her office or employment, are likely to possess inside information in relation to the Group or the Company’s securities. Specific enquiries have been made to all Directors and Supervisors and the Directors and Supervisors have confirmed that they have complied with the required standards set out in the Model Code during the Relevant Period.

No incident of non-compliance of the Model Code by the employees was noted by the Company for the Relevant Period.

## BOARD OF DIRECTORS

The Company is headed by an effective Board which assumes responsibility for its leadership and control and be collectively responsibility for promoting the Company’s success by directing and supervising the Company’s affairs. Directors take decisions objectively in the best interests of the Company.

## CORPORATE GOVERNANCE REPORT

The Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business and regularly reviews the contribution required from a Director to perform his responsibilities to the Company and whether the Director is spending sufficient time performing them that are commensurate with their role and the Board responsibilities. The Board includes a balanced composition of executive Directors and non-executive Directors (including independent non-executive Directors) so that there is a strong independent element on the Board, which can effectively exercise independent judgement.

### BOARD COMPOSITION

The composition of the Board as at the date of this annual report is as follows:

#### Executive Directors

Mr. Zhou Jian (周劍先生) (*Chairman of the Board and Chief Executive Officer*)

Mr. Xiong Youjun (熊友軍先生)

Ms. Wang Lin (王琳女士)

Mr. Liu Ming (劉明先生)

#### Non-executive Directors

Mr. Xia Zuoquan (夏佐全先生)

Mr. Zhou Zhifeng (周志峰先生)

Mr. Chen Qiang (陳強先生)

#### Independent Non-executive Directors

Mr. Zhao Jie (趙杰先生)

Mr. Xiong Chuxiong (熊楚熊先生)

Mr. Poon Fuk Chuen (潘福全先生)

Mr. Leung Wai Man, Roger (梁偉民先生)

The biographical information of the Directors is set out in the section headed "Biographical Details of Directors, Supervisors and Senior Management" on pages 21 to 29 of this annual report. There is no relationship (including financial, business, family or other material/relevant relationship(s)) between the Board members.

### BOARD MEETINGS

Regular Board meetings should be held at least four times a year involving active participation, either in person or through electronic means of communication, of a majority of Directors. In addition, Code Provision C.2.7 of the CG Code stipulates that the chairman should at least annually hold meetings with the independent non-executive directors without the presence of other directors.

Since the Company was only listed on the Stock Exchange on December 29, 2023, the Board did not hold any Board meeting or meeting among the chairman and the independent non-executive Directors during the Relevant Period.

### GENERAL MEETING

Due to the fact that the Company was listed on December 29, 2023, no general meeting was held during the Relevant Period.

## CORPORATE GOVERNANCE REPORT

### RESPONSIBILITIES, ACCOUNTABILITIES AND CONTRIBUTIONS OF THE BOARD AND MANAGEMENT

The Board should assume responsibility for leadership and control of the Company, and is collectively responsible for directing and supervising the Company's affairs.

The Board directly, and indirectly through its committees, leads and provides direction to management by laying down strategies and overseeing their implementation, monitors the Group's operational and financial performance, and ensures that sound corporate governance, internal control and risk management systems are in place.

All Directors, including non-executive Directors and independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. The independent non-executive Directors are responsible for ensuring a high standard of regulatory reporting of the Company and providing a balance in the Board for bringing effective independent judgement on corporate actions and operations.

All Directors have full and timely access to all the information of the Company and may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company.

The Directors shall disclose to the Company details of other offices held by them.

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and co-ordinating the daily operation and management of the Company are delegated to the management.

The Company has arranged appropriate insurance coverage on Directors' and officers' liabilities in respect of any legal actions taken against Directors, Supervisors and senior management arising out of corporate activities. The insurance coverage would be reviewed on an annual basis.

### CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Pursuant to Code Provision C.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Zhou Jian is both the chairman of the Board and the chief executive officer of the Company. 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-calibre individuals. Our Board comprises four executive Directors (including Mr. Zhou), three non-executive Directors and four independent non-executive Directors, and therefore has a strong independence element in its composition.

## CORPORATE GOVERNANCE REPORT

In light of the above, the Board considers that the deviation from Code Provision C.2.1 of the CG Code is appropriate in the circumstances of the Company. The Board will continue to review the current structure from time to time and consider the appropriate move to take when appropriate.

### INDEPENDENT NON-EXECUTIVE DIRECTORS

During the Relevant Period, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors representing one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received written annual confirmation from each of the independent non-executive Directors in respect of his/her independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors are independent.

### BOARD INDEPENDENCE EVALUATION

The Company has established a Board Independence Evaluation Mechanism which sets out the processes and procedures to ensure a strong independent element on the Board, and allows the Board effectively exercises independent judgement to better safeguard Shareholders' interests.

The objectives of the evaluation are to improve Board effectiveness, maximise strengths, and identify the areas that need improvement or further development. The evaluation process also clarifies what actions of the Company need to be taken to maintain and improve the Board performance, for instance, addressing individual training and development needs of each Director.

Pursuant to the Board Independence Evaluation Mechanism, the Board will conduct annual review on its independence.

Since the Company was only listed on the Stock Exchange on December 29, 2023, the Board will conduct the annual review on the implementation and effectiveness of the Board Independence Evaluation Mechanism in 2024.

### APPOINTMENT AND RE-ELECTION OF DIRECTORS

Under the Articles of Association of the Company (the "Articles" or the "Articles of Association"), Directors (including non-executive Directors) shall be elected at the general meeting with a term of three years, commencing from the date of their appointment. Directors shall be eligible to offer themselves for re-election. Each of the current non-executive Directors and independent non-executive Directors have been appointed at the following dates:

Directors	Appointment Date
<b>Non-executive Directors</b>	
Mr. Xia Zuoquan (夏佐全先生)	December 9, 2022
Mr. Zhou Zhifeng (周志峰先生)	December 9, 2022
Mr. Chen Qiang (陳強先生)	December 9, 2022
<b>Independent non-executive Directors</b>	
Mr. Zhao Jie (趙杰先生)	December 9, 2022
Mr. Xiong Chuxiong (熊楚熊先生)	December 9, 2022
Mr. Poon Fuk Chuen (潘福全先生)	December 9, 2022
Mr. Leung Wai Man, Roger (梁偉民先生)	February 18, 2023

## CORPORATE GOVERNANCE REPORT

A Director may serve consecutive terms if re-elected upon the expiry of his/her term. A Director shall continue to perform his duties in accordance with the laws, administrative regulations and Articles until a duly re-elected director takes office, if re-election is not conducted in a timely manner upon the expiry of his term of office, or if the resignation of directors results in the number of directors being less than the quorum. The Articles also provides that each Director appointed to fill a casual vacancy or as addition to the Board shall hold office until the first annual general meeting after his/her appointment. The retiring Directors shall be eligible for re-election.

Each of the executive Directors, non-executive Directors, independent non-executive Directors and Supervisors has entered into a service contract or appointment letter with the Company with a specific term. Such service contracts are for a term commencing from the date of appointment to the expiry of the current session of the Board. Accordingly, the term of appointment of all Directors and Supervisors of the Company are valid until the expiry of the current session of the Board (i.e. June 28, 2025), and subject to renewal after the expiry of the then current term:

Save as disclosed above, the Company did not sign any relevant unexpired service contract which is not terminable within a year without payment of any compensation, other than statutory compensation.

### CONTINUOUS PROFESSIONAL DEVELOPMENT OF DIRECTORS

Directors shall keep abreast of regulatory developments and changes in order to effectively perform their responsibilities and to ensure that their contribution to the Board remains informed and relevant.

Every newly appointed Director has received a formal and comprehensive induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of Director's responsibilities and obligations under the Listing Rules and relevant statutory requirements. Such induction shall be supplemented by visits to the Company's key plant sites and meetings with senior management of the Company.

Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills. Internally facilitated briefings for Directors would be arranged and reading material on relevant topics would be provided to Directors where appropriate.

All Directors are encouraged to attend relevant training courses at the Company's expenses.

Prior to the Listing and as at the date of this report, the Company has organised training sessions conducted by the qualified professionals/legal advisers for all Directors. The training sessions covered Directors' duties and responsibilities. In addition, relevant reading materials covering Directors' duties and responsibilities have been provided to the Directors for their reference and studying.

Each of the Directors has obtained the legal advice as required under Rule 3.09D of the Listing Rules on December 21, 2023, and has confirmed that he/she understood his/her obligations as a director of a company listed on the Stock Exchange.

## CORPORATE GOVERNANCE REPORT

The training records of the Directors up to date of this annual report are summarised as follows:

Directors	Type of Training <sup>Note</sup>
<b>Executive Directors</b>	
Mr. Zhou Jian (周劍先生)	A, B
Mr. Xiong Youjun (熊友軍先生)	A, B
Ms. Wang Lin (王琳女士)	A, B
Mr. Liu Ming (劉明先生)	A, B
<b>Non-executive Directors</b>	
Mr. Xia Zuoquan (夏佐全先生)	A, B
Mr. Zhou Zhifeng (周志峰先生)	A, B
Mr. Chen Qiang (陳強先生)	A, B
<b>Independent Non-executive Directors</b>	
Mr. Zhao Jie (趙杰先生)	A, B
Mr. Xiong Chuxiong (熊楚熊先生)	A, B
Mr. Poon Fuk Chuen (潘福全先生)	A, B
Mr. Leung Wai Man, Roger (梁偉民先生)	A, B

Note:

Types of Training

A: Attending training sessions, including but not limited to briefings, seminars, conferences and workshops

B: Reading relevant news alerts, newspapers, journals, magazines and relevant publications

## BOARD COMMITTEE

The Board has established five committees, namely, Audit Committee, ESG and Sustainability Committee, Remuneration and Appraisal Committee, Nomination Committee and Strategy Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with specific written terms of reference which deal clearly with their authority and duties. The terms of reference of the Audit Committee, the ESG and Sustainability Committee, the Remuneration and Appraisal Committee, the Nomination Committee and the Strategy Committee are published on the Company's website and the Stock Exchange's website and are available to Shareholders upon request.

### Audit Committee

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. Poon Fuk Chuen holds the appropriate professional qualifications as required under Rules 3.10(2) and 3.21 of the Listing Rules. Mr. Xiong Chuxiong was appointed as the chairman of the Audit Committee.

## CORPORATE GOVERNANCE REPORT

Written terms of reference of the Audit Committee have been adopted in compliance with Rule 3.22 of the Listing Rules and Code Provision D.3.3 of the CG Code and are of no less exacting terms than those set out in the CG Code and applicable laws of the PRC. The primary duties of the Audit Committee include (a) to make recommendations to the Board on the appointment, reappointment and removal of the external auditors, to consider and approve the remuneration and terms of engagement of the external auditors, and any questions of its resignation or dismissal; (b) to review and monitor the external auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. The Audit Committee shall discuss with the external auditors the nature and scope of the audit and reporting obligations before the audit commences; (c) to develop and implement policy on engaging an external auditors to provide non-audit services; (d) to monitor internal audit system of the Company and ensure the implementation of such systems; (e) to facilitate communications between the internal audit department and external auditors; (f) to review the financial information and relevant disclosures of the Company; and (g) to monitor the Company in respect of financial reporting system, risk management and internal controls system. The Audit Committee shall report to the Board on its work, including but not limited to the above matters, and consider such other matters as defined by the Board.

As the Company was listed on the Stock Exchange on December 29, 2023, no Audit Committee meeting was held during the Relevant Period.

### ESG and Sustainability Committee

The ESG and Sustainability Committee currently comprises two executive Directors (being Ms. Wang Lin and Mr. Liu Ming) and one 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; and (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.

As the Company was listed on the Stock Exchange on December 29, 2023, no ESG and Sustainability Committee meeting was held during the Relevant Period.

### Remuneration and Appraisal Committee

The Remuneration and Appraisal Committee currently comprises one 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.

Written terms of reference of the Remuneration and Appraisal Committee have been adopted in compliance with Rule 3.26 of the Listing Rules and Code Provision E.1.2 of the CG Code and are of no less exacting terms than those set out in the CG Code and applicable laws of the PRC. The primary functions of our Remuneration and Appraisal Committee include (a) to make recommendations to the Board on our Company's remuneration policy and structure for all Directors, Supervisors and senior management, and on the establishment of a formal and transparent procedure for developing the remuneration policy; (b) to review and approve the remuneration proposals of senior management with reference to the Board's corporate goals and objectives; (c) to make

## CORPORATE GOVERNANCE REPORT

recommendations to the Board on the remuneration packages of the executive Director and senior management, which shall include benefits in kind, pension rights and compensation payments (including compensation for loss or termination of their office or appointment); (d) to make recommendations to the Board on the remuneration of non-executive Directors; (e) to consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in our Group; (f) to review and approve the compensation payable to the executive Director and senior management for their loss or termination of office or appointment to ensure that such compensation is consistent with the contractual terms and is otherwise fair and not excessive; (g) to review and approve the compensation arrangements relating to dismissal or removal of the Directors for misconduct to ensure that such compensation is consistent with the contractual terms and is otherwise fair and not excessive; (h) to ensure that no Director or any of his associates is involved in deciding his own remuneration; and (i) to review and/or approve matters relating to share schemes under Chapter 17 of the Listing Rules.

The remuneration of the Directors, Supervisors and senior management of the Company, whose biographical details are included in section headed "Biographical Details of Directors, Supervisors and Senior Management" of this annual report, for the year ended December 31, 2023 falls within the following bands:

<b>Remuneration (RMB'000)</b>	<b>Number of Individuals</b>
0–1,000	9
1,000–5,000	1
5,000–10,000	4
10,000–20,000	1
20,000–30,000	1

The Company's remuneration policy is to ensure that the remuneration offered to the Directors, Supervisors and senior management, is based on skill, knowledge, responsibilities and involvement in the Company's affairs. The remuneration and compensation packages of the Directors, Supervisors and senior management are also determined with reference to account salaries paid by comparable companies, time commitment and responsibilities of the Directors and Supervisors and the performance of the Group. The remuneration for the Directors and Supervisors comprises fees, salaries, allowances, benefits in kind, performance-related bonuses, equity-settled share-based compensation expense and pension scheme contributions. Non-executive Directors and independent non-executive Directors shall not receive options and awards to be granted under the Company's share option scheme and share award scheme. Individual Directors and senior management have not been involved in deciding their own remuneration.

As the Company was listed on the Stock Exchange on December 29, 2023, no Remuneration and Appraisal Committee meeting was held during the Relevant Period.

## CORPORATE GOVERNANCE REPORT

### Nomination Committee

The Nomination Committee currently comprises one 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.

Written terms of reference of the Nomination Committee have been adopted in compliance with Code Provision B.3.1 of the CG Code and are of no less exacting terms than those set out in the CG Code and applicable laws of the PRC. The primary functions of our Nomination Committee include (a) to review the structure, size and composition of the Board (including the skills, knowledge and experience) at least annually and make recommendations on any proposed changes to the Board to complement our Company's corporate strategy; (b) to identify individuals suitably qualified to become board members and select and make recommendations to the Board on the selection of individuals nominated for directorships; (c) to assess the independence of the independent non-executive Directors; and (d) to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors (in particular the chairman of the Board and the chief executive officer).

In assessing the Board composition, the Nomination Committee would take into account various aspects as well as factors concerning Board diversity as set out in the Company's Board Diversity Policy. The Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption.

In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider the candidate's relevant criteria as set out in the Board Diversity Policy that are necessary to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendation to the Board.

As the Company was listed on the Stock Exchange on December 29, 2023, no Nomination Committee meeting was held during the Relevant Period. As at the date of this report, the Nomination Committee considered an appropriate balance of diversity perspectives of the Board is maintained.

### Strategy Committee

The Strategy Committee currently comprises one 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.

As the Company was listed on the Stock Exchange on December 29, 2023, no Strategy Committee meeting was held during the Relevant Period.

## CORPORATE GOVERNANCE REPORT

### SUPERVISORY COMMITTEE

The Supervisory Committee is a supervisory body of the Company which is responsible for the supervision of the Board and its members and senior management so as to prevent them from the misuse of authority and infringement upon lawful rights of the Shareholders, the Company and the Company's employees. The number of members and the composition of the Supervisory Committee are in line with the provisions and requirements of the laws, regulations and the Articles. The Supervisory Committee is comprised of three Supervisors, of whom one was an employee representative democratically elected by the employees of the Company (being Ms. Wang Xingru) and two were shareholders representatives (being Mr. Deng Feng and Mr. Ben Cangsang). Mr. Deng Feng was appointed as the chairman of the Supervisory Committee.

The biographical information of the Supervisors is set out in the section headed "Biographical Details of Directors, Supervisors and Senior Management" on pages 21 to 29 of this annual report.

### BOARD DIVERSITY POLICY

The Company has adopted a Board Diversity Policy in order to enhance the effectiveness of the Board and to maintain a high standard of corporate governance.

Pursuant to the Board Diversity Policy, the Company seeks to achieve diversity of the Board through the consideration of a wide range of factors, including but not limited to gender, age, cultural and educational background, industry experience, technical capabilities, professional qualifications and skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

The Board have a balanced mixed of knowledge and skills, including overall management and strategic development, finance, accounting and risk management in addition to industry experience in cosmetics. The Directors obtained degrees in various majors. The Company have four Independent Non-executive Directors with different industry background, representing more than one-third of the members of the Board.

For the purpose of implementation of the Board Diversity Policy, the Board has set the following measurable objectives to implement the Board Diversity Policy and review such objectives from time to time to ensure their appropriateness and ascertain the progress made towards achieving those objectives:

- (A) at least one of the members of the Board shall be female;
- (B) at least one-third of the members of the Board shall be independent non-executive Directors;
- (C) at least one of the members of the Board shall have obtained accounting or other professional qualifications/ knowledge of environmental issues.

## CORPORATE GOVERNANCE REPORT

An analysis of the Board's current composition based on the measurable objectives is set out below:

### Gender

Male:	10 Directors
Female:	1 Director

### Designation

Executive Directors:	4 Directors
Non-executive Directors:	3 Directors
Independent Non-executive Directors:	4 Directors

### Business Experience

Accounting & Finance:	2 Directors
Legal:	1 Director
Experience Related to the Company's Business:	5 Directors
Company Management:	3 Directors

The Nomination Committee and the Board are of the view that the current composition of the Board has achieved the objectives set in the Board Diversity Policy.

The Nomination Committee will review the Board Diversity Policy annually to ensure its effectiveness.

### GENDER DIVERSITY

The Company values gender diversity across all levels of the Group. The Company has taken, and will continue to take, steps to promote gender diversity at all levels of the Company, including but not limited to the Board and the senior management levels.

The following table sets out the gender ratio in the Directors and workforce of the Group as at December 31, 2023:

	Female	Male
Board	9.1% (1)	90.9% (10)
Senior Management (including 2 members of the senior managements who are also Directors)	0% (0)	100% (3)
Other employees	34.4% (691)	65.6% (1,318)
Overall workforce (excluding 3 non-employee Directors)	34.4% (692)	65.6% (1,321)

The Board had targeted to achieve and had achieved at least 9.1% (1) of female Directors, and considers that the above current gender diversity is satisfactory.

The Company will continue to work to enhance gender diversity in the Board, senior management and other employees of the Group. The Board will use its best endeavours to appoint female Directors to the Board and the Nomination Committee will use its best endeavours to identify and recommend suitable female candidates to the Board for its consideration of appointment of Directors. The Company will also continue to ensure that there is gender diversity when recruiting staff from mid to senior level, such that it will have a pipeline of female management and potential successors to our Board in due time to ensure gender diversity of the Board. The Group will continue to emphasise training of female talents and provide long-term development opportunities for the female staff.

## CORPORATE GOVERNANCE REPORT

### DIRECTOR NOMINATION POLICY

The Board has delegated its responsibilities and authority for selection and appointment of Directors to the Nomination Committee of the Company.

The Company has adopted a Director Nomination Policy, as contained in the terms of reference of the Nomination Committee, which sets out the selection criteria and nomination process and the Board succession planning considerations in relation to nomination and appointment of Directors of the Company and aims to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the Company and the continuity of the Board and appropriate leadership at Board level.

The nomination process of appointment of new Director set out in the Director Nomination Policy is as follows:

- (i) the Nomination Committee shall actively communicate with relevant departments of the Company, analyse the demand of the Company for new Directors and managers, and prepare a written report;
- (ii) the Nomination Committee may extensively identify candidates for the Directors and managers inside the Company and its branch companies as well as the talent market;
- (iii) collect the information on preliminary candidates, including career, academic degree, job title, detailed working experience and all part-time positions, and prepare a written report;
- (iv) seek the consent of nomination from the nominees regarding the nomination; otherwise, such nominees shall not be considered as the candidates for Directors and managers;
- (v) convene a meeting of the Nomination Committee, and review qualifications of preliminary candidates pursuant to the requirements for the positions for the Directors and managers;
- (vi) submit suggestions and relevant documents related to the candidates for the Directors and those for new managers to the Board of Directors one to two months before the election of new Directors and appointment of new managers; and
- (vii) carry out other follow-up work according to the decisions and feedbacks from the Board of Directors.

The Nomination Committee shall submit its decisions, recommendations and/or proposals to the Board for consideration and decision. Among which, the nomination of director candidates must be submitted to the general meeting of shareholders for review and approval after being reviewed by the Board and before implementation.

The criteria for assessing the suitability and the potential contribution to the Board of a proposed candidate as set out in the Board Diversity Policy are, including but not limited to, the following: gender, age, cultural and educational background, industry experience, technical capabilities, professional qualifications and skills, knowledge and length of service.

During the Relevant Period, there was no change in the composition of the Board.

The Nomination Committee will review the Director Nomination Policy as appropriate to ensure its effectiveness.

## CORPORATE GOVERNANCE REPORT

### CORPORATE GOVERNANCE FUNCTIONS

In accordance with Code Provision A.2.1 of the CG Code, the Board is responsible for performing the corporate governance duties including:

- to develop and review the Company's policies and practices on corporate governance;
- to review and monitor the training and continuous professional development of Directors and senior management;
- to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and
- to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

The Board has performed the above duties during the Relevant Period.

### RISK MANAGEMENT AND INTERNAL CONTROLS

The Board acknowledges its responsibility for the risk management and internal control systems and reviewing their effectiveness.

The Board has established a risk management and internal control system in accordance with the requirements of Code Provision D.2 under Part II of the CG Code, which is responsible for independently reviewing the adequacy and effectiveness of the risk management and internal control system of the Company, and continuously monitoring and reviewing the effectiveness of its operation at least once a year. The system aims to manage rather than eliminate the risk of failure to achieve business objectives, promote effective and efficient operations, reasonably ensure the reliability of financial reports and comply with applicable laws and regulations and protect the assets of the Group. The Board can only give reasonable but not absolute assurance that there will be no material misrepresentation or loss.

### CHARACTERISTICS OF THE RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

In accordance with the requirements of Code Provision D.2 under Part II of the CG Code, the Group has established a sound risk management and internal control system which includes the Board, the Audit Committee, the Supervisory Committee, the management of the Group, the office of the Board, the legal department and other departments to ensure that the Group has sufficient resources, qualified and experienced staffs, training courses and related budget for risk management and internal audit. The various departments of the Group are the first line of defence for risk management and internal control; the office of the Board and the management of the Group are the second line of defence; while the legal department, the Audit Committee and the Supervisory Committee are the third line of defence. The Board bears the ultimate responsibility for the establishment and improvement of the Group's risk management and internal control system as well as the effective implementation of the risk management work, and serves as the highest decision maker for the Group's risk management and internal control.

## CORPORATE GOVERNANCE REPORT

### IMPLEMENTATION OF RISK MANAGEMENT AND INTERNAL CONTROL

The Group is committed to establishing and maintaining sound risk management and internal control systems, it reviews the effectiveness of the risk management and internal control systems every year and assesses all important monitoring aspects including supervision on financial, operation and compliance affairs, etc. based on the elements of internal control such as the internal environment, risk assessment, control activities, information and communication as well as internal supervision, and optimizes and updates the risk control mechanism.

The Group has been committed to promoting a compliance culture and will adopt policies and procedures on various compliance matters, including the Stock Exchange's requirements on corporate governance and environmental, social and governance matters. The Board will be responsible for the establishment and operations of mechanisms in relation to corporate governance and environmental, social and governance. The Directors are involved in the formulation of such mechanisms and the related policies.

After risk assessment, the Group's major risks during the Relevant Period mainly involve business risks, financial risks, compliance risks, inside information and internal control risks. According to our actual situation, the Group has formulated practical and feasible response plans to effectively manage risks:

#### Operational Risk Management

The Group has established a series of internal procedures to manage such risk. The Group takes a comprehensive approach with regard to operational risk management, and implement a mechanism with detailed and decentralised responsibilities and clear rewards and punishment systems. Our finance department, internal control department, legal department, compliance center, talent momentum center and operations management center are collectively responsible to ensure the compliance of our operations with internal procedures. In the event of a major adverse event, the matter will be escalated to our general manager and/or the Board to take appropriate measures. The Group expects to control operational risks within a reasonable range by identifying, measuring, monitoring and containing operational risks to reduce potential losses.

#### Compliance Risk Management

Compliance risk refers to the risk of being subject to legal and regulatory sanctions, and the risk of major financial and reputational losses as a result of the Group's failure to comply with relevant laws, regulations, rules and guidelines. Compliance management refers to the dynamic managing processes of the Group's effective identification and management of compliance risks and proactively preventing the occurrence of risk events. Compliance risk management is the core of our risk management activities, the foundation for effective internal controls and an important aspect of our corporate culture. As part of the comprehensive risk management system, the board of directors of the Group attaches great importance to compliance management. The general manager takes the lead in establishing a compliance committee, which has established a three-level compliance management structure: decision-making, management, and execution. The compliance center of the permanent establishment is responsible for improving and perfecting the compliance risk management framework to achieve effective identification and management of compliance risk, and ensure that our operations are in compliance with applicable laws and regulations.

## CORPORATE GOVERNANCE REPORT

### Information Security and Data Privacy Risk Management

The Group attaches the greatest importance to data security and protection. The Group has adopted our standard protective measures including confidentiality categorisation, access control, data encryption and data masking to prevent unauthorised access, leakage, improper use or modification of, damage to or loss of data and personal information. The management of data security and personal information protection is led by the compliance center, and supervised by various business departments, information centers, and talent momentum centers. The Group has built up a comprehensive personal information management system and formulated a series of technical standards and specifications to ensure data and personal information security throughout their life cycle.

### Intellectual Property Risk Management

The Group has implemented a set of comprehensive measures to protect our intellectual property. The Group implements unified and centralised intellectual property management through the intellectual property department. Any application, implementation, authorisation or transfer of intellectual property rights of the Group shall be approved by the intellectual property department and the legal department.

### Anti-corruption Risk Management

The Group has established anti-corruption risk management policies prohibiting any corruption activities by the employees, either for the pursuit of improper personal benefits or improper interests of the Group. The Group has established an anti-commercial bribery management committee under the compliance committee, with representatives appointed by the compliance department, finance department, legal department, internal control department, human resources department, procurement department, information center, general manager's office and other departments to jointly improve and perfect the Company's anti-corruption management mechanism. The Group conducts routine internal trainings and require all suppliers to execute anti-corruption commitments before engagement. The Group has zero tolerance for corruption. Once an employee engages in corrupt behaviour, the Company will terminate their labour contract relationship. Once it is discovered that a business partner has engaged in corrupt behaviour, the Group will terminate its cooperation with such business partner. The Group aims to continuously improve and optimise anti-corruption management mechanisms through various forms, including actively participating in anti-corruption experience exchanges with relevant industry self-discipline associations, and obtaining Certification of Anti-bribery Management System (ISO37001).

### FORMATION OF LONG-TERM MECHANISM FOR RISK MANAGEMENT AND INTERNAL CONTROL

We continue to improve risk management policies and procedures, specify the risk management structure and responsibilities. We identify major risks that hinder the achievement of objectives and control them within acceptable levels to ensure the achievement of business objectives, the improvement of operational efficiency, the reliability of financial reports and compliance with national regulations and other compliance requirements. We evaluate and check the effectiveness of our risk management and internal control systems through channels such as the management, business units in the risk management system, audit and inspection teams of the Group, external auditors, and external legal advisor to improve risk response measures. Meanwhile, in order to ensure the effective operation of the risk management system, the Audit Committee reviews and supervises the risk management work.

## CORPORATE GOVERNANCE REPORT

The Company does not have an internal audit function to carry out independent reviews of the adequacy and effectiveness of its risk management and internal control systems. The risk management and internal controls are self-assessed by the management and reviewed by the Board on an on-going basis. The Company would appoint independent consultancy firm to conduct a thorough review of risk management and internal control systems of the Company and its subsidiaries on regular intervals basis when necessary.

Our management focuses on business risks, financial risks and compliance risks. Through agile audits, it achieves more comprehensive and accurate risk control, identifies potential risks more quickly, and promotes the improvement in management and system processes to support the achievement of the mid- to long-term vision and strategic goals of the Company. The Group's management procedures for financial reporting and information disclosure, etc. are in strict compliance with the requirements of the Listing Rules. Office of the Board conducts information reporting, reviewing and disclosure in strict accordance with the Information Disclosure Management formulated by the Company. Prior to disclosing relevant information to the public, the Group will ensure that such information is kept confidential properly and will perform the obligation to inform and supervise the insiders of inside information as required.

The Board reviewed the risk management and internal control during the Reporting Period and concluded that there had been no deficiency in material risk control nor any defaults in material risk control based on the outcome of the risk management and internal control work implemented by the Group as of the Latest Practicable Date. The Board was of the view that the risk management and internal control system of the Group is effective and sufficient.

### WHISTLEBLOWING POLICY

The Company has in place the Whistleblowing Policy for employees of the Company and those who deal with the Company to raise concerns, in confidence and anonymity, with the Audit Committee about possible improprieties in any matters related to the Company.

### ANTI-CORRUPTION POLICY

The Company has also in place the Anti-Corruption Policy to safeguard against corruption and bribery within the Company. The Company has an internal reporting channel that is open and available for employees of the Company to report any suspected corruption and bribery. Employees can also make anonymous reports according to the procedures as set out in the Whistleblowing Policy.

During the year ended December 31, 2023, there were no non-compliance cases in relation to bribery and corruption.

### DISCLOSURE OF INSIDE INFORMATION POLICY

The Company has developed its disclosure policy which provides a general guide to the Company's Directors, senior management and relevant employees in handling confidential information, monitoring information disclosure and responding to enquiries. Control procedures have been implemented to ensure that unauthorised access and use of inside information are strictly prohibited.

## CORPORATE GOVERNANCE REPORT

### DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements with the support of the accounting and finance team.

The Directors have prepared the financial statements for the year ended December 31, 2023 in accordance with the China Accounting Standards for Business Enterprises (the "CASBE").

As disclosed in the circular of the Company dated January 24, 2024 (the "Jan 24 Circular"), the Company is established under the laws of the PRC and the financial statements of the Company are prepared under the CASBE. For the purpose of the Global Offering, the historical financial information in prospectus of the Company dated December 19, 2023 (the "Prospectus") was prepared in accordance with the Hong Kong Financial Reporting Standards (the "HKFRS"). On January 24, 2024, the Board considered and approved to continue to prepare the Company's financial statements and disclose relevant financial information in accordance with the CASBE upon listing of the H Shares on the Stock Exchange without preparing additional financial statements in accordance with the HKFRS, in order to avoid repetition of workload and to save costs. As disclosed in the poll results announcement of the Company dated February 8, 2024, the aforementioned adoption of CASBE has been approved by the Shareholders at the 2024 first extraordinary general meeting of the Company held on February 8, 2024 (the "2024 First EGM").

Appropriate accounting policies have been used and applied consistently except the adoption of revised standards, amendments to standards and interpretation.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern. The financial statements of the Company are prepared on a going concern basis, the Directors are of the view that they give a true and fair view of the financial position, performance and cash flow of the Group for the year ended December 31, 2023, and the disclosure of other financial information and report therein complies with relevant legal requirements.

The statement of the external auditors of the Company about their reporting responsibilities on the financial statements is set out in the Auditor's Report of this annual report.

### AUDITORS' REMUNERATION

The remuneration paid and payable to the external auditors of the Company in respect of audit services and non-audit services for the year ended December 31, 2023 is set out below:

Service Category	<b>Fees Paid/Payable</b> (RMB'000)
Audit Services	6,100
Non-audit Services	1,370
Total	<u>7,470</u>

## CORPORATE GOVERNANCE REPORT

### JOINT COMPANY SECRETARIES

The Company has appointed Mr. Zhang Ju, a full-time employee of the Company, and Ms. Ng Wai Kam, a senior manager of corporate services of Tricor Services Limited, a global professional services provider specialising in integrated business, corporate and investor services, as the Company's joint company secretaries.

All Directors have access to the advice and services of the joint company secretaries on corporate governance and board practices and matters. Mr. Zhang, who is also the secretary to the Board, has been designated as the primary contact person at the Company which would work and communicate with Ms. Ng on the Company's corporate governance and secretarial and administrative matters.

For the year ended December 31, 2023, Ms. Ng have undertaken not less than 15 hours of relevant professional training respectively in compliance with Rule 3.29 of the Listing Rules. Since the Company was only listed on the Stock Exchange on December 29, 2023, Mr. Zhang undertakes to attend not less than 15 hours of relevant professional training respectively in compliance with Rule 3.29 of the Listing Rules in 2024 and each year thereafter. The biographies of Mr. Zhang and Ms. Ng are set out in the "Biographical Details of Directors, Supervisors and Senior Management" section of this annual report.

### SHAREHOLDERS' RIGHTS

#### Convening an Extraordinary General Meeting

Pursuant to the Article 53 of the Articles, Shareholders who individually or collectively hold more than 10% of the shares of the Company have the right to request the Board of Directors to hold an extraordinary general meeting, and shall put forward such request to the Board of Directors in writing and include proposals in the agenda of the meeting. The Board of Directors shall, in accordance with the laws and regulations, the Listing Rules and the Articles of Association, provide written feedback within ten days after receiving the request, whether it agrees or does not agree to convene an extraordinary general meeting.

If the Board of Directors does not agree to convene an extraordinary general meeting, or does not provide feedback within ten days after receiving the request, Shareholders, individually or collectively, holding more than 10% of the shares of the Company shall have the right to propose to the board of Supervisors (the "Board of Supervisors") the convening of an extraordinary general meeting, and shall submit their request in writing to the Board of Supervisors.

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 10% of the shares of the Company for more than 90 consecutive days may convene and preside over the general meeting on their own. The shareholding of the convening shareholder shall not be less than 10% before the announcement of the resolution of the general meeting.

#### Putting Forward Proposals at General Meetings

Pursuant to the Article 59 of the Articles, Shareholders individually or jointly holding more than 3% of the total voting shares of the Company may make a provisional proposal and submit it in writing to the convener ten days before the convening of the general meeting. The convener shall issue a supplementary notice of the general meeting within two days upon receipt of the proposal and announce the contents of the provisional proposal.

## CORPORATE GOVERNANCE REPORT

### Putting Forward Enquiries to the Board

For putting forward any enquiries to the Board, Shareholders may send written enquiries to the Company. The Company will not normally deal with verbal or anonymous enquiries.

### Contact Details

Shareholders may send their enquiries or requests as mentioned above to the following:

Address: Room 2201, Building C1, Nanshan Smart Park, No. 1001 Xueyuan Avenue, Changyuan Community, Taoyuan Street, Nanshan District, Shenzhen, PRC  
(For the attention of the Board of Directors/Company Secretary)

Telephone: +86 755 8347 4428 ext. 8188

Email: investor@ubtrobot.com

For the avoidance of doubt, Shareholders must despatch and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

### COMMUNICATION WITH SHAREHOLDERS AND INVESTORS/INVESTOR RELATIONS

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company is endeavours to maintain an on-going dialogue with Shareholders and in particular, through annual general meetings and other general meetings. At the annual general meeting of the Company, Directors (or their delegates as appropriate) will be available to meet Shareholders and answer their enquiries.

To safeguard Shareholder interests and rights, separate resolution should be proposed for each substantially separate issue at general meetings, including the election of individual Director. All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of the Stock Exchange after each general meeting.

### SHAREHOLDERS COMMUNICATION POLICY

The Company has in place a Shareholders Communication Policy. The policy aims at promoting effective communication with Shareholders and other stakeholders, encouraging Shareholders to engage actively with the Company and enabling Shareholders to exercise their rights as Shareholders effectively.

Since the Company was only listed on the Stock Exchange on December 29, 2023, the Board will conduct the annual review on the implementation and effectiveness of the Shareholders Communication Policy in 2024.

## CORPORATE GOVERNANCE REPORT

The Company has established a number of channels for maintaining an on-going dialogue with its Shareholders as follows:

### (a) Corporate Communication

“Corporate Communication” as defined under the Listing Rules refers to any document issued or to be issued by the Company for the information or action of holders of any of its securities, including but not limited to the following documents of the Company: (a) the Directors’ report, annual accounts together with a copy of the auditor’s report and, where applicable, its summary financial report; (b) the interim report and, where applicable, its summary interim report; (c) a notice of meeting; (d) a listing document; (e) a circular; and (f) a proxy form. The Corporate Communication of the Company will be published on the Stock Exchange’s website ([www.hkex.com.hk](http://www.hkex.com.hk)) in a timely manner as required by the Listing Rules. Corporate Communication will be provided to Shareholders and non-registered holders of the Company’s securities in both English and Chinese versions or where permitted, in a single language, in a timely manner as required by the Listing Rules. Shareholders and non-registered holders of the Company’s securities shall have the right to choose the language (either English or Chinese) or means of receipt of the Corporate Communication (in printed form or through electronic means).

### (b) Announcements and Other Documents pursuant to the Listing Rules

The Company shall publish announcements (on inside information, corporate actions and transactions etc.) and other documents (e.g. Articles of Association) on the Stock Exchange’s website in a timely manner in accordance with the Listing Rules.

### (c) Corporate Website

Any information or documents of the Company posted on the Stock Exchange’s website will also be published on the Company’s website ([www.ubtrobot.com](http://www.ubtrobot.com)). Other corporate information about the Company’s corporate governance will also be available on the Company’s website.

### (d) Shareholders’ Meetings

The annual general meeting and other general meetings of the Company are the primary forum for communication between the Company and its Shareholders. The Company shall provide Shareholders with relevant information on the resolutions(s) proposed at a general meeting in a timely manner in accordance with the Listing Rules. The information provided shall be reasonably necessary to enable Shareholders to make an informed decision on the proposed resolution(s). Shareholders are encouraged to participate in general meetings or to appoint proxies to attend and vote at the meetings for and on their behalf if they are unable to attend the meetings. Where appropriate or required, the Chairman of the Board and other Board members, the chairmen and deputy chairman of board committees or their delegates, and the external auditors should attend general meetings of the Company to answer Shareholders’ questions (if any). The chairman of the independent board committee (if any) should also be available to answer questions at any general meeting to approve a connected transaction or any other transaction that is subject to independent Shareholders’ approval.

## CORPORATE GOVERNANCE REPORT

### (e) Shareholders' Enquiries

#### *Enquiries about Shareholdings*

Shareholders should direct their enquiries about their shareholdings to the Company's H share registrar, Tricor Investor Services Limited, via its online holding enquiry service at [www.tricoris.com](http://www.tricoris.com), or send email to [is-enquiries@hk.tricorglobal.com](mailto:is-enquiries@hk.tricorglobal.com) or call its hotline at (852) 2980 1333, or go in person to its public counter at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.

### AMENDMENTS TO CONSTITUTIONAL DOCUMENTS

Pursuant to the authorisation granted by the general meetings of the Shareholders held on February 18, 2023 and June 29, 2023 in relation to the Global Offering and further authorisation granted by the Board at the 16th meeting of the 2nd session of the Board, the Company has amended the Articles of Association to reflect the change in registered capital and the total number of issued shares after the completion of the Global Offering. The amended Articles of Association being effective on the Listing date. Details of the amendment of Articles of Association in relation to the Global Offering are set out in the Prospectus.

Saved as disclosed, during the Relevant Period, the Company has not made any changes to its Articles of Association. Subsequent to the Relevant Period, the Company has amended the Articles of Association. By a special resolution passed at the 2024 First EGM held on February 8, 2024, the Articles of Association were amended to reflect, among other things, the adoption of CASBE and the increase in number of shares and registered capital after the partial exercise of over-allotment option as described in the Prospectus (the "Over-allotment Option"). Details of the amendments are set out in the Jan 24 Circular. An up-to-date version of the Articles of Association is also available on the Company's website and the Stock Exchange's website.

### DIVIDEND POLICY

In relation to the dividend policy of the Company, please refer to "Report of the Board of Directors" in this annual report for details.

# REPORT OF THE BOARD OF DIRECTORS

The Board is pleased to present the annual report together with the audited consolidated financial statements of the Group for the year ended December 31, 2023 (the “Consolidated Financial Statements”) since the Listing Date.

## CORPORATE INFORMATION

The Company was incorporated in 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 H Shares were listed on the Main Board of the Stock Exchange on December 29, 2023.

The basic information of the Company is set out on pages 2 to 3 in the “Corporate Information” of this annual report.

## PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Group is dedicated to the design, production, commercialisation, sales and marketing and research development (R&D) of smart service robotic products and services.

The activities and particulars of the Company’s principal subsidiaries are shown under note 6 to the Financial Statements.

A fair review of the Group’s business during the year ended December 31, 2023, including an analysis of which using financial key performance indicators and the outlook of the Group’s business are provided in the sections headed “Chairman’s Statement” and “Management Discussion and Analysis” of this annual report, which forms part of this “Report of the Board of Directors”.

## PROCEEDS FROM THE GLOBAL OFFERING

The H Shares were listed on the Main Board of the Stock Exchange on the Listing Date with net proceeds received by the Company from the Global Offering in the amount of approximately HK\$905.9 million (not including the net proceeds of approximately HK\$25.3 million received by the Company from the partial exercise of the Over-allotment Option in January 2024 as disclosed in the announcement of the Company dated January 22, 2024 (the “Over-allotment Announcement”)) after deducting underwriting commissions and all related expenses (the “Net Proceeds”).

## REPORT OF THE BOARD OF DIRECTORS

### Use of proceeds from the Global Offering

The following table sets forth the Company's use of the Net Proceeds and the planned timetable on utilising the Net Proceeds in full as at December 31, 2023.

	<b>Approximate percentage of the total Net Proceeds</b>	<b>Net Proceeds from the Global Offering (HKD million)</b>	<b>Expected time to utilise the remaining Net Proceeds in full</b>
Further advance our R&D capabilities to enhance our core technologies and products and services offerings	47.0%	425.8	By the end of 2026
Repayment of bank loans	19.4%	175.7	By the end of 2024
Enhance our R&D infrastructure to improve our R&D capabilities and efficiencies	7.9%	71.6	By the end of 2024
Enhance brand awareness and market penetration	9.5%	86.1	By the end of 2025
Further optimize our management and operational efficiency	6.2%	56.2	By the end of 2026
General working capital	10.0%	90.6	By the end of 2024
<b>Total<sup>(Note 1)</sup></b>	<b>100%</b>	<b>905.9</b>	

Notes:

- Any discrepancies in the above table between the total shown and the sum of the amounts listed are due to rounding.
- Since the Listing Date and up to December 31, 2023, all the Net Proceeds have not yet been utilised.

On December 29, 2023, we received proceeds from the Hong Kong public offering tranche of the Global Offering, after deducting part of the listing expenses and underwriting commissions, in the aggregate of approximately HK\$101.5 million (equivalent to approximately RMB92.0 million) and recorded as cash at bank and on hand of the Company as at December 31, 2023.

On January 3, 2024, we received proceeds from the international placing tranche of the Global Offering, after deducting part of the listing expenses and underwriting commissions, in the aggregate of approximately HK\$871.4 million (equivalent to approximately RMB789.2 million), and accordingly other receivables of RMB828.1 million as at December 31, 2023 was converted into cash at bank and on hand of the Company.

Subsequent to December 31, 2023, as disclosed in the Over-allotment Announcement, the Company has received additional net proceeds of approximately HK\$25.3 million from the over-allotment shares to be issued and allotted upon the partial exercise of the Over-Allotment Option after deduction of the estimated underwriting fees and commissions and expenses payable by the Company in connection with the Global Offering (the "Additional Net Proceeds"). After careful consideration and detailed evaluation of the current progress of execution of the future plans and business strategy of the Group, the Board has resolved to change the use of the Additional Net Proceeds.

## REPORT OF THE BOARD OF DIRECTORS

Instead of being allotted to the purposes as set out in the section headed “Future Plans and Use of Proceeds” in the Prospectus on a pro rata basis, the Additional Net Proceeds will be used for working capital and other general corporate purposes.

Since the Listing Date and up to December 31, 2023, the Group has not yet utilised any net proceeds, and will gradually utilise the Net Proceeds and the Additional Net Proceeds in accordance with the intended purposes as stated in the Prospectus and the Over-allotment Announcement, respectively. The expected timeline is based on the best estimation of future market conditions and business operations made by the Company currently, and will be subject to change based on future development of market conditions and actual business needs.

### RESULTS AND DIVIDENDS

The results of the Group for the year ended December 31, 2023 and the state of affairs of the Group as at December 31, 2023 are set out in the Consolidated Financial Statements on pages 148 to 266.

The Board did not recommend the payment of any final dividend for the year ended December 31, 2023.

### PRINCIPAL RISKS AND UNCERTAINTIES

The Group’s financial condition, results of operations, and business prospects may be affected by a number of risks and uncertainties directly or indirectly pertaining to the Group’s businesses. The following are the key risks and uncertainties identified by the Group. There may be other risks and uncertainties in addition to those shown below which are not known to the Group or which may not be material now but could turn out to be material in the future.

- 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.

### SHARE CAPITAL

As of December 31, 2023, the total share capital of the Company was RMB417,850,674 each with par value of RMB1.00 (including 299,967,325 Domestic Shares and 117,883,349 H Shares).

## REPORT OF THE BOARD OF DIRECTORS

Details of movements in share capital of the Company during the year ended December 31, 2023 are set out in note 4(31) to the Financial Statements.

### RESERVES AND DISTRIBUTABLE RESERVES

Details of movements in the reserves of the Group are set out in the consolidated statement of changes in equity of this annual report. As at December 31, 2023, the Company has no reserves available for distribution (as at December 31, 2022: nil).

### MAJOR CUSTOMERS AND SUPPLIERS

The aggregate revenue attributable to the Group's largest customer for the year ended December 31, 2023 accounted for approximately 27.8% (2022: 27.4%) of the Group's total revenue. The aggregate revenue attributable to the Group's five largest customers for the year ended December 31, 2023 accounted for approximately 53.4% (2022: 71.5%) of the Group's total revenue.

The aggregate revenue attributable to the Group's largest supplier for the year ended December 31, 2023 accounted for approximately 6.9% (2022: 8.5%) of the Group's total revenue. The aggregate revenue attributable to the Group's five largest suppliers for the year ended December 31, 2023 accounted for approximately 21.1% (2022: 26.3%) of the Group's total revenue.

During the year ended December 31, 2023, none of the Directors or any of their associates or any Shareholders (which to the best knowledge of the Directors owned more than 5% of the Company's issued share capital) had a material interest in the Group's five largest customers or in the Group's five largest suppliers.

### DIVIDEND POLICY

The Company has adopted a Dividend Policy on payment of dividends. The Company do not have any pre-determined dividend payout ratio. Depending on the financial conditions of the Company and the Group and the conditions and factors as set out in the Dividend Policy, dividends may be proposed and/or declared by the Board during a financial year and any final dividend for a financial year will be subject to the Shareholders' approval.

### SUBSIDIARIES OF THE COMPANY

The details of the subsidiaries of the Company are set out in note 6 to the Financial Statements on pages 237 to 244 of this annual report.

### PROPERTY, PLANT AND EQUIPMENT

As disclosed in the Prospectus, International Valuation Limited has valued the Group's property interests as of September 30, 2023. The total value of the eight properties held for development and held for owner occupation was RMB98,000,000.

Such properties were carried at historical cost less depreciation less impairment loss, and have not been stated at such valuation in the audited consolidated financial information in this annual report. If such properties have been stated at such valuation, the additional depreciation for the year ended December 31, 2023 would be RMB122,000.

## REPORT OF THE BOARD OF DIRECTORS

The details of the property, plant and equipment and other fixed assets of the Group and their movements during the year ended December 31, 2023 are set out in note 4(10) to the Financial Statements.

### BORROWINGS

Particulars of borrowings of the Group as at December 31, 2023 and the details of the charging on the Group's assets are set out in notes 4(18) and 4(27) to the Financial Statements.

### SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSAL

During the year ended December 31, 2023, the Group did not have any significant investments, material acquisitions or disposals of subsidiaries, associates or joint ventures.

### COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

The Group recognises the importance of compliance with regulatory requirements and the risk of non-compliance with such requirements could lead to the termination of operating licences. The Group has been allocating system and staff resources to ensure ongoing compliance with rules and regulations and to maintain cordial working relationships with regulators effectively through effective communications. During the year ended December 31, 2023, to the best knowledge of the Directors, there was no material breach of or non-compliance with applicable laws and regulations, that have a significant impact on the business and operations of the Group, by the Group.

### FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed in the Prospectus and in the section headed "Use of Proceeds from the Global Offering" in this annual report, the Group did not have plan for material investments and capital assets as of the date of this annual report.

### DIRECTORS AND SUPERVISORS

The Directors and Supervisors during the year ended December 31, 2023 and up to the date of this annual report were as follows:

#### Executive Directors

Mr. Zhou Jian (周劍先生) (*Chairman of the Board and Chief Executive Officer*)

Mr. Xiong Youjun (熊友軍先生)

Ms. Wang Lin (王琳女士)

Mr. Liu Ming (劉明先生)

#### Non-executive Directors

Mr. Xia Zuoquan (夏佐全先生)

Mr. Zhou Zhifeng (周志峰先生)

Mr. Chen Qiang (陳強先生)

#### Independent non-executive Directors

Mr. Zhao Jie (趙杰先生)

Mr. Xiong Chuxiong (熊楚熊先生)

Mr. Poon Fuk Chuen (潘福全先生)

Mr. Leung Wai Man, Roger (梁偉民先生)

## REPORT OF THE BOARD OF DIRECTORS

### Supervisors

Mr. Deng Feng (鄧峰先生)

Mr. Ben Cangsang (賁滄桑先生)

Ms. Wang Xingru (王興茹女士)

The biographical details of the Directors, Supervisors and the senior management of the Group are disclosed in the section headed “Biographical Details of Directors, Supervisors and Senior Management” on pages 21 to 29 of this annual report.

### SERVICES CONTRACT AND LETTER OF APPOINTMENT OF THE DIRECTORS AND SUPERVISORS

Pursuant to Articles 101 and 139 of the Articles of Association, the term for Directors and Supervisors shall be three years. Each of the Directors and Supervisors has entered into a service contract or a letter of appointment with the Company for a term of three years.

Save as disclosed above, there are no service contracts or letters of appointment between the Company or its subsidiaries and any of the Directors or Supervisors which is not determinable by the Company within one year without payment of compensation apart from statutory compensation.

The Company has received annual confirmation of independence from each of the independent non-executive Directors pursuant to Rule 3.13 of the Listing Rules and the Company considers all of them to be independent.

### CHANGE IN DIRECTORS’ AND SUPERVISORS’ INFORMATION

Save as disclosed in this annual report and from the Listing Date up to the date of this annual report, no other information is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

### MANAGEMENT CONTRACTS

Other than the Directors’ and Supervisors’ service contracts and appointment letters, no contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or existed during the year or subsisted at the end of the year ended December 31, 2023.

### EMOLUMENT POLICY

The emoluments of the Directors and senior management of the Group are determined by the Board with reference to the respective responsibilities and duties, experience, individual performance, and time devoted to the Group and may be adjusted upon the recommendation of the Remuneration and Appraisal Committee. The Remuneration and Appraisal Committee was set up for reviewing the Company’s emolument policy and structure of all remuneration of the Directors and senior management of the Company. Save as disclosed in this annual report, no long-term incentive schemes have been adopted by the Company.

### REMUNERATION OF DIRECTORS, SUPERVISORS AND FIVE INDIVIDUALS WITH HIGHEST EMOLUMENTS

Details of the emoluments of the Directors, Supervisors and five highest paid individuals of the Group are set out in notes 8(4)(e) and 8(4)(g) to the Financial Statements on pages 250 to 252 of this annual report.

## REPORT OF THE BOARD OF DIRECTORS

The number of five highest paid employees during the years ended December 31, 2022 and 2023 (excluding Directors) whose remuneration fell within the following bands is as follows:

	Number of employees	
	For the year ended December 31,	
	2023	2022
HKD11,000,001 to HKD11,500,000	—	1
HKD19,000,001 to HKD19,500,000	—	1
HKD21,000,001 to HKD21,500,000	1	—
HKD21,500,001 to HKD22,000,000	1	—
HKD22,000,001 to HKD22,500,000	1	—
HKD27,000,001 to HKD27,500,000	—	1
HKD35,000,001 to HKD35,500,000	—	1
HKD53,500,001 to HKD54,000,000	1	—

The five highest paid employees during 2023 included one Director, namely Mr. Zhou Jian (2022: one, namely Ms. Wang Lin), details of whose remuneration are set out in note 8(4)(e) to the Financial Statements and have not been set out in the above table.

For the year ended December 31, 2023, no emoluments were paid by the Group to any Director, any Supervisor or any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the Directors or the Supervisors has waived any emoluments for the year ended December 31, 2023.

### DIRECTORS' AND SUPERVISORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

No transactions, arrangements and contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a Director or a Supervisor or his or her connected entity had a material interest, whether directly or indirectly, subsisted at the end of the year under December 31, 2023 or at any time during the year ended December 31, 2023.

### NON-COMPETITION UNDERTAKING BY CONTROLLING SHAREHOLDERS

No non-competition agreements or arrangement has been provided by any of the substantial Shareholders at any time during the Relevant Period or as at December 31, 2022 or 2023.

### PERMITTED INDEMNITY PROVISION

The Company has arranged for appropriate insurance in respect of legal actions arising out of corporate activities against the current Directors, Supervisors and senior management of the Company and its associated companies and the Directors, Supervisors and senior management of the Company and its associated companies who resigned during the year ended December 31, 2023. The permitted indemnity provision is in force for the benefit of the Directors as required by the provisions of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong).

### CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

During the year ended December 31, 2023, the Group had the following connected transactions and continuing connected transactions, details of which are disclosed in compliance with the requirements of Chapter 14A of the Listing Rules.

## REPORT OF THE BOARD OF DIRECTORS

The Company entered into the following continuing connected transaction with the connected persons as defined in the Listing Rules, and transactions have been conducted in accordance with the agreed terms.

### MASTER PURCHASE AGREEMENT

#### Parties

- (1) Wuxi Uqi Intelligent Technology Co., Ltd.\* (無錫優奇智能科技有限公司) (“Wuxi Uqi”)
- (2) Miracle Automation Engineering Co., Ltd.\* (天奇自動化工程股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 002009.SZ) (“MAE”)

#### Principal terms

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 Listing Date until December 31, 2025.

#### Reasons for the transaction

Our Group entered into business arrangements with MAE and its subsidiaries (collectively, the “MAE Group”) given that the 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 2020, we believe that we would be able to leverage the clientele of the MAE Group to achieve a quick expansion. During the three years ended December 31, 2023, our revenue from logistics smart robotic products and services business increased significantly since the launching our logistics smart robotic products and services business.

#### Amount

The aggregate amounts incurred by the MAE Group for the purchase of the MAE Products and Services from Wuxi Uqi amounted to approximately RMB293.6 million for the year ended December 31, 2023.

#### Annual caps

The amounts incurred by the MAE Group for the purchase of the MAE Products and Services from Wuxi Uqi for the three years ended/ending December 31, 2023, 2024 and 2025 shall not exceed the caps as set out in the table below:

	<b>Proposed annual caps for the year ended/ ending December 31, (RMB in millions)</b>		
	<b>2023</b>	<b>2024</b>	<b>2025</b>
Purchase amount	294.0	122.0	82.0

## REPORT OF THE BOARD OF DIRECTORS

### Basis of caps

In determining the aforementioned annual caps, our Directors have considered (i) the historical transaction amounts during the three years ended December 31, 2022, (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 three years ended December 31, 2022.

### Listing Rules implications

Wuxi Uqi is regarded as our subsidiary under the Listing Rules. As at the date of this report, we held approximately 36.22% shareholding interests in Wuxi Uqi. In addition, pursuant to the shareholders agreement dated February 2022 (the “Feb-2022 Shareholders Agreement”), (i) two shareholders holding approximately 16.66% and 0.83% interests respectively agreed that for the period they were holding equity interest in Wuxi Uqi; and (ii) two shareholders holding approximately 6.64% and 5.43% interests respectively agreed that for the period of six years since the date they started holding equity interest in Wuxi Uqi, being December 31, 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 three of the aforementioned shareholders holding approximately 16.66%, 6.64% and 5.43% interests in Wuxi Uqi respectively continued to agree to act consistently with our Company under the same terms as the Feb-2022 Shareholders Agreement. As a result of the aforementioned shareholders’ undertakings, we have continued to hold more than 50% voting rights in Wuxi Uqi despite that our shareholding in Wuxi Uqi is below 50%. 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 date of this report.

As MAE directly and indirectly holds a total of 30.97% of the equity interest in Wuxi Uqi, MAE is a substantial shareholder of our subsidiary and thus a connected person pursuant to Rule 14A.07(1) of the Listing Rules. 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 Listing.

For further details regarding the background of Wuxi Uqi and the Group’s relationship with MAE, please refer to the sections headed “History, Development and Corporate Structure”, “Business — Overlapping of Customers and Suppliers — Overlapping relationship with MAE Group” and “Connected Transactions” in the Prospectus.

## REPORT OF THE BOARD OF DIRECTORS

### Annual Review by the Independent Non-executive Directors

The independent non-executive Directors have reviewed the continuing connected transactions set out in notes 8(4)(b) and (c) to the Financial Statements in this annual report, and are of the view that the transactions have been entered into under the following circumstances:

- (1) in the ordinary and usual course of business of the Group;
- (2) on normal commercial terms or on terms no less favourable to the Group than terms offered to/by independent third parties; and
- (3) in accordance with the relevant agreements governing those transactions on terms that are fair and reasonable and in the interest of the Shareholders of the Company as a whole.

For related party transactions disclosed in notes 8(4)(a) to (d) to the Financial Statements which constituted connected transactions or continuing connected transactions under the Listing Rules, the Company has complied with all the relevant requirements under Chapter 14A of the Listing Rules.

### Confirmation from the Company's Independent Auditors

PricewaterhouseCoopers Zhong Tian LLP, the Company's independent auditors, were engaged to report on the Group's continuing connected transactions in accordance with Rule 14A.56 of the Listing Rules.

In respect of the continuing connected transactions disclosed (the "Disclosed Continuing Connected Transactions"), the Company's auditors confirmed that, with respect to those entered into during the financial year ended December 31, 2023 or before:

- a. nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions have not been approved by the Company's board of directors.
- b. for transactions involving the provision of goods or services by the Group, nothing has come to their attention that causes them to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Group.
- c. nothing has come to their attention that causes them to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions.
- d. with respect to the aggregate amount of the continuing connected transactions set out in the attached list of continuing connected transactions, nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions have exceeded the annual cap as set by the Company.

A copy of the auditors' letter confirming the above matters has been provided to the Board.

### CONVERTIBLE SECURITIES, SHARE OPTIONS, WARRANTS OR SIMILAR RIGHTS

During the year ended December 31, 2023, the Company did not issue any convertible securities, share options, warrants or similar rights.

During the year ended December 31, 2023 and up to the date of this annual report, the Group has no share scheme (including any share option scheme) subject to the provisions of Chapter 17 of the Listing Rules.

## REPORT OF THE BOARD OF DIRECTORS

**DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE INTERESTS OR SHORT POSITIONS IN SHARES, SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS**

As at December 31, 2023, the interests and short positions of the Directors, the Supervisors and the chief executive of the Company in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) (the "SFO") as notified to the 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 keen to taken or deemed to have under such provisions of the SFO), or as recorded in the registered maintained by the Company under Section 352 of the SFO, or as notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

**Interest in the Company**

<b>Name of Director</b>	<b>Class of Shares</b>	<b>Nature of Interest</b>	<b>Number of Shares held/ interested</b>	<b>Approximate percentage in the relevant class of Shares of the Company<sup>(2)</sup></b>	<b>Approximate percentage in the Company<sup>(2)</sup></b>
Mr. Zhou Jian	Domestic Shares	Beneficial owner	103,586,040 (L)	34.53%	24.79%
	Domestic Shares	Interest in controlled Incorporation <sup>(3)</sup>	14,538,600 (L)	4.85%	3.48%
	Domestic Shares	Persons acting in Concert <sup>(4)</sup>	90,020,103 (L)	30.01%	21.54%
Mr. Xia Zuoquan	H Shares		5,689,857 (L)	4.83%	1.36%
	Domestic Shares	Beneficial owner	22,888,800 (L)	7.63%	5.48%
	Domestic Shares	Persons acting in concert <sup>(4)</sup>	185,255,943 (L)	61.76%	44.34%
Mr. Xiong Youjun	H Shares		5,689,857 (L)	4.83%	1.36%
	Domestic Shares	Beneficial owner	8,290,743 (L)	2.76%	1.98%
	Domestic Shares	Persons acting in concert <sup>(4)</sup>	199,854,000 (L)	66.63%	47.83%
Ms. Wang Lin	H Shares		5,689,857 (L)	4.83%	1.36%
	Domestic Shares	Beneficial owner	8,201,880 (L)	2.73%	1.96%
	Domestic Shares	Interest in controlled incorporation <sup>(5)</sup>	39,599,280 (L)	13.20%	9.48%
	Domestic Shares	Persons acting in concert <sup>(4)</sup>	160,343,583 (L)	53.45%	38.37%
	H Shares		5,689,857 (L)	4.83%	1.36%

Notes:

(1) (L) denotes long position.

(2) The calculation is based on a total of 417,850,674 Shares in issue as at December 31, 2023, which comprised 299,967,325 Domestic Shares and 117,883,349 H Shares.

## REPORT OF THE BOARD OF DIRECTORS

- (3) As at December 31, 2023, 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)) (“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.
- (4) Each of Mr. Zhao Guoqun, Mr. Xia Yongjun, Ms. Wang Lin, Mr. Xiong Youjun, Mr. Xia Zuoquan and Shenzhen Zhineng Youxuan Investment Limited Partnership\* (深圳市智能優選投資合夥企業(有限合夥)) (“Shenzhen Zhineng Youxuan”) has entered into a concert party agreement with Mr. Zhou Jian. 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.
- (5) Ms. Wang Lin is the general partner of Shenzhen Evolution Investment Limited Partnership\* (深圳市進化論投資合夥企業(有限合夥)) (“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 associated corporation of the Company

Name of Director	Name of associated corporation	Nature of Interest	Approximate shareholding percentage
Mr. Zhou Jian	Wuxi Uqi	Interest in controlled corporation	12.07%

Notes:

- (1) Wuxi Uqi is a subsidiary of the Company. See “Connected Transactions and Continuing Connected Transactions” for further details.
- (2) As at December 31, 2023, 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 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”) directly held 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.

Save as disclosed above, as at December 31, 2023, to the knowledge of the Board, none of the Directors, the Supervisors or chief executive of the Company had any interests or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors, the Supervisors and chief executive of the Company were taken or deemed to have under such provisions of the SFO); (ii) recorded in the register kept by the Company pursuant to Section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code.

## REPORT OF THE BOARD OF DIRECTORS

### EQUITY INCENTIVE SCHEMES

Since 2015, we have approved and adopted the equity incentive schemes (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 (as defined below) will be further granted after the Listing, there will not be any dilution effect to the issued Shares after Listing and the terms of the Equity Incentive Schemes are not subject to the provisions of Chapter 17 of the Listing Rules.

As at December 31, 2023, all the Shares underlying the Equity Incentive Schemes have been issued and granted, and to the extent that there is any change to the grants under the Equity Incentive Schemes after the Listing, the Company will comply with the applicable Listing Rules (including the requirements under Chapter 14A of the Listing Rules applicable to grants to connected persons, if any).

#### Equity Incentive Schemes Platform

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 9.48% of the issued Shares in our Company as of December 31, 2023. A number of other limited partnerships Shenzhen Evolution 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 at December 31, 2023, 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 summarised 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 Awards 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.

## REPORT OF THE BOARD OF DIRECTORS

### (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 at December 31, 2023, (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 7 to the Financial Statements.

### Movements of Awards under the Equity Incentive Schemes

The following table sets forth the amount of unvested Awards under the equity incentive schemes platform as at the Listing Date and December 31, 2023, which represents the total amount of unvested restricted shares and options under the Equity Incentive Schemes, and the movement of such amount during the relevant period:

Category of grantees	Unvested Awards at the Listing Date	Unvested Awards as of December 31, 2023	Granted during the Relevant Period	Vested during the Relevant Period	Cancelled during the Relevant Period	Forfeited during the Relevant Period
<b>Directors:</b>						
Mr. Zhou Jian	20,000	20,000	—	—	—	—
Mr. Xiong Youjun	300,000	300,000	—	—	—	—
Ms. Wang Lin	370,000	370,000	—	—	—	—
Mr. Liu Ming	291,000	291,000	—	—	—	—
Mr. Xia Zuoquan	—	—	—	—	—	—
Mr. Zhou Zhifeng	—	—	—	—	—	—
Mr. Chen Qiang	—	—	—	—	—	—
Mr. Zhao Jie	—	—	—	—	—	—
Mr. Xiong Chuxiong	—	—	—	—	—	—
Mr. Poon Fuk Chuen	—	—	—	—	—	—
Mr. Leung Wai Man, Roger	—	—	—	—	—	—
<b>Five highest paid individuals (excluding Director Zhou Jian)</b>	1,340,000	1,300,000	—	40,000	—	—
<b>Other grantees</b>	8,421,895	7,656,195	—	765,700	—	—

## REPORT OF THE BOARD OF DIRECTORS

## SUBSTANTIAL SHAREHOLDERS' INTERESTS AND/OR SHORT POSITION IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at December 31, 2023, so far is known to, or can be ascertained after reasonable enquiry by the Directors, the following persons/entities had an interest or short positions in the Shares and underlying Shares which would fall to be disclosed to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO, or are directly and 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:

Name of Substantial Shareholder	Class of Shares	Nature of Interest	Number of Shares <sup>(1)</sup>	Approximate percentage in the relevant class of Shares of the Company <sup>(2)</sup>	Approximate percentage in the Company <sup>(2)</sup>
Mr. Zhou Jian	Domestic Shares	Beneficial owner	103,586,040 (L)	34.53%	24.79%
	Domestic Shares	Interest in controlled Incorporation <sup>(3)</sup>	14,538,600 (L)	4.85%	3.48%
	Domestic Shares	Persons acting in Concert <sup>(4)</sup>	90,020,103 (L)	30.01%	21.54%
Mr. Xia Zuoquan	H Shares		5,689,857 (L)	4.83%	1.36%
	Domestic Shares	Beneficial owner	22,888,800 (L)	7.63%	5.48%
	Domestic Shares	Persons acting in concert <sup>(4)</sup>	185,255,943 (L)	61.76%	44.34%
Ms. Yang Zhilian (楊志蓮)	H Shares		5,689,857 (L)	4.83%	1.36%
	Domestic Shares	Interest of spouse <sup>(5)</sup>	208,144,743 (L)	69.39%	49.81%
	H Shares		5,689,857 (L)	4.83%	1.36%
Mr. Xia Yongjun	Domestic Shares	Beneficial owner	11,039,400 (L)	3.68%	2.64%
	Domestic Shares	Persons acting in concert <sup>(4)</sup>	197,105,343 (L)	65.71%	47.17%
	H Shares		5,689,857 (L)	4.83%	1.36%
Ms. Chen Chunmei (陳春梅)	Domestic Shares	Interest of spouse <sup>(6)</sup>	208,144,743 (L)	69.39%	49.81%
	H Shares		5,689,857 (L)	4.83%	1.36%
	Domestic Shares	Beneficial owner	8,290,743 (L)	2.76%	1.98%
Mr. Xiong Youjun	Domestic Shares	Persons acting in concert <sup>(4)</sup>	199,854,000 (L)	66.63%	47.83%
	H Shares		5,689,857 (L)	4.83%	1.36%
	Domestic Shares	Interest of spouse <sup>(7)</sup>	208,144,743 (L)	69.39%	49.81%
Ms. Gao Yan (高豔)	H Shares		5,689,857 (L)	4.83%	1.36%
	Domestic Shares	Beneficial owner	8,201,880 (L)	2.73%	1.96%
	Domestic Shares	Interest in controlled incorporation <sup>(8)</sup>	39,599,280 (L)	13.20%	9.48%
Ms. Wang Lin	Domestic Shares	Persons acting in concert <sup>(4)</sup>	160,343,583 (L)	53.45%	38.37%
	H Shares		5,689,857 (L)	4.83%	1.36%

## REPORT OF THE BOARD OF DIRECTORS

Name of Substantial Shareholder	Class of Shares	Nature of Interest	Number of Shares <sup>(1)</sup>	Approximate percentage in the relevant class of Shares of the Company <sup>(2)</sup>	Approximate percentage in the Company <sup>(2)</sup>
Mr. Hou Zongfang (侯宗放)	Domestic Shares	Interest of spouse <sup>(9)</sup>	208,144,743 (L)	69.39%	49.81%
	H Shares		5,689,857 (L)	4.83%	1.36%
Shenzhen Zhineng Youxuan	H Shares	Beneficial owner	3,220,200 (L)	2.73%	0.77%
	Domestic Shares	Persons acting in concert <sup>(4)</sup>	208,144,743 (L)	69.39%	49.81%
	H Shares		2,469,657 (L)	2.10%	0.59%
Qianhai Honghao Asset Management Limited Company* (深圳市前海鴻 灝資產管理有限 公司) (“Qianhai Honghao”)	Domestic Shares	Interest in controlled Incorporation <sup>(10)(11)</sup>	208,144,743 (L)	69.39%	49.81%
	H Shares		11,069,697 (L)	9.39%	2.65%
Ms. Hao Ting (郝婷)	Domestic Shares	Interest in controlled Incorporation <sup>(12)</sup>	208,144,743 (L)	69.39%	49.81%
	H Shares		11,069,697 (L)	9.39%	2.65%
Shenzhen Sunda Investment Management Co., Ltd.* (深圳 市前海星達投資 管理有限公司) (“Shenzhen Sunda”)	Domestic Shares	Interest in controlled Incorporation <sup>(10)</sup>	208,144,743 (L)	69.39%	49.81%
	H Shares		5,689,857 (L)	4.83%	1.36%
Mr. Chen Jiehuai (陳捷淮)	Domestic Shares	Interest in controlled Incorporation <sup>(13)</sup>	208,144,743 (L)	69.39%	49.81%
	H Shares		5,689,857 (L)	4.83%	1.36%

## REPORT OF THE BOARD OF DIRECTORS

Name of Substantial Shareholder	Class of Shares	Nature of Interest	Number of Shares <sup>(1)</sup>	Approximate percentage in the relevant class of Shares of the Company <sup>(2)</sup>	Approximate percentage in the Company <sup>(2)</sup>
Golden Kapok Investment Management Ltd.* (深圳市金色木棉投資管理有限公司) (“Golden Kapok”)	Domestic Shares	Interest in controlled Incorporation <sup>(10)</sup>	208,144,743 (L)	69.39%	49.81%
	H Shares		5,689,857 (L)	4.83%	1.36%
Shenzhen Jinan Holding Company Limited* (深圳市錦安控股有限公司) (“Shenzhen Jinan”)	Domestic Shares	Interest in controlled Incorporation <sup>(14)</sup>	208,144,743 (L)	69.39%	49.81%
	H Shares		5,689,857 (L)	4.83%	1.36%
Shenzhen Fangchen Shiye Investment Company Limited* (深圳市方辰實業投資有限公司) (“Fangchen Shiye”)	Domestic Shares	Interest in controlled Incorporation <sup>(15)</sup>	208,144,743 (L)	69.39%	49.81%
	H Shares		5,689,857 (L)	4.83%	1.36%
Ms. Gao Hui (高輝)	Domestic Shares	Interest in controlled Incorporation <sup>(16)</sup>	208,144,743 (L)	69.39%	49.81%
	H Shares		5,689,857 (L)	4.83%	1.36%
Mr. Zhao Guoqun	H Shares	Beneficial owner	2,469,657 (L)	2.10%	0.59%
	Domestic Shares	Persons acting in concert <sup>(4)</sup>	208,144,743 (L)	69.39%	49.81%
	H Shares		3,220,200 (L)	2.73%	0.77%

## REPORT OF THE BOARD OF DIRECTORS

Name of Substantial Shareholder	Class of Shares	Nature of Interest	Number of Shares <sup>(1)</sup>	Approximate percentage in the relevant class of Shares of the Company <sup>(2)</sup>	Approximate percentage in the Company <sup>(2)</sup>
Shenzhen Evolution	Domestic Shares	Beneficial owner	39,599,280 (L)	13.20%	9.48%
Tencent Holdings Limited	H Shares	Interest in controlled incorporations <sup>(17)</sup>	25,661,160 (L)	21.77%	6.14%
Image Frame	H Shares	Beneficial owner	22,128,840 (L)	18.77%	5.30%
QM25 Limited	Domestic Shares	Beneficial owner <sup>(18)</sup>	11,840,580 (L)	3.95%	2.83%
	H Shares		11,840,580 (L)	10.04%	2.83%
Qiming Venture Partners IV, L.P.	Domestic Shares	Interest in controlled Incorporation <sup>(18)</sup>	11,840,580 (L)	3.95%	2.83%
	H Shares		11,840,580 (L)	10.04%	2.83%
Qiming GP IV, L.P.	Domestic Shares	Interest in controlled Incorporation <sup>(18)</sup>	11,840,580 (L)	3.95%	2.83%
	H Shares		11,840,580 (L)	10.04%	2.83%
Qiming Corporate GP IV, Ltd.	Domestic Shares	Interest in controlled Incorporation <sup>(18)</sup>	11,840,580 (L)	3.95%	2.83%
	H Shares		11,840,580 (L)	10.04%	2.83%
Liuzhou State-owned Assets Supervision and Administration Commission ("Liuzhou SASAC")	Domestic Shares	Interest in controlled Incorporations <sup>(19)</sup>	15,212,982 (L)	5.07%	3.64%
ICBC (Shenzhen) Equity Investment Fund (Limited Partnership)	H Shares	Beneficial owner	6,861,960 (L)	5.82%	1.64%
E-Town International Holding (Hong Kong) Co., Limited ("Hong Kong E-Town")	H Shares	Beneficial owner <sup>(20)</sup>	6,025,800 (L)	5.11%	1.44%

## REPORT OF THE BOARD OF DIRECTORS

Name of Substantial Shareholder	Class of Shares	Nature of Interest	Number of Shares <sup>(1)</sup>	Approximate percentage in the relevant class of Shares of the Company <sup>(2)</sup>	Approximate percentage in the Company <sup>(2)</sup>
Beijing Yizhuang International Investment Development Co., Ltd. ("Beijing Yizhuang")	H Shares	Interest in controlled Incorporation <sup>(20)</sup>	6,025,800 (L)	5.11%	1.44%
Finance Audit Bureau of Beijing Economic and Technological Development Zone ("Beijing Finance Audit Bureau")	H Shares	Interest in controlled Incorporation <sup>(20)</sup>	6,025,800 (L)	5.11%	1.44%

Notes:

- (1) (L) denotes long position.
- (2) The calculation is based on a total of 417,850,674 Shares in issue as at December 31, 2023, which consists of 299,967,325 Domestic Shares and 117,883,349 H Shares.
- (3) As at December 31, 2023, 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.
- (4) 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. 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.
- (5) 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.

## REPORT OF THE BOARD OF DIRECTORS

- (6) 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.
- (7) 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.
- (8) 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.
- (9) 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.
- (10) As of December 31, 2023, 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.
- (11) As of December 31, 2023, 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.
- (12) As of December 31, 2023, 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.
- (13) As of December 31, 2023, 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.
- (14) As of December 31, 2023, 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.
- (15) As of December 31, 2023, 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.
- (16) As of December 31, 2023, 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.
- (17) As of December 31, 2023, IMAGE FRAME INVESTMENT (HK) LIMITED ("Image Frame") directly held 22,128,840 Shares and is wholly owned by Tencent Holdings Limited. As of December 31, 2023, Tencent Technology (Shenzhen) Co., Ltd.\* (騰訊科技(深圳)有限公司) ("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.
- (18) As of December 31, 2023, QM25 Limited 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 Limited.
- (19) As of December 31, 2023, 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.
- (20) As of December 31, 2023, Hong Kong E-Town directly held 6,025,800 Shares, and are wholly owned by Beijing Yizhuang, which is in turn wholly owned by Beijing Finance Audit Bureau. Therefore, for the purpose of the SFO, Beijing Yizhuang and Beijing Finance Audit Bureau are deemed to be interested in the Shares held by Hong Kong E-Town.

## REPORT OF THE BOARD OF DIRECTORS

Save as disclosed above, as at December 31, 2023, the Directors were not aware of any other persons/entities (other than the Directors and chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

### INTEREST IN COMPETING BUSINESS AND CONFLICT OF INTERESTS

During the Relevant Period, none of the Directors or Controlling Shareholders or any of their respective associates has any interests in any business that competes or may compete, directly or indirectly, with the business of the Group or has any other conflict of interests with the Group.

### CONTINUING DISCLOSURE OBLIGATIONS PURSUANT TO THE LISTING RULES

Save as disclosed in this annual report, the Company does not have any other disclosure obligations under Rules 13.20, 13.21 and 13.22 of the Listing Rules.

### CONTRACT OF SIGNIFICANCE WITH CONTROLLING SHAREHOLDERS

No contract of significance (including contract of significance for the provision of services) was entered into between the Company or its subsidiaries and the Controlling Shareholders or any of its subsidiaries during the year ended December 31, 2023 or subsisted as at December 31, 2023.

### PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

From the Listing Date up to the date of this annual report, there was no purchase, sale or redemption of any listed securities of the Company by the Company or any of its subsidiaries.

### TAXATION

During the year ended December 31, 2023, the Group's statutory tax rate in the PRC is 25%, while some PRC subsidiaries of the Group are subject to preferential tax rates of 5% and 15%. Subsidiaries in Hong Kong and North America are subject to an income tax rate of 16.5% and 29.84%, respectively. The relevant details are set out in note 3 to the Financial Statements on pages 193 to 194 of this annual report.

### TAX RELIEF

The Company is not aware of any relief from taxation available to the Shareholders by reason of their holding of the shares of the Company.

### PRE-EMPTIVE RIGHTS

There is no provision for the pre-emptive rights under the Articles of Association or the PRC laws, which would oblige the Company to offer new shares on a pro-rata basis to its existing Shareholders.

### SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and to the knowledge of the Directors, not less than 25% of the Shares in issue are held by the public since its listing on December 29, 2023 up to the date of this annual report as required by the Listing Rules.

## REPORT OF THE BOARD OF DIRECTORS

### CORPORATE GOVERNANCE

The Company is committed to ensuring high standards of corporate governance to safeguard the interests of the Shareholders and to enhance corporate value and accountability. The Company has adopted the principles and code provisions of the Corporate Governance Code on the Stock Exchange as the basis of the Company's corporate governance practices.

The Board is of the view that during the Relevant Period, the Company has complied with all the applicable code provisions as set out in the Corporate Governance Code, except for Code Provision C.2.1 described in the Corporate Governance Report.

Details of the Group's corporate governance practices can be found in the Corporate Governance Report contained on pages 30 to 50 of this annual report.

### COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTION BY DIRECTORS

The Company has adopted the Model Code set out in Appendix C3 to the Listing Rules as the code of conduct regarding securities transactions by the Directors and Supervisors.

The Board is pleased to confirm that, after making specific enquiries with all Directors and Supervisors, all Directors and Supervisors have fully complied with the required standards set out in the Model Code since the Listing Date and up to December 31, 2023.

### ENVIRONMENTAL, SOCIAL AND CORPORATE RESPONSIBILITY

As a responsible corporation, the Group is committed to maintaining the highest environmental and social standards to ensure sustainable development of its business. The Group has not noted any material non-compliance with all relevant laws and regulations in relation to its business including health and safety, workplace conditions, employment, anti-corruption and the environment. The Group understands that a better future depends on everyone's participation and contribution. The Company has encouraged employees, customers, suppliers and other stakeholders to participate in environmental and social activities which benefit the community as a whole. Further, the Group has adopted policies, charters and code of conducts to govern the environmental, social and governance (ESG) aspects of our day-to-day operations, ranging from reducing energy and water consumption caused by our operations, health and work safety, and social contribution to environmental protection and corporate governance. The Group endeavours to maintain the relationships with its employees, suppliers and customers to ensure sustainable development. For further details of the Group's environmental policies and performance, compliance with relevant laws and regulations and relationship with its employees, suppliers and customers, please refer to our standalone Environmental, Social and Governance Report.

The Company's Environmental, Social and Governance Report is published in electronic form only at the same time on the websites of the Company at [www.ubtrobot.com](http://www.ubtrobot.com) under the section "Investor Relations" and the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk). If you wish to receive a printed copy of the Environmental, Social and Governance Report, you may submit your request to the Hong Kong H Share Registrar by post at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.

## REPORT OF THE BOARD OF DIRECTORS

### KEY RELATIONSHIP WITH STAKEHOLDERS

The Group recognises that various stakeholders including employees, customers, suppliers and other stakeholders are key to the Group's success. The Group strives to achieve corporate sustainability through engaging, collaborating, and cultivating strong relationship with them.

The Group believes that it is vital to attract, recruit and retain quality employees. To maintain the quality, knowledge and skill levels of the Group's workforce, the Group provides employees with periodic training, including introductory training for new employees, technical training, professional and management training and health and safety training. The Group believes that it maintains a good relationship with its employees and the Group did not experience any significant labour disputes or any difficulty in recruiting staff for its operations.

We strive to establish long-term, reliable and mutually beneficial cooperative relationship with our suppliers. We make all-out efforts to ensure that all suppliers deliver high-quality raw materials and that they are on the same page with us in terms of providing high-quality products to customers. We select suppliers in a prudent manner and assess their performance based on factors, including but not limited to quality, cost, delivery and services, in order to make sure that their quality standards are in line with the Group's requirements. Meanwhile, we also encourage suppliers to improve environmental, social and governance performance with us with a goal to grow and develop together.

A customer complaint handling mechanism is in place to receive, analyse and study complaints and make recommendations on remedies with the aim of improving service quality. The Group is in good relationship with its employees, suppliers and customers and conducts a fair and strict appraisal of its suppliers on an annual basis. For details of an account of the Company's key relationships with its employees, customers, suppliers and others that have a significant impact on the Company is set out in the separate Environmental, Social and Governance Report.

### EQUITY-LINKED AGREEMENTS

Save as disclosed in this annual report, the Company has not entered into any equity-linked agreement during the year ended December 31, 2023.

### MATERIAL LEGAL PROCEEDINGS

The Group was not involved in any material legal proceeding during the year ended December 31, 2023.

### LOAN AND GUARANTEE

Save as disclosed in this annual report, during the year ended December 31, 2023, the Group had not made any loan or provided any guarantee for loan, directly or indirectly, to the Directors, Supervisors, senior management of the Company, the Controlling Shareholders or their respective connected persons.

## REPORT OF THE BOARD OF DIRECTORS

### CLOSURE OF THE REGISTER OF MEMBERS

To determine the eligibility of the Shareholders to attend and vote at the AGM to be held on Tuesday, May 21, 2024, the register of members will be closed from Thursday, May 16, 2024 to Tuesday, May 21, 2024, both days inclusive, during which period no transfer of shares will be effected. In order to be entitled to attend and vote at the AGM, all transfer forms accompanied by the relevant share certificates must be lodged with the Hong Kong H Share Registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration before 4:30 p.m. on Tuesday, May 14, 2024.

### ANNUAL GENERAL MEETING

The AGM will be held on Tuesday, May 21, 2024. Shareholders should refer to details regarding the AGM in the circular of the Company dated Tuesday, April 30, 2024 and the notice of meeting and form of proxy accompanying thereto.

### AUDITORS

The H Shares were only listed on the Stock Exchange on December 29, 2023, and there has been no change in auditors since the Listing Date and up to December 31, 2023. Subsequent to December 31, 2023, as disclosed in the Jan 24 Circular, in light of the Company's proposed adoption of CASBE, on January 24, 2024, the Board, with the recommendation from the audit committee of the Company, has resolved that PricewaterhouseCoopers Zhong Tian LLP be proposed to be appointed as the auditors of the Company and to hold office until the conclusion of the coming annual general meeting of the Company. As disclosed in the poll results announcement of the Company dated February 8, 2024, the aforementioned appointment has been approved by the Shareholders at the 2024 First EGM. A resolution to re-appoint the retiring auditors, PricewaterhouseCoopers Zhong Tian LLP, is to be proposed at the forthcoming AGM.

### AUDIT COMMITTEE

The Audit Committee has reviewed the consolidated annual results of the Group for the year ended December 31, 2023. The Audit Committee considered that the consolidated annual results of the Group for the year ended December 31, 2023 are in compliance with the applicable accounting standards, laws and regulations.

### DONATION

Approximately RMB7,000 of charitable or other donations were made by the Group during the year ended December 31, 2023. For further details, please refer to the Environmental, Social and Governance Report.

## REPORT OF THE BOARD OF DIRECTORS

### EVENTS AFTER THE REPORTING PERIOD

As disclosed in the Over-allotment Announcement, the Over-allotment Option has been partially exercised on Friday, January 19, 2024 (after trading hours), in respect of an aggregate of 292,150 H Shares, representing approximately 2.59% of the total number of the Shares initially available under the Global Offering before any exercise of the Over-allotment Option, at the offer price of HK\$90.0 per H Share (exclusive of brokerage of 1.0%, SFC transaction levy of 0.0027%, AFRC transaction levy of 0.00015% and the Stock Exchange trading fee of 0.00565%), being the offer price per H Share under the Global Offering. On January 24, 2024, we received proceeds from the partial exercise of the Over-allotment Option, after deducting part of the listing expenses and underwriting commissions, in the aggregate of approximately HK\$25.3 million (equivalent to approximately RMB23.0 million) and recorded as cash at bank and on hand of the Company.

As disclosed in the Jan 24 Circular, on January 24, 2024, the Board has resolved to propose, among other things, the adoption of CASBE, amendments to the Articles of Association, appointment of auditor, arrangement of guarantees to be provided by the Company to certain of its subsidiaries, and arrangement of bank credit to be applied by the Company. As disclosed in the poll results announcement dated February 8, 2024, all of the aforementioned resolutions were approved by the Shareholders at the 2024 First EGM.

Saved as disclosed above, there are no events causing significant impact on the Group from the balance sheet date to the date of this annual report.

Best regards,

**Zhou Jian**

*Chairman of the Board and Chief Executive Officer*

UBTECH ROBOTICS CORP LTD

Shenzhen, the PRC

March 28, 2024

# REPORT OF THE SUPERVISORY COMMITTEE

The Supervisory Committee of the Company exercises its duties independently, with a dedicated and diligent attitude, in accordance with the Company Law of the PRC, the Articles of Association, the Rules of Procedures of the Supervisory Committee and relevant laws and regulations. From the perspective of safeguarding the interests of the Company and the rights and interests of shareholders, the Supervisory Committee performs its supervisory duties earnestly to promote the further improvement of the corporate governance structure of the Company.

## 1. MEETING OF THE SUPERVISORY COMMITTEE IN 2023

On June 9, 2023, the Company held the third meeting of the Second Session of the Supervisory Committee, at which the “2022 Annual Profit Distribution Scheme” was considered and approved.

On June 9, 2023, the Company held the third meeting of the Second Session of the Supervisory Committee, at which the “Proposal on the Work Report of the Supervisory Committee in 2022” was considered and approved, and the Supervisory Committee reported to the general meeting on the work in 2022.

All the Supervisors attended the above meeting.

## 2. LEGAL COMPLIANCE OF THE COMPANY IN 2023 AND INDEPENDENT OPINIONS OF THE SUPERVISORY COMMITTEE

During the reporting period, the Supervisory Committee of the Company performed its duties and responsibilities, attended the Board meetings and general meetings of the Company, and supervised the regulated operation, production and operation, financial position and the performance of duties by the Directors and senior management of the Company, in accordance with the laws and regulations such as the Company Law of the PRC and the corporate systems such as the Articles of Association and the Rules of Procedures of the Supervisory Committee in 2023.

The Supervisory Committee is of the view that the Board of the Company is well operated, makes reasonable decisions and follows lawful procedures, and earnestly implements the resolutions of the general meetings, and there is no violation of laws, regulations or the Articles of Association or act against the interests of the Company and its shareholders by the Directors and senior management of the Company in the performance of their duties for the Company. The Company's financial operation is regular with complete systems. The financial statements of the Company reflected its financial position and annual results as of December 31, 2023 in a truthful manner. The connected transactions were conducted under fair and reasonable terms, and accordingly the interest of the Company and its shareholders were not adversely affected. The Company has established a relatively sound internal control system in compliance with the relevant laws and regulations and the Articles of Association, and there is no any illegal or non-compliant act.

## REPORT OF THE SUPERVISORY COMMITTEE

### 3. WORK PLAN FOR 2024

In 2024, the Supervisory Committee will continue to exercise due diligence in accordance with the relevant laws and regulations and the work plan is as follows:

- (1) The Supervisory Committee will continue to strengthen its supervisory functions and perform its duties earnestly, hold regular meetings of the Supervisory Committee and attend the Board meetings and general meetings of the Group in accordance with the law, supervise the legality and compliance of shareholder meetings and board meetings, voting procedures, and the legality of various meeting procedures such as attending meetings, expressing opinions, and voting of Directors, supervise the Board and senior management in accordance with the law, promote the further improvement of the corporate governance structure of the Group, prevent acts against the interests of the Group, protect the legitimate interests of the Group and all shareholders, and strive to improve the standard of corporate governance and regular operation.
- (2) The Supervisory Committee will continue to focus on the risk management of the Group, monitor the legal compliance of the Group, and actively supervise the construction and effective operation of the internal management control system to effectively reduce operational risks and improve operational efficiency.
- (3) The Supervisory Committee will conduct a confidential investigation of the financial status of the Group, with a focus on significant financial matters, such as the preparation and disclosure of financial reports and the application of accounting standards, to continuously deepen its supervision on the Company's financial operation.
- (4) The Supervisory Committee will strengthen its attention to the information disclosure affairs of the Group, supervise the continuous improvement of the information disclosure management system, and be able to fulfill its information disclosure responsibilities in accordance with relevant laws, regulations, and regulatory provisions, to ensure that the information disclosure content is true, accurate, and complete, and there are no false records, misleading statements, or significant omissions.
- (5) The Supervisory Committee will further enhance the ability of the Supervisory Committee to perform its duties: strengthen its knowledge of various laws and regulations, corporate governance, financial and internal control management to better protect the interests of the Company and all shareholders.

Best regards,

**Deng Feng**

*Chairman of the Supervisory Committee*

UBTECH ROBOTICS CORP LTD

Shenzhen, the PRC

March 28, 2024

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## UBTECH

Established in March 2012, UBTECH ROBOTICS CORP LTD (the “Group”, “UBTech” and “we”, “us” or “our”) is a leading player in the field of humanoid robots and smart service robots. Dedicated to the mission of “Bringing intelligent robots into every family and making everyday life more convenient and intelligent”, we have developed a full stack of humanoid robotic technologies. Based on our full-stack technologies, we have engaged in the research and development, design, smart production, and commercial applications of smart service robotic solutions which encompass a wide range of enterprise-level and consumer-level cross-industry application scenarios. On December 29, 2023, UBTech (stock code: 9880.HK) was listed on the Main Board of the Hong Kong Stock Exchange.

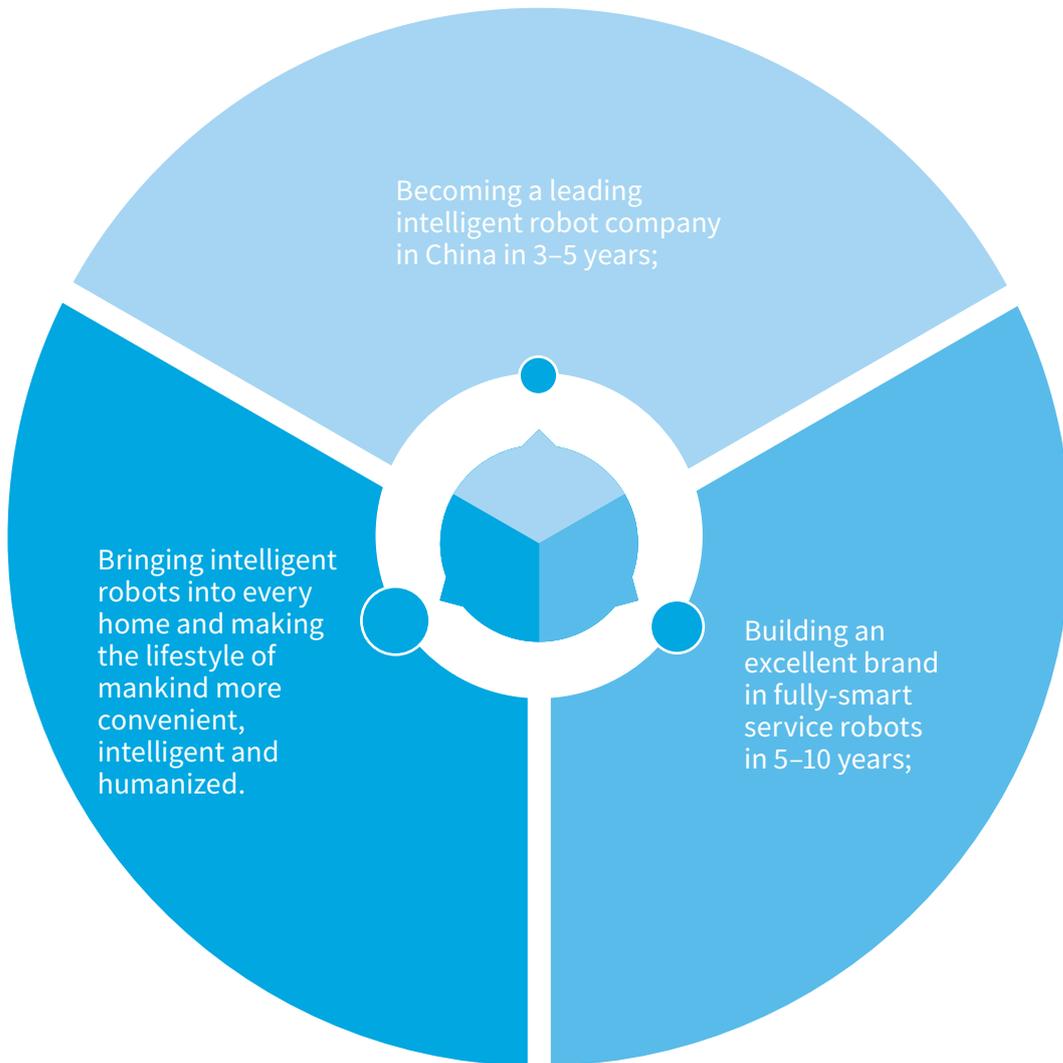
UBTech is one of the few companies which have developed full-stack humanoid robotic technologies in the world. Our full-stack technologies are a holistic combination of industry-leading robotic technologies (robotic motion planning and control technology and servo actuators) and our AI technologies (computer vision and voice interaction technologies), a number of integrated robotic and AI technologies (SLAM and autonomous technology, visual servo operation and human-robot interaction), and Robot Operating System Application Framework (ROSA). We are also one of the few companies in the world to accomplish mass production of small torque to large torque servo actuators with a torque from 0.2Nm to 200Nm. Our humanoid robot, Walker, is the first commercialized biped life-sized humanoid robot in China. As of December 31, 2023, UBTech has over 2,172 robotic and AI-related patents.

Leveraging our in-house developed full-stack humanoid robotic technologies, UBTech has established a smart service robotic solution with intelligent robot as the carrier, AI technologies as the core and “hardware, software, service and content” all integrated together, covering various industries such as AI education, smart logistics, smart wellness and elderly care, and business services. By doing this, UBTech strives to serve the addressing of major social issues and satisfaction of massive social needs with innovative technology, so as to truly create long-term and sustainable social value.

We believe that the future of human lies in human-robot co-existence. With an unwavering commitment to innovations and technology, we envisage to bring UBTECH robots to every home and industry, marching towards a society where human and robots co-exist.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## VISION AND MISSION



## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### LETTER TO STAKEHOLDERS:

I would like to appreciate your attention to the 2023 Environmental, Social and Governance (ESG) Report of UBTech.

We are honored to announce that UBTech was successfully listed on the Hong Kong Stock Exchange in 2023, marking a significant milestone and also representing a new beginning for the Company. The listing is a significant achievement for our UBTech brand, which demonstrates our commitment to innovation and technology. Staying true to our original intention, we have been committed to enhancing and perfecting our full stack of humanoid robotic technology capabilities. We believe that these innovative technologies will serve to address major social issues and meet significant social needs, so as to truly create long-term and sustainable social value.

UBTech vigorously promotes the research and development of core robotic technologies, including robot motion planning and control, servo actuators, computer vision and voice interaction, SLAM and autonomous navigation technology, visual servo operation and human-robot interaction, and the Robot Operating System Application Framework (ROSA), and has a number of related patents. Thus, we have achieved large-scale applications of our robots in various fields such as AI education, smart logistics, smart wellness and elderly care, and business services. Moreover, we actively promote multi-dimensional and multi-angle cooperation. This year, Beijing Humanoid Robot Innovation Center Co., Ltd.\* (北京人形機器人創新中心有限公司), jointly owned by Beijing Yizhuang Investment Holdings Limited, UBTech, Xiaomi and Beijing Jingcheng Machinery Electric, was officially established as the first provincial-level humanoid robot innovation center in China, to focus on making breakthroughs in five key tasks including general prototypes for humanoid robots, general large models for humanoid robots, etc.

We believe that our long-term success and sustainable development cannot be achieved without our sincere, kind-hearted, courageous and dedicated employees who have been working closely with us in exploring dreams and keeping marching forward. Therefore, we are committed to creating a healthy and vibrant work environment, establishing talent training and development frameworks and opportunities, and prioritizing work-life balance and welfare of our employees.

To reduce our environmental impact, we are committed to reducing energy consumption, minimizing waste generation, and promoting sustainable practices. The Group held the "Humanoid Robot Release and Puyang 'Dual-Energy' Integration Strategy Signing Ceremony", introducing the world's first hydrogen-powered humanoid robot "Yixing (一行)", which achieves zero carbon emissions through hydrogen energy. We actively seek innovative solutions to ensure the sustainable prosperity of our business in an environmentally friendly manner.

In addition, we actively participate in social welfare activities and strive to give back to society. We firmly believe that through these efforts, we can make positive contributions to the society and bring about more significant changes. Finally, we would like to express our sincere gratitude for your ongoing support to the Company. We will continue to work hard and ensure prominent results are achieved in all aspects of our business.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

During the 11 years since the establishment of UBTech, we have been exploring, accumulating and adhering to our spirit: sincerity, kindness, courage and perseverance. We employ the sincerest talents and maintain smooth and sincere communications within the Company and with external parties. We aim to provide the most valuable assistance and take actions to empower the society. We are courageous enough to overcome any obstacle so that we could remain in existence in the industry. Thanks to the supports rendered and efforts made by all parties along the way, we have been enabled to overcome various difficulties and achieve our goals, so that UBTech can come a long way to become a leading company in the industry. We believe that the next decade will be a golden era for robots. We look forward to witnessing the development of robots and UBTech in the future with all of you, and we hope to enjoy ongoing support, guidance and assistance from all of you, with an aim to bring benefits to the society with the spirit of sincerity and kindness, and embrace the upcoming challenges and opportunities with the spirit of courage and perseverance.

**Zhou Jian**

*Chairman and Chief Executive Officer*  
UBTECH ROBOTICS CORP LTD

Shenzhen, the PRC  
March 28, 2024



## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### AWARDS AND HONORS

UBTech is committed to the pursuit of perfection and has made many achievements, which has been recognized and commended by many parties. The following table lists the honors won by the Group this year.

Time of award	Honor	Awarding unit
<b>January 2023</b>	Top 10 Companies in the Vanguard of the Rise of Humanoid Robots	Analytics Insight
	UBTech was selected into the list of 2022 Age Awards China Better Post-retirement Life Innovation Award under the section of "Best Innovation in Intelligent Technology for Better Life of the Elderly"	AgeClub
<b>February 2023</b>	2022 Top 10 Robotics Companies	Shenzhen Robotics Association
<b>April 2023</b>	Annual Brand Influence Leading Enterprise Award Zhou Jian, the Founder, Chairman and CEO, was awarded "Man of the Year Award"	OFweek 2022 China Robotics Industry
	Dr. Tan Huan, the Co-CTO and Director of Research Institute of UBTech, was selected as one of "China's Intelligent Computing Technology Innovation Figures 2022"	DeepTech
	UBTech's Smart Wellness and Elderly Care Solution won 2023 Edison Awards	Edison Awards
<b>May 2023</b>	UBTech's large humanoid robot Walker won "BEYOND Awards for Consumer Technology Innovation"	BEYOND Expo
	Shenzhen First Golden Reputation Enterprise Mr. Zhou Jian, the Founder, Chairman and CEO, was selected as one of Shenzhen's First Top 10 Figures with Golden Reputation	Shenzhen Evening News, Shenzhen Business Integrity Promotion Association, Shenzhen Chengshang Credit Rating Co., Ltd.
	The 9th Annual Capek Award for Brand Excellence	China Association for Mechatronics Technology and Application

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Time of award	Honor	Awarding unit
June 2023	Silver Award of the 1st Guangdong-Hong Kong-Macau Greater Bay Area High-value Trademark and Brand Cultivation Competition	Guangdong Administration for Market Regulation
	Dr. Xiong Youjun, CTO of UBTech, was selected as one of the "2023 Top 100 Science and Technology Entrepreneurs"	36Kr
	UBTech was selected as one of the first batch of Shenzhen Intelligent Robot Application Demonstration Typical Cases for the application of our walking assistance robot Wassi and wheelchair smart robot PathFinder in the field of smart wellness and elderly care	Industry and Information Technology Bureau of Shenzhen Municipality
July 2023	UBTech's servo and robotic patents and disinfection robotic patents won the China Patent Excellence Award	National Intellectual Property Administration
	UBTech's Intelligent Institutional Aging Solution won the "Recommended AI Benchmarking Product" award	ShenZhen Association for Artificial Intelligence
August 2023	Best Contributing Unit Award in respect of the Specifications for Rating of Artificial Intelligence Enterprises	ShenZhen Association for Artificial Intelligence
	"UBTech's Humanoid Robot Intelligent Exhibition Hall Solution" won "OFweek 2023 Outstanding AI Solution Award in Artificial Intelligence Industry"	OFweek
October 2023	Shenzhen International Exchange and Cooperation Demonstration Point	Foreign Affairs Office of Shenzhen Municipal People's Government
	UBTech's Smart Age-friendly Community Scenario-based Solution was selected as one of "Digitally Created New Entities — Case Studies on Digital Technology Enabling the Real Economy (2023)" by people.cn	Digital Economy Research Centre, Institute of Finance and Economics of people.cn

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Time of award	Honor	Awarding unit
<b>November 2023</b>	WISE2023 Future King of Business — Enterprise of the Year in Advanced Manufacturing Sector Zhou Jian, the Founder, Chairman and CEO, was selected as WISE2023 Future King of Business — Person of the Year	36Kr
	GlocalIN Top50 Globalized PRC Enterprises — Technological Enterprises	MIT Technology Review China, DeepTech, LinkedIn China
	2023 National Intellectual Property Demonstration Enterprise (for publication purpose)	China National Intellectual Property Administration
	2023 TOP50 China Intelligent Enterprises	Darkhorse
	CADEBOT, a multi-scene smart delivery robot, won the MUSE Design Gold Award	Muse Design Awards
	Certification of Level-5A Artificial Intelligence Enterprise	Shenzhen Artificial Intelligence Enterprise Rating Committee
	<b>December 2023</b>	Frontier Technology Enterprise of the Year
IPO of the Year for Innovation Excellence		GuruClub
Leaderobot 2023 TOP50 Leading Enterprises in PRC Robotics Industry		The fourth session of the Annual Conference of China Robot Industry, Robot Lecture Hall, Leader Think Tank
Leaderobot 2023 Robot Servo System Technology Leadership Award		
2023 TOP50 Leading Artificial Intelligence Enterprises		Qbit
“China InnoForce 50” Robotics and Automation Rankings		GeekPark
2022–2023 Academic Year Student Work Summary and Commendation — “UBtech” award-setting certificate		Nanjing Forestry University
2023 AI Tianma “Leading Enterprise”		ShenZhen Association for Artificial Intelligence
2023 Top 10 Best Employers		
Dr. Xiong Youjun, an executive director and CTO, was selected as one of “AI Tianma • New Talents”		
Stock Code For Charity Scheme	HKEX Foundation, The Community Chest	

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT



Certification of Level-5A Artificial Intelligence Enterprise



2023 Top 10 Best Employers



UBTech's large humanoid robot Walker won "BEYOND Awards for Consumer Technology Innovation"



Dr. Tan Huan, the Co-CTO and Director of Research Institute of UBTECH, was selected as one of "China's Intelligent Computing Technology Innovation Figures 2022"



CADEBOT, a multi-scene smart delivery robot, won the MUSE Design Gold Award



Zhou Jian, the Founder, Chairman and CEO, was selected as one of Shenzhen's First Top 10 Figures with Golden Reputation

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT



2022-2023 Academic Year Student Work Summary and Commendation — “UBtech” award-setting certificate



2022 Top 10 Robotics Companies



“UBTech’s Humanoid Robot Intelligent Exhibition Hall Solution” won “OFweek 2023 Outstanding AI Solution Award in Artificial Intelligence Industry”



Stock Code For Charity Scheme



UBTech was selected into the list of 2022 AgeAwards China Better Post-retirement Life Innovation Award under the section of “Best Innovation in Intelligent Technology for Better Life of the Elderly”



2023 TOP50 Leading Artificial Intelligence Enterprises



Zhou Jian, the Founder, Chairman and CEO, was selected as WISE2023 Future King of Business — Person of the Year

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT



Leaderobot 2023 Robot Servo System Technology Leadership Award



UBTech was selected as one of the first batch of Shenzhen Intelligent Robot Application Demonstration Typical Cases



WISE2023 Future King of Business - Enterprise of the Year in Advanced Manufacturing Sector



Leaderobot 2023 TOP50 Leading Enterprises in PRC Robotics Industry



GlocalIN Top50 Globalized PRC Enterprises - Technological Enterprises



"China InnoForce 50" Robotics and Automation Rankings

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## 1. SUSTAINABILITY GOVERNANCE

UBTech adheres to the principle of sustainability, and incorporates the element of sustainable development into its governance work. Besides, we have established an Environmental, Social and Governance (“ESG”) and sustainable development governance structure, which presents the Board’s efforts to promote and management ESG work.

We have formulated a number of policies related to sustainability to enhance the effectiveness of our governance and supervision in ESG and sustainability aspects. We will continue to review the implementation of the relevant policies and formulate more relevant policies in due course.

- Intellectual Property Risk Management Procedures (《知識產權風險管理程序》);
- Procedures for Identification, Evaluation and Control of Environmental Factors (《環境因素識別與評價控制程序》);
- Bribery Risk Identification, Evaluation and Control Procedures (《賄賂風險識別、評價控制程序》);
- Hazard Source Identification and Risk Assessment Control Procedures (《危險源辨識和風險評價控制程序》), etc.

**Risk Management** 

- Anti-bribery Management System (《反賄賂管理制度》);
- Anti-bribery Compliance Evaluation and Control Procedures (《反賄賂合規性評價控制程序》);
- Bribery Incident Reporting and Investigation Procedures (《賄賂事件舉報及調查程序》);
- Anti-money Laundering Internal Control System (《反洗錢內控制度》), etc.

**Anti-bribery** 

- Management Specifications for Calibration of Instruments and Meters (《儀器、儀表校準管理規範》);
- Production and Service Control Procedures (《生產和服務控制程序》);
- Production Site Quality Management Specifications (《生產現場質量管理規範》);
- Management Measures for Routine Inspections, Process Inspections and Confirmation Inspection (《例行檢驗、過程檢驗及確認檢驗管理辦法》), etc.

**Product Quality** 

- Global Customer Complaint Handling Process (《全球客戶投訴處理流程》);
- Analytical Process for Return of Robots by Customers (《客退機分析流程》);
- Market Product Quality Abnormality Handling Procedures (《市場產品質量異常處理流程》), etc.

**Customer Services** 

- Intellectual Property Management Procedures (《知識產權管理程序》);
- Patent Management Procedures (《專利管理程序》);
- Trademark Management Procedures (《商標管理程序》);
- Intellectual Property Manual (《知識產權手冊》);
- Measures for Rewarding Intellectual Property Rights (《知識產權獎勵辦法》);
- Copyright Management Procedures (《著作權管理程序》);
- Intellectual Property Dispute Handling Procedures (《知識產權爭議處理程序》), etc.

**Intellectual Property** 

- Data Compliance Management System (《數據合規管理制度》);
- Data Cooperation Management Methods (《數據合作管理辦法》);
- Data Security Education and Training Management Measures (《數據安全教育培訓管理辦法》);
- Management Measures for Self-assessment of Data Security (《數據安全自評估管理辦法》), etc.

**Information Security** 

- Supplier Selection and Fair Value Judgement Management Process (《供應商選擇和公平價值判斷管理流程》);
- Daily Supplier Management Specifications (《供應商日常管理規範》);
- Supplier Introduction Process (《供應商導入流程》), etc.

**Supply and Procurement** 

- Employee Handbook (《員工手冊》);
- Recruitment Management Measures (《招聘管理辦法》);
- Payroll Calculation and Disbursement Process (《薪資核算及發放流程》);
- UBTech Talent Development Framework (《優必選人才發展框架》);
- Compilation of Production Safety Systems (《安全生產制度匯編》), etc.

**Talent Management** 

- Environment/Occupational Health and Safety Operation Control Procedures (《環境/職業健康安全運行控制程序》);
- Quality, Environment, and Occupational Health and Safety Management Manual (《質量、環境、職業健康安全安全管理手冊》);
- Procedures for Identification, Evaluation and Control of Environmental Factors (《環境因素識別與評價控制程序》), etc.

**Environmental Management** 

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## 1.1. ESG Strategy and Organizational Structure

To promote the sustainable development of the Group, UBTech has integrated ESG issues into its corporate management. Besides, we have established an Environmental, Social and Governance and Sustainability Committee (ESG and Sustainability Committee). The Committee is authorised by the Board and comprises two executive directors, namely Ms. Wang Lin and Mr. Liu Ming, and an independent non-executive director, namely Mr. Xiong Chuxiong. The ESG and Sustainability Committee holds meetings regularly to report to the Board on ESG related issues. The responsibilities of the Board and the ESG and Sustainability Committee are set out below:



# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## 1.2. Statement of the Board

### Board' s Responsibility

- The Board is the Group' s highest decision-making body on ESG governance issues and assumes responsibility for all ESG work. The Board regularly approves ESG strategies and reports, and oversees, evaluates, manages and prioritises ESG issues;
- Receiving regular reports and proposals from the ESG and Sustainability Committee.

### ESG and Sustainability Committee

- Established under the authority from the Board;
- Consisting of two executive directors, namely Ms. Wang Lin and Mr. Liu Ming, and an independent non-executive director, Mr. Xiong Chuxiong;
- Following up on the implementation of ESG work and ensuring compliance with relevant laws and regulations.

### Stakeholders

- The ESG and Sustainability Committee identifies stakeholders and ESG issues; and
- Conducting research and making suggestions on sustainable development business with stakeholders.

### ESG Risks and Targets

- We have established risk identification, assessment policies and countermeasures related to the environment, anti-corruption, intellectual property and occupational safety;
- We have set environmental targets and we will regularly review our progress towards achieving them.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### 1.3. Communication with Stakeholders

The opinions of our stakeholders play an important role in our sustainable development. We have established multiple communication channels with our stakeholders to understand their expectations and requirements on the Group through continuous understanding and communication. We will formulate corresponding development policies and implement corresponding measures to respond to the requirements of stakeholders.

Key Stakeholders	Expectations and Requirements	Communication Channels
Customers	<ul style="list-style-type: none"> <li>• Innovation and R&amp;D</li> <li>• Product safety and quality management</li> </ul>	<ul style="list-style-type: none"> <li>• Social media interaction</li> <li>• Product publicity and promotion</li> <li>• Telephone</li> <li>• Mailbox</li> </ul>
Shareholders/ investors	<ul style="list-style-type: none"> <li>• Corporate governance</li> <li>• Innovation and R&amp;D</li> <li>• Product safety and quality management</li> <li>• Supplier management</li> <li>• Trade secret protection</li> <li>• Environmental protection</li> </ul>	<ul style="list-style-type: none"> <li>• Annual general meeting and other general meetings</li> <li>• Regular disclosure of financial and operating information</li> <li>• Corporate communications such as letters/circulars to shareholders and notices of meetings</li> <li>• Results announcement</li> <li>• Shareholder visits</li> <li>• Investors' meetings</li> <li>• Senior management meetings</li> </ul>
Employees	<ul style="list-style-type: none"> <li>• Corporate governance</li> <li>• Employee rights and interests</li> <li>• Compensation and benefits</li> <li>• Community engagement</li> <li>• Diversification and inclusiveness</li> </ul>	<ul style="list-style-type: none"> <li>• Employee rights and interests protection mailbox</li> <li>• Work performance assessment</li> <li>• Group discussions</li> <li>• Meeting interviews</li> <li>• Business briefings</li> <li>• Seminars/workshops/lectures</li> <li>• Publications (e.g. staff newsletters)</li> </ul>
Government/ regulatory authorities	<ul style="list-style-type: none"> <li>• Compliance requirements</li> <li>• Innovation and R&amp;D</li> <li>• Product safety and quality management</li> <li>• Information security</li> <li>• Environmental protection</li> <li>• Occupational health and safety</li> </ul>	<ul style="list-style-type: none"> <li>• Conference</li> <li>• Visiting reception</li> <li>• Regular reporting</li> </ul>

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

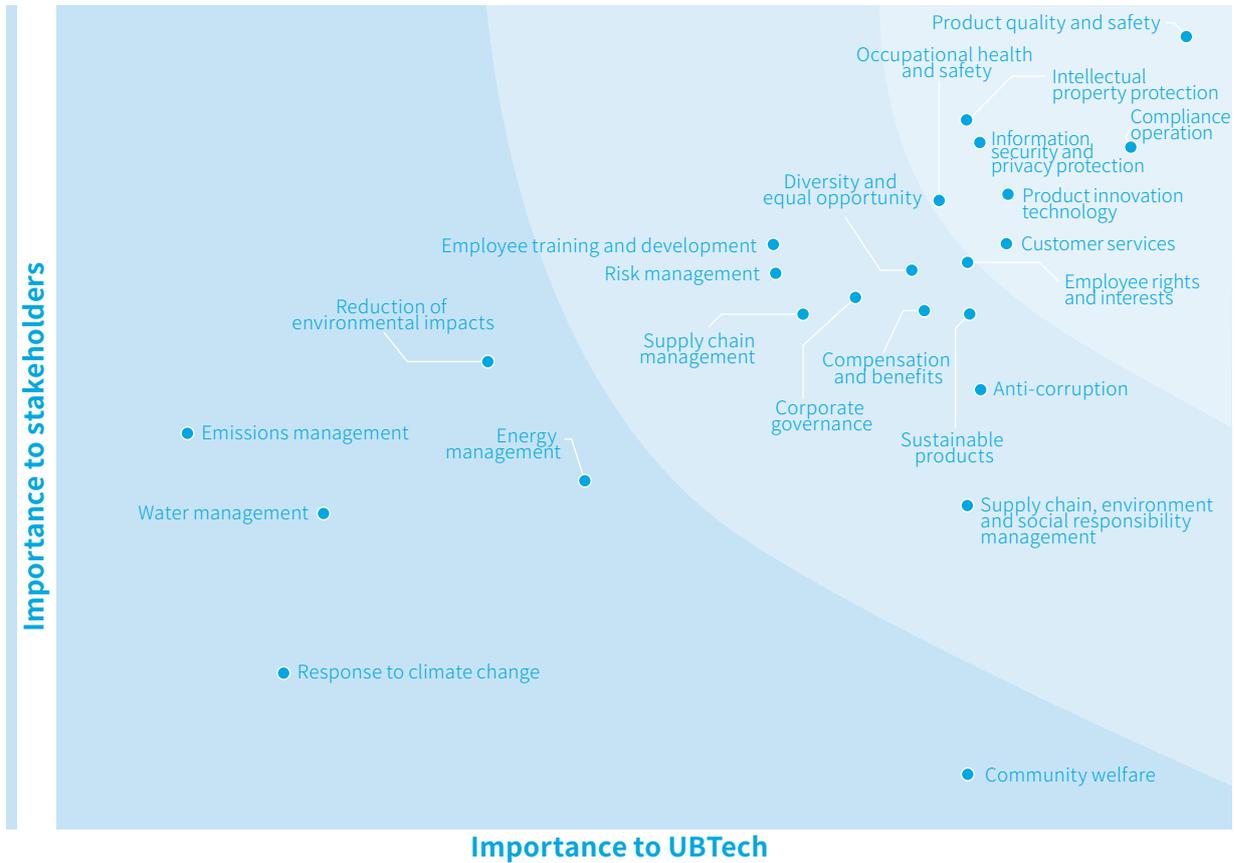
Key Stakeholders	Expectations and Requirements	Communication Channels
Media	<ul style="list-style-type: none"> <li>• Innovation and R&amp;D</li> <li>• Product safety and quality management</li> <li>• Diversification and inclusiveness</li> <li>• Corporate governance</li> <li>• Environmental protection</li> <li>• Climatic change</li> <li>• Employee training and development</li> </ul>	<ul style="list-style-type: none"> <li>• Press conferences</li> <li>• Press releases</li> <li>• Senior management visits</li> <li>• Media gathering</li> </ul>
Community/non-government associations	<ul style="list-style-type: none"> <li>• Compliance requirements</li> <li>• Employee rights and interests</li> <li>• Community engagement</li> <li>• Employee training and development</li> </ul>	<ul style="list-style-type: none"> <li>• Trade union enterprises visit and exchange meeting</li> <li>• Trade union activities</li> <li>• Lecture training</li> <li>• Donation (scholarships/products/technology)</li> </ul>
Peers	<ul style="list-style-type: none"> <li>• Innovation and R&amp;D</li> <li>• Information security</li> </ul>	<ul style="list-style-type: none"> <li>• Communication conferences</li> </ul>
Suppliers	<ul style="list-style-type: none"> <li>• Product safety and quality management</li> <li>• Compliance requirements</li> <li>• Innovation and R&amp;D</li> <li>• Financial position</li> <li>• Anti-commercial bribery</li> <li>• Employee training and development</li> </ul>	<ul style="list-style-type: none"> <li>• Supplier management procedures</li> <li>• Meetings and exchanges</li> <li>• Supplier/contractor assessment system</li> <li>• On-site inspection</li> </ul>

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## 1.4. Materiality Assessment

		
<p><b>Megatrends Analysis</b></p>	<p><b>Stakeholder Engagement</b></p>	<p><b>Analysis, Prioritization and Verification</b></p>
<ul style="list-style-type: none"> <li>• We established a materiality issue database in accordance with the Environmental, Social and Governance Reporting Guide set out in Appendix C2 to the Listing Rules issued by The Stock Exchange of Hong Kong Limited;</li> <li>• industry materiality issue database from Sustainability Accounting Standards Board (“SASB”) and;</li> <li>• peers examples.</li> </ul>	<ul style="list-style-type: none"> <li>• We identified different stakeholders (directors, shareholders, investors, senior management, staff, suppliers and partners, government and regulatory authorities);</li> <li>• We collected opinions from different stakeholders in the form of questionnaires, analyzed the results and prioritized ESG issues.</li> </ul>	<ul style="list-style-type: none"> <li>• We analyzed the results and prioritized ESG issues.</li> <li>• From two dimensions of “importance to UBTech” and “importance to stakeholders”, the Group analyzed and identified 23 issues;</li> <li>• Among the 23 issues, 7 are of high materiality, 10 are of moderate materiality and 6 are of general materiality. The materiality assessment results have been considered and confirmed by the Board.</li> </ul>

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT



High materiality issue	Moderate materiality issues	Materiality issues
<ul style="list-style-type: none"> <li>• Product quality and safety</li> <li>• Compliance operation</li> <li>• Intellectual property protection</li> <li>• Information security and privacy protection</li> <li>• Product innovation technology</li> <li>• Customer services</li> <li>• Occupational health and safety</li> </ul>	<ul style="list-style-type: none"> <li>• Employee rights and interests</li> <li>• Sustainable products</li> <li>• Diversity and equal opportunity</li> <li>• Compensation and benefits</li> <li>• Anti-corruption</li> <li>• Corporate governance</li> <li>• Employee training and development</li> <li>• Supply chain, environment and social responsibility management</li> <li>• Risk management</li> <li>• Supply chain management</li> </ul>	<ul style="list-style-type: none"> <li>• Community welfare</li> <li>• Energy management</li> <li>• Reduction of environmental impacts</li> <li>• Water management</li> <li>• Emission management</li> <li>• Response to climate change</li> </ul>

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

For the 7 high materiality issues identified through the results of the materiality assessment, we will provide a description of relevant policies and measures in the sections below, and we will regularly review the progress of the relevant work and make continuous improvements.

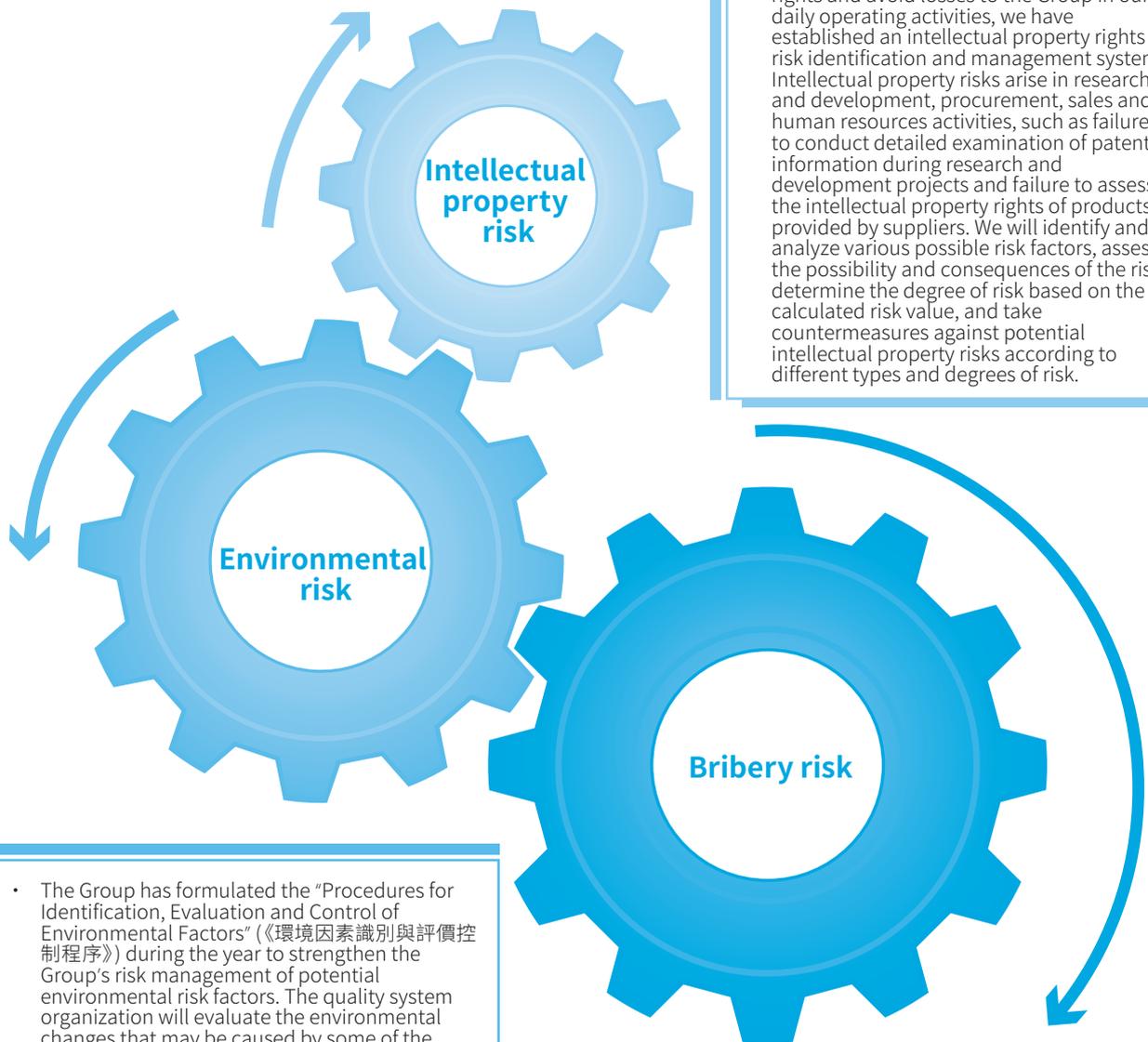
High materiality issue	Corresponding sections
Product quality and safety	2.1. Product Quality
Intellectual property protection	2.2. Intellectual Property
Information security and privacy protection	2.4. Information Security
Product innovation technology	2. Products and Services
Compliance operation	1.6. Integrity Operation
Customer services	2.2. Customer Services
Occupational health and safety	3.4. Occupational Safety

### 1.5. Risk Management

We manage risk factors that may arise in our operations by establishing various types of risk management and control procedures to minimize the possible impact on our operations. We have formulated the Risks and Opportunities and Countermeasures Management Procedures (《風險與機遇及應對措施管理程序》), Intellectual Property Risk Management Procedures (《知識產權風險管理程序》), Procedures for Identification, Evaluation and Control of Environmental Factors (《環境因素識別與評價控制程序》) and Bribery Risk Identification, Evaluation and Control Procedures (《賄賂風險識別、評價控制程序》), set up a risk and opportunity assessment team to regulate the management of risks and opportunities, and carried out risk management on bribery, intellectual property rights and the environment.

The risk and opportunity assessment team is established under the authority of the general manager and is responsible for organizing the analysis and assessment of risks and opportunities, compiling risk management plans, formulating countermeasures and verifying the results. We will assess the severity and frequency of identified risk factors, conduct quantitative assessment of different types of risk factors according to different criteria, calculate risk coefficients and decide on the measures to be taken.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT



- In order to protect intellectual property rights and avoid losses to the Group in our daily operating activities, we have established an intellectual property rights risk identification and management system. Intellectual property risks arise in research and development, procurement, sales and human resources activities, such as failure to conduct detailed examination of patent information during research and development projects and failure to assess the intellectual property rights of products provided by suppliers. We will identify and analyze various possible risk factors, assess the possibility and consequences of the risk, determine the degree of risk based on the calculated risk value, and take countermeasures against potential intellectual property risks according to different types and degrees of risk.

- The Group has formulated the “Procedures for Identification, Evaluation and Control of Environmental Factors” (《環境因素識別與評價控制程序》) during the year to strengthen the Group’s risk management of potential environmental risk factors. The quality system organization will evaluate the environmental changes that may be caused by some of the operating activities such as the introduction of new equipment, materials and processes, changes in environmental laws and regulations, environmental improvement actions, etc., and evaluate the impact of factors that may cause environmental pollution to the atmosphere, water bodies and soil, etc. Parameters in the evaluation include the quantity, probability, control status and degree of harm, etc. If it is judged to be a significant environmental factor, the Group will formulate management policies, such as establishing operational control or emergency control procedures, formulating corresponding environmental objectives and management programs to manage the environmental risk factors, or setting up environmental control points in a timely manner to implement focused control.

- We regularly identify commercial bribery that may arise from all activities, products or services within the Group. In identifying risks, we check any legal and regulatory documents, methods of obtaining business, job duties, transparency of partners, etc., and identified personnel at risk, time of occurrence, location, incentives, etc., and use the identified risk elements to calculate the value of the risk, assess the level of the risk, and take different improvement measures in accordance with the risk level derived from the analysis.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### 1.6. Integrity Operation

The Group strictly complies with the requirements of the Anti-Unfair Competition Law of the People's Republic of China, the Criminal Law of the People's Republic of China and other regulations, and has formulated anti-corruption, anti-money laundering and commercial compliance documents including the Anti-bribery Management System (《反賄賂管理制度》), Anti-bribery Compliance Evaluation and Control Procedures (《反賄賂合規性評價控制程序》), Bribery Incident Reporting and Investigation Procedures (《賄賂事件舉報及調查程式》), Business, Contract and Procurement Standardized Control Procedures (《商業、合同、採購規範控制程序》) and Anti-money Laundering Internal Control System (《反洗錢內控制度》).

The Group's anti-bribery policy is to "conduct business fairly, honestly and transparently; and not to offer or accept bribes in any way for commercial or personal benefits". We have set up an anti-commercial bribery management committee to promote the construction of the Group's anti-commercial bribery system and provide professional training on anti-commercial bribery regulations. We conduct annual legal compliance updates and compliance evaluations. We have put in place bribery risk assessment and control measures. In the implementation of anti-bribery management, we regularly conduct due diligence on certain specific transactions, projects and activities, and have also formulated a Gift Management System (《禮品管理制度》) to regulate gifts and gratuities received in business dealings and to prevent and deal with any acts of bribery.

#### *Anti-corruption whistleblowing*

We have established procedures for the reporting and investigation of bribery incidents, which are handled by the internal control department, with a reporting hotline, email and address. Both internal and external parties can report anonymously to us through the established channels, and all whistleblowers' information is kept confidential to protect the identity of the whistleblower from retaliation. In order to ensure the objectivity and authenticity of the investigation, the handling of reporting documents is the responsibility of the internal control department and the compliance department for safekeeping and should not be viewed by non-relevant personnel, and the investigators should also take the initiative to recuse themselves from the issue of conflict of interest. Based on the investigation results, we will take corresponding measures. If national laws are involved, we will hand over the case to the judicial authorities for handling.

The 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) to promote anti-bribery and combat commercial bribery and fraud. The Group's anti-bribery management system has obtained the Anti-Bribery Management Certificate of ISO37001:2016 to demonstrate the recognition of the Group's work on anti-bribery.

During the Year, there were no litigation or corruption cases against the Group and its employees.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

During the Year, we held anti-corruption training for directors and senior management, which included an introduction to the anti-bribery management system, an explanation of commercial bribery and related legal liabilities, as well as how companies can exercise risk control over commercial bribery. We have formulated a Code of Business Conduct for Employees (《員工商業行為準則》), which sets out the requirements for the prohibition of bribery and gift management for our employees in the course of business. In addition, we also provide anti-corruption training to new staff and we will provide relevant anti-corruption and bribery training to our in-service staff in the coming year.



Trust and Integrity Enterprise Alliance  
(阳光诚信联盟)



Enterprise Anti-Fraud Alliance committee  
(企业反舞弊联盟工作委员会)

### *UBTech Annual Report on Compliance — Compliance Guarding Value (2022-2023)*

UBTech regularly publishes the Group's annual report on compliance, which discloses our compliance in respect of personal data protection, anti-bribery and export controls over the past year. UBTech adheres to the compliance value of "putting compliance obligations above the commercial interests of the Company (將合規義務置於公司商業利益之上)". As UBTech was successfully listed in the current year, the Group has stepped up its efforts on compliance in the context of accepting compliance inspection by the regulatory authority and the public, as well as geopolitical conflicts in the periphery. In addition to reviewing the compliance efforts in the past year, this report also looks forward to the compliance work in the coming year, and presents the compliance philosophy, goals, achievements and shortcomings to employees.

In terms of anti-bribery work, we have controlled 14 important processes such as procurement, payment, contract, etc., and have added two new process nodes for risk control of the Company's account opening and cancellation and basic procurement. In accordance with the requirements of the Listing Rules, we have also actively cooperated with intermediaries to conduct internal control audits on 10 domestic and overseas companies for 19 business processes, and rectified the gaps so identified. Going forward, we will continue to optimize our compliance reporting system, conduct regular anti-commercial bribery monitoring and enhance the compliance awareness of our staff.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT



UBTech Annual Report on Compliance (2022-2023)

In terms of personal data protection, we have set up a joint working group on data compliance and formulated a number of policies (please refer to Section 2.4 Information Security Management for details). We have also embarked on a wide range of work including exchanges, legislative discussions, audits and communication with regulatory authority. In the future, the compliance department will also work with a number of different departments to implement various technical and management tasks to enhance data governance and staff's compliance awareness and skills.

## 2. PRODUCTS AND SERVICES

UBTech aims to promote the application of intelligent robots to thousands of households, achieving convenient, intelligent and humanized lifestyle for human. We have diversified our industry to provide products and services in the fields of education, logistics, general services and healthcare to demonstrate our achievements to our customers and the general public. We understand the importance of R&D and industry co-operation, and in addition to our own R&D, we also promote cooperation in various areas to jointly advance the development of the smart industry.

### AI Ethics

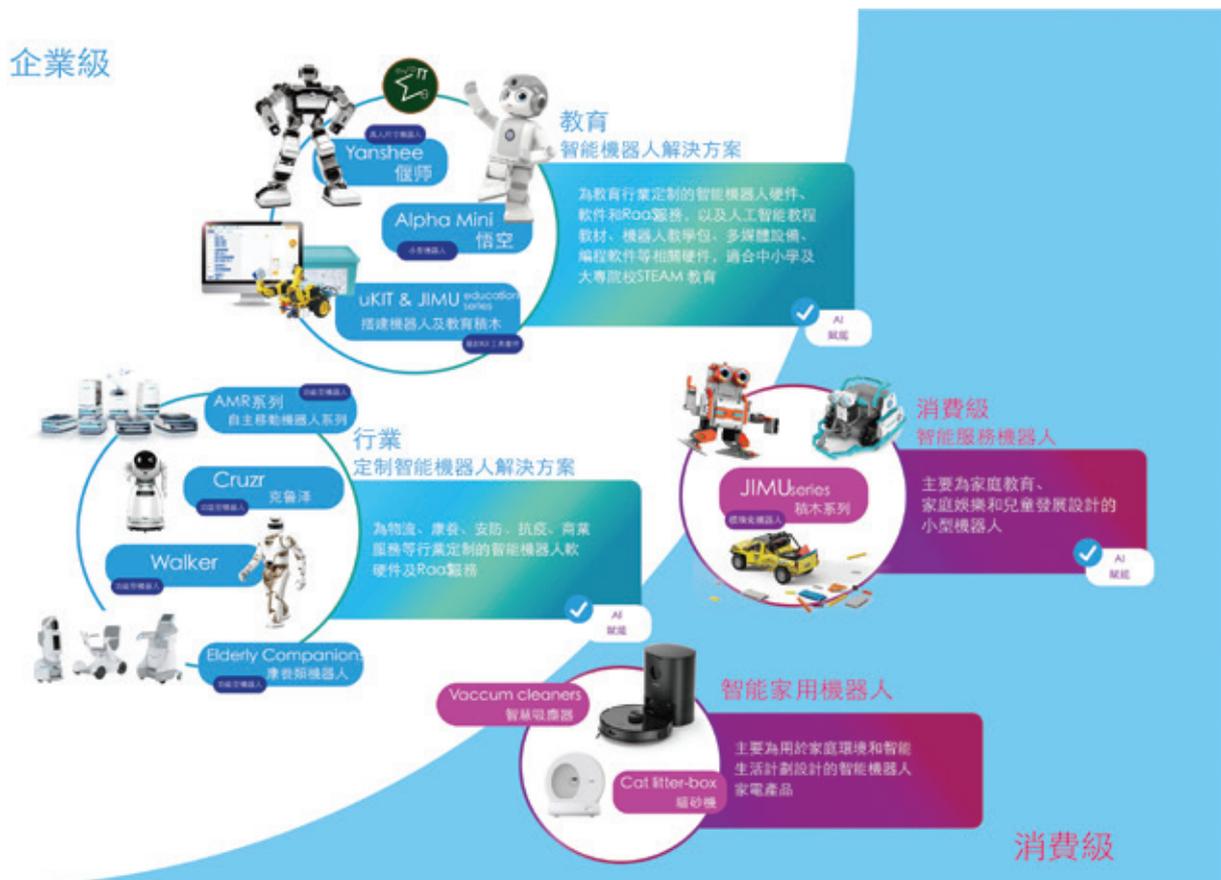
UBTech is committed to the development and cooperation in various aspects of AI, to bring a variety of industrial development and convenience to the public. However, we understand that AI will bring about both opportunities and risks, and its existence will give rise to a variety of hidden dangers, which will expose us and our users to the crisis. UBTech values scientific research while respecting ethical norms. We have formulated the Ethical Norms of Robotics and Artificial Intelligence (《機器人與人工智能倫理規範》) to regulate the basis

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

for identification, deviation determination and compliance of basic ethics in robotic technology and AI from design, research and development to application. Our principle of AI development is “human-centred, technologically controllable, and sustainable”. The utilization of AI must respect, tolerate, and balance the history, culture, society, economy, and moral consensus among different cultures in different countries and regions. Developed by human beings, AI should serve and be controlled by human beings, and also promote the sustainable development of society, economy, culture, and environment.

In conducting our activities, we shall comply with national laws and regulations and social values, protect the basic rights of individuals, their personal, privacy and property rights, conduct risk analyses, and carry out AI activities within reasonable limits. We shall not conduct research on AI technologies, systems, products or services that are detrimental to the fundamental rights of people, the public interest or personal rights, and we shall exercise caution in conducting research on AI that is capable of self-replication or self-improvement, and in evaluating the risk of possible loss of control. In the AI system, UBTEch shall establish an emergency response mechanism and handling process to ensure that it responds to the risk of ethical and moral safety of AI when it occurs.

In addition to the above ethical measures, we also promote the sustainable development of our industry in terms of safety, quality and other product responsibilities. We focus on product research and development to create robots and robotic solutions for a wide range of applications. The following sections will show some of the Group’s research and collaboration achievements and how we are developing our products and services in a sustainable direction.



The Group’s robotic products and solutions as well as their applications

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## Case — Education Field

## “AI education went overseas: UBTEch went to the UK for BETT Show, seizing new market opportunities”



British Educational Training and Technology (BETT)

UBTech participated in this year's BETT held in the UK, with the theme of “Empower students for success in an AI-driven future”, showing the Group's latest AI education products and solutions. UBTEch displayed a full set of education ecosystem, including 7 major resource modules such as teaching materials, hardware, software, training, tournaments, evaluation, and teaching management platform. Relying on these modules, it proposed solutions for three major education scenarios including in-school labs, education bases, and e-learning AI.

In this show, UBTEch released the new multi-mimetic AI educational robot UGOT and uKit AI, an AI educational kit launched for the first time overseas. With multi-mimicry, strong computing and openness, UGOT is able to put together seven official forms, such as engineering cars, deformation cars, quadrupedal dogs, and wheel-legged robots, with more DIY forms supported. The uKit AI master control is equipped with machine vision and voice interaction functions and various sensors, which is suitable for primary and secondary school students to flexibly put together models of various forms and conveniently learn graphical programming.

## Case — Transportation Field

## “UBTech joined hands with Miracle to empower smart warehousing and logistics with AI technologies”



AMR Intelligent Logistics Robotic Product Series

UBTech and Miracle Automation Engineering Co., Ltd. signed a strategic cooperation framework agreement, under which the two parties will build a deep cooperative relationship in the fields of smart warehousing, commercial logistics and industrial collaborative robots to realise resource sharing and complementary advantages. UBTech, empowered by robot chassis, SLAM navigation, AI computing, motion control, machine vision and other AI core technologies, cooperates with Miracle Automation Engineering Co., Ltd. in smart warehousing, smart logistics, industrial collaborative robots and other aspects, using AI technologies to empower the industrial intelligence upgrading of manufacturing, warehousing and logistics and other industries.

This cooperation with the leading manufacturer of intelligent equipment will further help technologies to promote the new infrastructure strategy: with intelligent robots as a carrier, AI technologies as the core, and through the intelligent service ecosystem with “hardware + software + service + content”, we empower the industry and promote the intelligent upgrading. In order to promote more cooperation, UBTech also plans to set up a joint venture with Miracle Automation Engineering Co., Ltd. (天奇自动化工程股份有限公司) to carry out the research and development, production and sales of industrial and service robots, and to provide intelligent industrial and intelligent logistics solutions for the relevant businesses.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## Case — General Service Field

## “Unveiling the humanoid robot, a ‘hard technology’ at the Closing Ceremony of the Universiade”



Walker X riding a balance vehicle and the dancer on the stage of the closing ceremony

At the Closing Ceremony of the Chengdu FISU World University Games in 2023, the humanoid robot of UBTech made a number of different performances, including dancing with dancers, interacting with performers, and humanoid actions such as lifting a selfie stick, holding a pinwheel, and posing for photos. For this performance, we have developed a number of technologies, including the adoption of multi-sensor fusion positioning technology, coordinated control of humanoid robots and balance vehicle, balance vehicle trajectory tracking, etc., to allow for the robot's accurate and stable navigation and positioning, control of the balance vehicle, estimate of the state of the sensing system, and ensure its stability, balance and compliant control, endurance, load capacity and stable communication mechanism.

At the Closing Ceremony of the Universiade, UBTech's technical team has overcome a number of core technologies. The stage rehearsal in real scene, with real demand, and under ultra-high standard also provided valuable training data and application experience for the humanoid robots. In the future, UBTech will accelerate the development and application of core humanoid robotic technology, promote the continuous acceleration of humanoid robot industry in China, and show the world a shinier business card of China's humanoid robots.

## Case — Wellness and Elderly Care Field

**“UBTech joined hands with MCS, a well-known pension enterprise, to create the world-leading integrated AI and smart robotic wellness and elderly care solution”**



UBTech Wellness and Elderly Care Robotic Series

During the Year, UBTech and Medical Care Service Shanghai Inc.\* (美邸養老服務(上海)有限公司) (a PRC subsidiary of MCS, a leading brand of dementia care in Japan) jointly established Youdi Health Technology (Shenzhen) Co., Ltd.\* (優邸健康科技(深圳)有限公司) by combining their respective advantages, resource endowments and capabilities to promote AI and robotic technology to empower the wellness and elderly care industry, and launch in-depth cooperation in the development and application of community and home service robots, AI-enabled early screening, continuous monitoring and intervention and prevention of the risk of cognitive disorders, and consulting and services for professional operations, so as to enhance the level of intelligence in the application of wellness and elderly care organizations, community and home wellness and elderly care worldwide.

UBTech and MCS have started cooperation in Shandong Taishan Nursing Home (山東省泰山療養院), Xingcheng Kangyang MCS Nursing Home Fengshuyuan (興城康養美邸照護之家楓樹苑), Shuyang Nursing Home Haitongyuan (舒養之家海桐苑), Rich MCS Elderly Care Center, and other kinds of nursing institutions operated by MCS in China, so as to empower wellness and elderly care services with technological innovations, to provide traditional wellness and elderly care institutions with upgrading, reconstruction and operational support, and to carry out the integration of intelligent and innovative projects.

## Case — Research Collaboration

## “UBTech joined hands with the University of Hong Kong to carry out joint research on ‘humanoid visual perception’”



“Humanoid Visual Perception Algorithms and Technologies for Service Robots”

During the Year, we collaborated with the University of Hong Kong in the areas related to 3D point cloud data processing and analysis, and promoted a number of researches in this area to improve the accuracy of visual recognition of humanoid robots and expand the adaptability of humanoid robots in more application scenarios.

The research project of “Humanoid Visual Perception Algorithms and Technologies for Service Robots” promotes the research in the areas of point cloud data compression, point cloud sampling, 3D object detection, 3D motion recognition, model compression, and 3D text visual localization. UBTECH will provide an arithmetic testing platform for both parties to conduct tests. The research is expected to solve the difficulty in extracting effective features from 2D images of visual sensors under weak texture environments, and optimize the accuracy of visual perception of robotic products.

## Case — Industrial Cooperation

## “Humanoid Robot Innovation and Development Consortium” was officially established by the “co-promoters”



UBTech is one of the first batch of promoters of “Mobile Robot Industry Alliance Humanoid Robot Innovation and Development Consortium”

On December 14, the “Mobile Robot Industry Alliance Humanoid Robot Innovation and Development Consortium” (the “Consortium”) was formally established at the “2023 Footed and Humanoid Robot Ecology Summit (2023足式、人形機器人生態峰會)”. As a leading humanoid robot and smart service robot enterprise as well as one of the first batch of promoters, UBTech, together with other 11 enterprises representing the humanoid robot industry chain, jointly promoted the establishment of the Consortium.

The Consortium has established a platform integrating government, industry, academia, research, capital, application, etc. with a wealth of enterprises, capital, government, industry, human resources, technology and information resources, to seek joint development and to strengthen the influence of the brand. UBTech participated in the establishment of the “Humanoid Robot Innovation and Development Consortium” and will play a leading role in promoting the integration of innovation and industry to help the development of humanoid robots in China.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### 2.1. Product Quality

UBTech focuses on the quality of its products and services. In order to ensure the best quality of products from production to shipment and provide customers with a quality experience, we have formulated quality management documents such as Purchase and Acceptance Procedures (《採購到貨驗收流程》), Management Specifications for Calibration of Instruments and Meters (《儀器、儀表校準管理規範》), Production and Service Control Procedures (《生產和服務控制程序》), Production Site Quality Management Specifications (《生產現場質量管理規範》), Management Measures for Routine Inspections, Process Inspections and Confirmation Inspections (《例行檢驗、過程檢驗及確認檢驗管理辦法》), and Guidelines for OQC Shipment Operations (《OQC出貨作業指引》). We have also formulated an assessment program for various quality-related key performance indicators (KPI) covering quality, efficiency, cost and innovation.

#### *Supply quality*

When the supplier provides the goods, we will review the acceptance report provided by the supplier, and then the department will carry out quality acceptance of the goods in accordance with the contract. If the acceptance is not passed, the supplier needs to carry out rectification. After the completion of the rectification, a re-acceptance will be conducted until the acceptance is passed. We have developed a variety of production processes, including servo manufacturing processes, humanoid robot manufacturing processes, etc., and products are subject to various quality checks and management during the manufacturing process. Before production, we will confirm that each production line unit must be consistent with the production process to ensure that no process is missing. The production materials should also be consistent with those marked on the materials list, production process and other documents. If any abnormality is found, the engineer should be informed. At the time of production or change of model or major engineering changes, we will conduct appearance and functional quality inspection on the first product manufactured, and mass production can only be carried out if the first product passes the quality inspection. If the product does not meet the requirements, we will analyze the defective products and make corrections. After the first product passes the inspection, we will also conduct regular inspections to check for any irregularities.

#### *Production quality*

Manufacturing centers will conduct routine inspections on products and conduct different tests according to different product types, including appearance, functionality, labeling, quality of materials, quality of plastics in packaging or toys, and wire protection. If the product fails the test, we will isolate the product and notify the production department to rework the product until it passes the test. We will also send items that we cannot inspect ourselves to a testing organization for inspection and keep records.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

After the production of the product, the relevant quality inspection shall be conducted before warehousing and shipment, to ensure that the quality requirements are met. Before shipment, we will check the product's work order information, finished product material number, national specifications, etc., to ensure compliance with shipment requirements and standards, and conduct sampling inspections of appearance, function, etc., in accordance with inspection specifications. We will also inspect the battery, power level, weight, labeling, iconography, etc. We will inspect the box to ensure that it is not dirty and that it is labeled with all the appropriate product information. We will provide protection that meets the requirements of the product and the customer to ensure that the product will not deteriorate or be damaged between receipt and delivery to the destination.

## Quality inspection

In order to ensure the accuracy of the inspection, the use of inspection instruments must comply with the quality regulations. Any newly purchased instrument must be verified by the procurement department and the testing department for its structure and performance, and if it fails, it must be returned for processing. Newly purchased quantitative testing instruments must be calibrated before they can be used, and we will set the calibration cycle according to the utilization rate of the instruments. For instruments that require external inspection, they should be inspected based on national or international standards. If the inspection is unqualified, it is necessary to stop using it, draw up a calibration plan, conduct calibration again, trace the inspection records, evaluate the possible impact on the products and take corresponding measures.

A number of our subsidiaries and production facilities have obtained GB/T19001-2016/ISO9001-2015 Quality Management System Certification, covering different areas of smart robotics, such as manufacturing, design and development, sales service, and management activities.



GB/T 19001-2016/ISO 9001:2015 Quality Management System Certification

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### 2.2. Customer Services

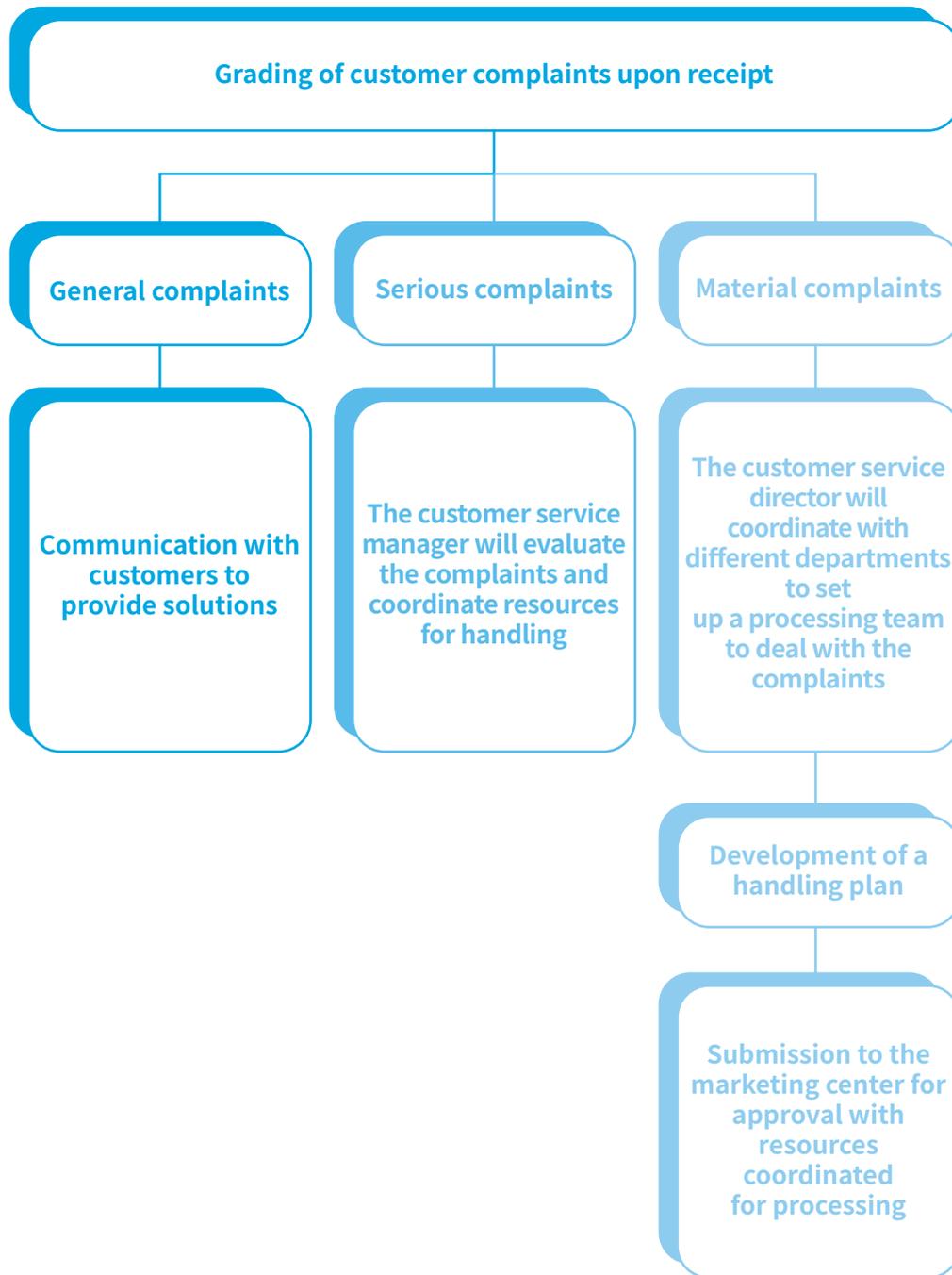
Customers are very important stakeholders of UBTech, and therefore we attach great importance to their opinions and communication. We have formulated the Global Customer Complaint Handling Process (《全球客戶投訴處理流程》), Analytical Process for Return of Robots by Customers (《客退機分析流程》), and Market Product Quality Abnormality Handling Procedure (《市場產品質量異常處理流程》). Upon receipt of a customer complaint, our employees are required to understand the content of the complaint in real time, collect information on the complaint, and feed it back to the customer service department. Upon receipt of the details, the customer service department will grade the complaints according to their materiality, and assign them to the corresponding customer service personnel for handling according to different grades. If any complaint is assessed as a material complaint, such complaint shall be handled by the customer service director, with a processing team to be set up on an as-needed basis, whose team members shall include the personnel from the customer service, quality, brand, legal and other departments, to analyze, monitor and handle the quality, publicity and legal issues accordingly based on the contents of the complaint. The handling measures proposed by the team shall be submitted to the marketing center for approval, upon which, resources shall be coordinated to handle the customer complaint.

#### *Publicity management*

We strictly abide by the Advertising Law of the People's Republic of China and have formulated the Basic Guidelines for Advertising Compliance in Commercial Publicity (《商業宣傳中廣告合規基礎指引》), which provide guidance on the use of words in publicity and advertising, avoiding the use of absolute terms, and false propaganda, to ensure the authenticity of citations. During the Year, the Group was not aware of any violations of the laws and regulations related to advertising and labeling.



# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT



Customer Complaint Grading and Response Process

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

In the event of major product quality issues, such as affecting personal safety or malfunction, the quality department will make a decision at the meeting and take the initiative to recall the products sold. The product recall will be carried out by the customer service department through publishing a recall notice by the Group and relevant media, and notifying the users by the operators, dealers and agents to visit the customer service and repair outlets for recall. Upon recall of the products, the quality department is required to conduct failure analysis on the returned robots and make analysis conclusions and measures.

During the Year, the Group had 46 complaints relating to its products, all of which were properly resolved and there were no product recalls due to safety and health reasons.

During the Year, our customer service satisfaction rate was **92.77%**.

### 2.3 Intellectual Property

We strictly abide by the Patent Law of the People's Republic of China, the Trademark Law of the People's Republic of China, the Copyright Law of the People's Republic of China, and the Civil Code of the People's Republic of China, and have formulated the Intellectual Property Management Procedures (《知識產權管理程序》), the Patent Management Procedures (《專利管理程序》), the Trademark Management Procedures (《商標管理程序》), the Intellectual Property Dispute Handling Procedures (《知識產權爭議處理程序》), the Intellectual Property Manual (《知識產權手冊》) and the Measures for Rewarding Intellectual Property Rights (《知識產權獎勵辦法》).

The intellectual property department is the intellectual property management organization of the Group and is responsible for the management of any patents, trademarks, trade secrets and copyrights. We will apply or register for protection of intellectual property rights such as patents, trademarks, copyrights and software created and developed by our Group. For the R&D results achieved by our employees in the name of UBTEch and with our material technology and compensation package when executing the scientific researches of the Group for the purpose of discharging their own duties, such results shall belong to in-service inventions, and the patent application rights shall belong to UBTEch. For non-service R&D results, the patent application rights shall belong to the inventors themselves. In order to encourage employees to participate in R&D as much as possible, we will reward the inventors on a one-off basis. If the patent, copyright or trademark wins a major special award, such as national, provincial or municipal patent award, we will reward the individual inventors or the group according to different types. We will also select the annual "Outstanding Inventor Award (優秀發明人獎)" and "Outstanding Group Award (優秀團體獎)" for patent creations each year, and the R&D results will be used as a reference for employee ranking and promotion.

We respect the protection of intellectual property rights. For a need to introduce intellectual property rights by any department, such department shall apply to the intellectual property department, conduct retrieval and evaluation on the scheme, and implement the same after approval. We will protect our own intellectual property rights and will not accept any illegal infringement. In case of any infringement, the patent lawyer, the legal department, the intellectual property department and the inventor will set up an emergency team to analyze and compare the contents of the infringement, collect relevant evidence and take corresponding measures against the infringer.

During the Year,  
The Group maintained **2,172** patents.

Added **489** patents.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## Awards — Top Intellectual Property Awards in China



UBTech's in-house developed servo actuator, a core component of robots



UBTech's ultraviolet disinfection robot, AIMBOT

UBTech's two patented inventions, namely "Servo and Robot (ZL201811291334.3)" and "Disinfection Robot (ZL202030606503.X)", have been awarded the China Patent Excellence Award and the China Appearance Design Excellence Award by the National Intellectual Property Administration, respectively.

The previous patents of UBTech have also won the "China Patent Gold Award" and the "China Appearance Design Silver Award", etc. Such "Servo and Robot" provides a unique clutch structure to minimize the servo actuators' damage due to accidents and improve the life of robots. This patent has previously won the Guangdong Patent Silver Award.

The patented appearance of the "Disinfection Robot" includes the top part, the lamp tube and the mobile chassis. Its design includes the installation of lidar on the top, and the installation of RGBD camera, HD camera and human infrared sensors in the front part, etc. The relevant design has already been applied in the Group's ultraviolet disinfection product, namely "ADIBOT", which has been used in a number of countries across the country and globally, providing technological strength in the pandemic prevention.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### 2.4. Information Security and Personal Data Protection

#### *Continuous compliance with data laws and regulations*

We strictly comply with relevant laws and regulations at home and abroad, including the Personal Information Protection Law of the People's Republic of China, the Data Security Law of the People's Republic of China, the Cybersecurity Law of the People's Republic of China, and the European General Data Protection Regulation. During the Year, we were not aware of or received any relevant claims brought by any third party against us, nor were we subject to relevant penalties by the regulators. The Group's data compliance team continuously tracks relevant laws and regulations both at home and abroad, assesses data privacy risks and adjusts corresponding measures as appropriate to ensure continuous compliance with relevant laws and regulations.

#### *Data protection policies*

We have put in place a series of internal systems to achieve effective data protection, some of which are as follows:

**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.

**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.

**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.

**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.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

In addition, we have formulated data compliance and security systems such as the Measures for the Management of Data Compliance Audits (《數據合規審計管理辦法》), the Measures for the Data Security Organization Construction and Management of Personnel (《數據安全組織建設及人員管理辦法》), and the Measures for the Management of Data Security Authority Approval (《數據安全權限審批管理辦法》).

### *Organizational controls*

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. Our data compliance management organization, including a leading group, a coordination group and an implementation group, is responsible for the leadership, supervision, construction and implementation of the Group's data compliance work. We have signed confidentiality agreements with our employees which include provisions on personal information protection. We continuously organize different training sessions on data protection for new employees, existing employees and key personnel. 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.

### *Protection of end user data*

In collecting personal information, the Group will not collect personal information that is not related to the service, and will disclose the rules and purposes of collection and use, and will obtain the consent of our customers. We will disclose our data privacy policy at the time of data collection, and if we need to provide data to third-party service providers, we will set out the relevant purposes and ways in our policy, and need to obtain the consent of customers. In purchasing and obtaining open source data from third parties for product development and algorithm improvement, we will sign a contract with the third party to ensure that the data source is legally authorized. In storing personal information, we will take measures such as encryption, access control, secure storage, and security audit, as well as desensitization and de-identification of the data. We will also verify the completeness of the data to ensure that it is complete and free from tampering. Any individual shall not have access to personal information without authorization, and the collection, processing, and dissemination of personal information shall be subject to approval. We will use the personal data within a stipulated period of time, and will delete such data upon expiration of the said period.

Customers have the right to know, choose, delete, correct and explain the personal information collected by the Group. We have formulated the Personal Information Rights Response Management Measures (《個人資料權利響應管理辦法》) to deal with the response to customers' rights related to personal information. Upon receipt of relevant request, we will timely handle and respond to such request through the relevant channels. We will ensure the authenticity of the user through identity verification, and we will check the information provided by the customer with the account information in the back office. We will analyze different personal information requests in accordance with local personal information regulations, communicate with the customer after determining the relevant solutions, provide explanations and respond to the requests, which should be completed within 15 days. If relevant products of the Group do not comply with the requirements of the relevant regulations, we will immediately take relevant countermeasures for rectification.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### Technical measures and procedures

Data collection: Adopt data protection impact assessment system to minimize the type of data collected for business purpose. We also 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.

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.

The Group's networks are equipped with firewalls, security software and anti-virus software. The information center regularly conducts security analysis of the overall network and carries out computer virus prevention work. We also regularly upgrade and update our systems and patches. We have established a data backup management system to back up data, documents and information regularly. All employees are obliged to keep the Group's information confidential, and are strictly prohibited from leakage of the Group's data and information. In order to prevent the illegal use of sensitive data, we will set authority for the resource use of employees, and we will approve data authority according to the business needs of employees. The Group's accounts are all real-named, and each employee has a corresponding account number and its password, and it is strictly forbidden to disclose personal account number and password to others.

Our data security management capabilities have been certified by the Excellent Security and Trusted Data Plan of CAICT, which demonstrate that we have the Q/SFC-GF-DSMC-2023 Data Security Management Capability Certification Technical Specification.

During the Year, the Group was not aware of any violations of the laws or regulations relating to personal information.



Q/SFC-GF-DSMC-2023 Data Security Management  
Capability Certification

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### 2.5. Supply and Procurement

The Group has formulated the Supplier Selection and Fair Value Judgement Management Process (《供應商選擇和公平價值判斷管理流程》), Daily Supplier Management Specifications (《供應商日常管理規範》) and the Supplier Introduction Process (《供應商導入流程》). In the process of supplier introduction, the supply chain management department will look for corresponding supplier resources according to the production requirements of the products and, based on the technical specifications, conduct preliminary communication with the suppliers to understand their willingness to cooperate, and collect information and documents of the suppliers, including business licenses, tax registrations, certificates related to environmental protection, certificates of materials certification, etc. In scoring suppliers for introduction, we will also consider whether the suppliers have set up the RoHS and REACH management procedures or hazardous substance management systems, and whether or not they provide environmental management training to their employees. According to the situation of suppliers, we will conduct inspections at their production sites, and submit such suppliers, based on the results of written and on-site evaluations, to our supplier quality management team, research and development team, and general manager of quality, etc. for approval. Qualified suppliers will be included in the Qualified Supplier List (《合格供應商名錄》).

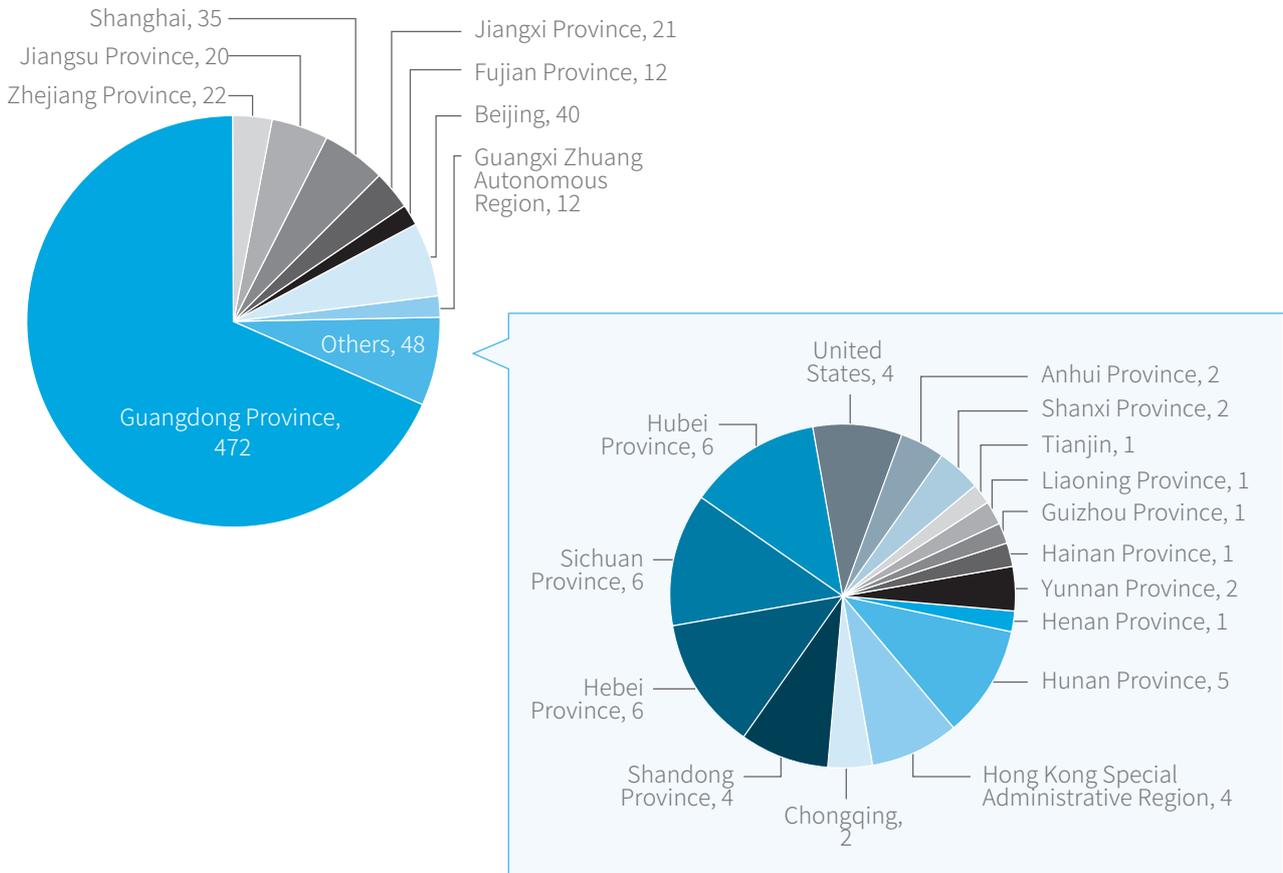
In the procurement process, we will provide quotations to suppliers, including at least three suppliers capable of providing products or services. In selecting suppliers, we will consider their price, quality, cost trend, delivery time, flexibility, etc. For quality requirements, we will also require suppliers of major production categories to comply with such quality standards and to comply with environmental protection laws and regulations implemented in China and RoHS and REACH regulations implemented in the European Union. We evaluate our suppliers annually by scoring them in terms of their technical ability, engineering ability, quality performance, delivery and logistics capabilities, etc. Based on the scoring results, we send each supplier a scoring report with improvement measures. For suppliers with no improvement in their performance after several rectifications, we will take corresponding measures, such as introducing backup suppliers or reducing the share of their supply. During the Year, we audited 233 major suppliers.

In line with the concept of sustainable development, we have formulated a Sustainable Procurement Policy (《可持續採購政策》) this year, committing to prioritize the procurement of major electronic products that comply with energy-saving and environmental protection requirements, and encouraging our key partners to implement sustainable development management. In the process of supplier introduction and daily management, we have incorporated sustainability-related management systems, including requiring suppliers to comply with environmental, social and sustainability-related regulatory requirements, giving priority to suppliers with internationally recognized ESG management systems, regularly assessing the ESG performance of major suppliers, their purchase of social insurance for employees, labor disputes, etc., and taking corresponding measures against identified environmental and social risks of suppliers to promote continuous improvement of our sustainability policies. For identified environmental and social risks of suppliers, we will give rectification advice or downgrade the procurement strategy of such suppliers to encourage continuous development and improvement.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

During the Year, we had 682 suppliers providing us with electronic components, structural components, infrastructure, finished products, OEM and non-production services, etc. The geographical distribution of suppliers is shown in the chart below.

Geographical distribution of suppliers



### 3. TALENT MANAGEMENT

The Group strictly complies with the requirements of the Labor Law of the People’s Republic of China, the Labor Contract Law of the People’s Republic of China, the Constitution of the People’s Republic of China, the Civil Code of the People’s Republic of China, the Law of the People’s Republic of China on the Protection of Women’s Rights and Interests and the Regulations of the Shenzhen Special Economic Zone on Gender Equality Promotion. The Group provides a safe, healthy and harassment-free working environment for its employees and has set up an “Employee Rights Protection Group” to establish and improve the system for the prevention of sexual harassment. We will investigate, communicate, verify and deal with any incidents of employee harassment and will take appropriate measures to deal with or rectify the situation. During the Year, we were not aware of any violations of the laws and regulations relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, diversity, anti-discrimination, equal opportunity and other treatment and benefits.

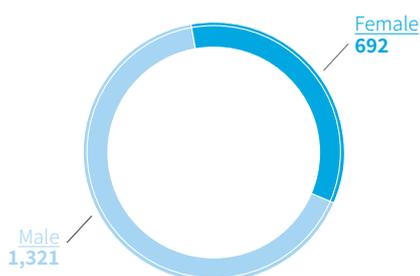
# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## 3.1. Employment Management

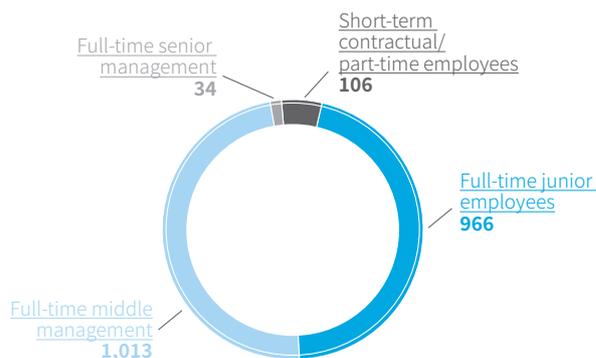
### Recruitment management

During the Year, we had 2,013 employees. We have developed the Recruitment Management Measures (《招聘管理辦法》) and the UBTech Recruitment Management Regulations (《優必選科技招聘管理辦法》). Our business departments have formulated their employment needs in accordance with the needs of business development. Recruitment is carried out through both internal and external recruitment methods. External recruitment includes campus recruitment and social recruitment, and internal recruitment is open to our employees. We will prioritize internal recruitment as our employees are more loyal to the Company. During the recruitment process, we will adhere to the principles of objectivity, fairness, equal competition, information disclosure and two-way selection, and will not treat any employees differently on the basis of their gender, age or marital status. We will check the original identity card, academic qualifications, social security and provident fund card, etc. of the applicants. We will sign a Labour Contract (《勞動合同》) with the employee within one month after he/she joins our Company. We have prepared an Employee Handbook (《員工手冊》) as an attachment to the Labour Contract, which sets out all the rules and regulations, including the contract, probationary period, change of employment, attendance, discipline, and termination of employment, so as to enable employees to integrate into the work team more quickly.

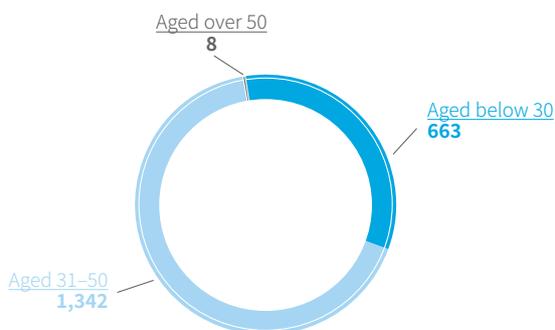
Number of employees (by gender)



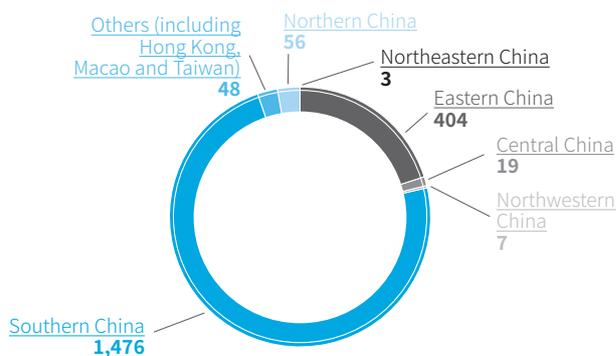
Number of employees (by employee category)



Number of employees (by age group)



Number of employees (by geographical region)



## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### *Offboarding management*

Employees are entitled to tender their resignation, but shall tender it in advance according to the procedural requirements in our Employee Handbook (《員工手冊》) and Offboarding Process (《離職流程》). The superiors and the talent momentum center will conduct exit interviews with them respectively to confirm the length of their annual leave and the last working day and settlement of salary. Employees must hand over their work and all work documents, client information, etc. prior to the date of their departure.

### *Prevention of child labour and forced labour*

The Group strictly prohibits any form of child labour or forced labour and we strictly prohibit the hiring of any minor under age 18. We have formulated the Regulations on Management of Employee Attendance and Leave (《員工考勤與休假管理規定》) to set out in detail the time of attendance of employees, the statutory festivals and annual leave. If employees need to work overtime or on statutory holidays, they need to fill in the Overtime Application Procedure (《加班申請流程》) for approval in advance, and they can apply for compensatory time off. The Employee Rights Protection Group will not only protect employees' rights and interests, but also take the initiative to monitor the working environment to prevent and deal with any infringement of employees' rights and interests. In the event of any irregularities, we will take relevant countermeasures.

During the Year, the Group was not aware of any cases of non-compliance relating to child labor and forced labor.

### **3.2. Employee Benefits**

We care for the needs of our employees and offer a variety of employee benefits. We have developed the Payroll Calculation and Disbursement Process (《薪資核算及發放流程》) and UBTECH Payroll Adjustment Process (《優必選科技調薪流程》). We provide employees with five social insurances and housing provident fund, including pension insurance, unemployment insurance, medical insurance, work injury insurance, maternity insurance and housing provident fund, according to the regulations. Employee's compensation consists of base salary, performance-based salary, overtime pay, various types of subsidies, business commission, project bonuses and other items. Base salary is paid according to the corresponding rank and position, performance-based salary and business commission are paid according to the completion of the responsibilities of the position and the achievement of results, and project bonus is an incentive programme, which is awarded for the completion of special work or contribution to the Company. Salary adjustments are made on a regular basis and are based on previous years' performance, human budget and market salary levels. The Group also provides various kinds of subsidies to our employees according to their needs, including telephone expenses, housing, transport, marriage, management training, etc. In addition to the subsidies, we also provide our employees with a wide range of leave benefits. Apart from the basic annual leave, we also provide bereavement leave, sick leave, work injury leave and personal leave.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### 3.3. Employee Development

#### *Employee training*

In order to increase the competitiveness of our employees and to cope with the rapid development of robotics and intelligence, we provide our employees with various training programmes on a regular basis. We have developed the Professional Talents Promotion Process (《專業人才晉升流程》), Training Requirement Application Process (《培訓需求申請流程》), Human Resources Control Procedures (《人力資源控制程序》), UBTEch Talent Development Framework (《優必選人才發展框架》), and the UBT Employee Performance Management Handbook (《UBT員工績效管理手冊》) to regulate employee training and promotion matters. The talent momentum center develops an annual training schedule, and any new employee is required to participate in the induction training. Each department head or manager will provide employees with professional skills training and guidance, and we will also provide all employees with intellectual property-related training and technical support to provide employees with product knowledge training and presentations. If necessary, we will allow our staff to attend training programmes organised by external training institutes or hire external trainers to conduct training for our staff. Trainees will be assessed to evaluate the effectiveness of the training. For those who do not meet the standards, we will conduct interviews and take modified measures. During the Year, we provide new employees with induction training content including corporate profile, information security training, safety knowledge, product technology introduction, robotics research overview and so on. In addition to new employees, we also provide employees with technical training, such as “Design of a Full Duplex Voice Dialogue System (全雙工語音對話系統設計)”, “Application of Dynamics in Mechanical Arm Control (動力學在機械臂控制中的應用)”, “Introduction and Application of ChatGPT (ChatGPT的介紹與應用)” and other courses.

Unit	Courses/lecture programmes
New employees	Training courses: Corporate profile; Code of conduct for employees; Information security training; Robotics research overview; Safety knowledge; Basic compliance knowledge; Product and technical introduction; AIGC driving innovation: education industry and product outlook; U factory corporate culture — A mystery tour
Professional and technical backbones	IDP/specialised training camps/teaching instead of learning; External communication/U-Talk; IDP/micro-class
Experts	External study exchange; IDP/on-the-job practice

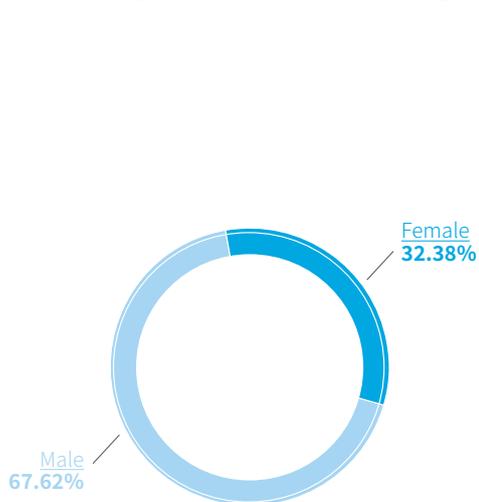
# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Unit	Courses/lecture programmes
Youkexing (優客行)	Lectures: Design of a Full Duplex Voice Dialogue System (《全雙工語音對話系統設計》); Application of Semantic VSLAM in Humanoid Robots (《語義VSLAM在人形機器人的應用》); Application of Dynamics in Mechanical Arm Control (《動力學在機械臂控制中的應用》); Scanning Machine: Principles and Applications of High Precision Data Acquisition and Processing Equipment (《掃圖機：高精度數據採集處理設備的原理與應用》); Intellectual Property Rights at Work (《工作裏的那些知識產權》); Design Method for High-efficiency Robot Servo Module (《高效率機器人伺服模組的設計方法》)
Other company levels	Lectures: IPO training; “Intelligent Robots” primary certification training

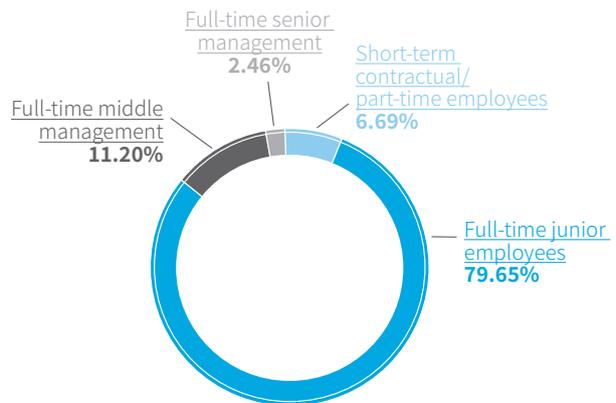
### Employee promotion

We support the career development of our employees and will promote capable employees in a fair and equitable manner. If an employee has met the relevant seniority requirements, achieved a satisfactory score in the performance appraisal, and has not been penalised, etc., he/she will be assessed for promotion, which includes a promotion defence and an inspection by the senior management as the reference for his/her qualifications. After approval of the results, the superiors will communicate with the employee and inform him/her of the promotion result.

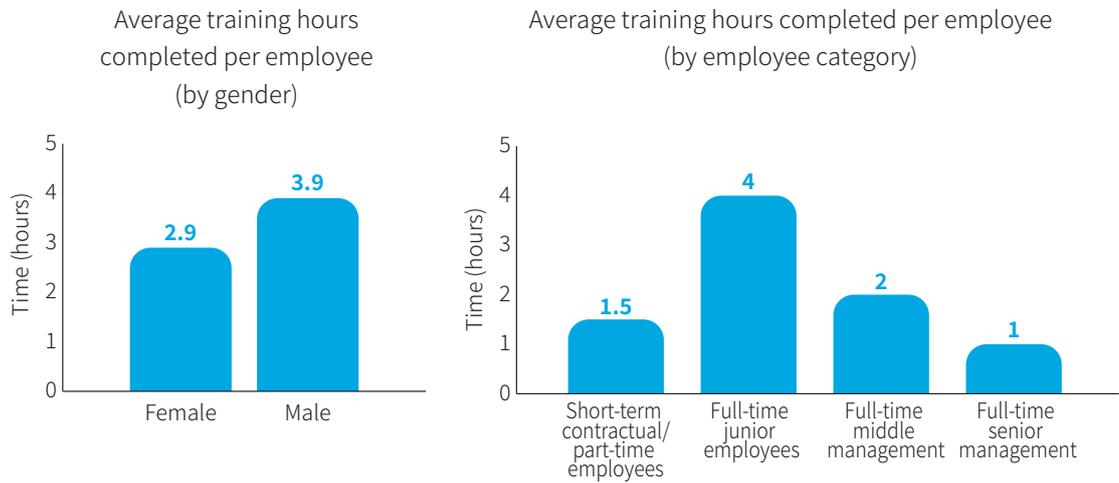
Percentage of employees trained (by gender)



Percentage of employees trained (by employee category)



# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT



### 3.4. Occupational Safety

We strictly abide by the Work Safety Law of the People’s Republic of China, and have formulated the Compilation of Production Safety Systems (《安全生產制度匯編》) and Hazard Source Identification and Risk Assessment Control Procedures (《危險源辨識和風險評價控制程序》). Our occupational health and safety management system has obtained the certification of ISO:45001:2018. We have taken a number of measures to protect the health and safety of our employees by setting up special funds for safety production, arranging scientific research funds for safety production, ensuring that we have the necessary funds and equipment for safety supervision, providing our employees with the necessary safety equipment and maintenance, and providing our employees with the necessary safety training and drills.

#### *Hazard source identification*

The quality department is responsible for organising the identification and evaluation of hazard sources in all departments. The identified objects include all physical, chemical, biological, psychological, physiologic and hazardous dangers that may occur in operational activities and services to employees, contractors and other related parties. We will carry out risk assessment on the hazard sources, calculate the risk value of the hazard sources, which includes the likelihood of the occurrence of the hazard sources, the frequency and the consequences of accidents, and then analyse and grade the hazard sources according to the risk value and take corresponding countermeasures.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### Safety management

We strictly implement safety management measures and implement a number of safety management measures to protect the health and safety of all personnel. We conduct regular safety inspections and maintenance of fire fighting facilities including fire water supply, fire extinguishers, emergency lighting, etc., and hold regular fire drills. We require electricians to have the necessary electrical knowledge, be familiar with the safe operation and maintenance operation procedures in accordance with their duties and the nature of their work, and pass the examination and obtain the relevant licenses before engaging in the work of electricians. We prohibit any unauthorized changes in electricity usage and require that the equipment be operated within the permitted load. We regularly inspect electrical equipment to ensure that it has adequate insulation strength and conductivity. We will provide employees with labor protective equipment with safety production license, industrial production and business license, product quality certification, safety signs, and we must classify and properly store all protective equipment to prevent any mold, moisture, corrosion and other conditions.

In the event of any accident, we will immediately rescue the injured employee, protect the scene of the accident, and notify the relevant leading unit or the person in charge of the safety leadership team. We will investigate the accident, analyze the cause of the accident, identify the nature of the accident and the responsibility, and summarize the lessons learned from the accident and make recommendations on how to deal with it, so as to prevent the recurrence of the accident. During the Year, the Group was not aware of any complaints or lawsuits relating to breaches of health and safety laws. In the last three years, the number of work-related fatalities in the Group was zero and during the Year, the number of days lost due to work-related injuries was 183.



GB/T 45001-2020/ISO45001:2018 Occupational Health and Safety Management System Certificate

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### 3.5. Employee Activities

We regularly carry out various activities to reduce the pressure of employees at work, enrich their spare time, and increase the unity and loyalty among colleagues. During the Year, we carried out a number of activities, including sports competitions and Women's Day celebrations, etc.

#### *AI Together 2023 Badminton Competition (羽AI同行2023羽毛球比賽)*

During the Year, UBTech held a badminton competition themed with "AI Together", with a total of 70 participants. This event came to a successful end at the Minzhi Badminton Hall (民治羽毛球館). This event was the first internal badminton professional mixed team competition, and a total of eight teams registered and cooperated with each other on the court to show the sports style.



"AI Together" Badminton Competition

#### *Women's Day Celebration*

On this year's March 8 Women's Day, UBTech held a special holiday event. At the event, we prepared roses and care cards for all employees, and conducted free dental and ophthalmic consultation. A girls-only gaming challenge was also held in the afternoon, and the goddesses of UBTech showed off their abundant female power.



Women's Day Celebration

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### *Celebration Party for Listing on HKEx & 2023 Annual Conference*

We shared with our employees a good news that UBTECH was successfully listed during the Year. UBTECH's entire staff celebrated the Company's successful listing with government representatives, shareholders, partners and other parties at a Celebration Party for Listing & 2023 Annual Conference at the Shekou Value Factory in Shenzhen.



Celebration Party for the Listing of UBTECH on HKEx & 2023 Annual Conference

### *UBTECH's 11th Anniversary Event*

In the vibrant spring, the UBTECH members gathered at the most beautiful waterfront walkway in Shenzhen, practicing the concept of green and low-carbon, and celebrating the 11th anniversary of UBTECH with an 11-kilometer hike, step by step, walking on dreams.



UBTECH's 11th Anniversary Event

## 4. ENVIRONMENTAL MANAGEMENT

UBTECH is deeply aware of the importance of sustainability as it grows. The Group promotes measures for pollution emissions and resource management based on the environmental policy of "driving energy conservation and consumption reduction, achieving pollution prevention, complying with laws and regulations, and protecting the global environment". We strictly comply with the provisions of the Environmental Protection Law of the People's Republic of China, the Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution and the Energy Conservation Law of the People's Republic of China, and have formulated policies, such as the Environment/Occupational Health and Safety Operation Control Procedures (《环境/职业健康安全运行控制程序》), the Quality, Environment, Occupational Health and Safety Management Manual (《质量、环境、职业健康安全管理手册》) and the Procedures for

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Identification, Evaluation and Control of Environmental Factors (《環境因素識別與評價控制程序》), to manage the Group’s detailed environmental impact assessment and control, targets and plan implementation in respect of electricity consumption, hazardous waste transfer and exhaust emissions. The Group has also set environmental targets, including:

- Ensuring the growth rate of energy consumption is approximately 5–10% lower than the growth rate of production in or before 2025, using 2023 as the base year;
- Reducing water consumption intensity by approximately 7% from 2023 in or before 2025;
- Lower the growth rate of GHG emissions by approximately 5%–10% than the growth rate of production in or before 2025, using 2023 as the base year;
- Achieving 100% of the rate of hazardous waste classification, disposal and transfer.

During the Year, the Group did not violate any laws relating to environmental protection or cause any major accidents affecting the environment and natural resources, nor was it notified of any penalties or lawsuits in the environmental field.

The environmental management system implemented by a number of subsidiaries and production bases of the Group has obtained the GB/T24001–2016/ISO14001:2015 Environmental Management System Certificate.



GB/T24001–2016/ISO14001:2015 Environmental Management System Certificate

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### 4.1. Resource Management

During the Year, the resource consumption of the Group was as follows:

Electricity consumption	Unit	2023
Total electricity consumption	MWh	3,134.97
Electricity consumption per square meter	MWh/m <sup>2</sup>	0.05
Electricity consumption per million RMB revenue	MWh/million RMB revenue	2.97

Water consumption	Unit	2023
Total water consumption	m <sup>3</sup>	28,126.64
Water consumption per square meter	m <sup>3</sup> /m <sup>2</sup>	0.41
Water consumption per million RMB revenue	m <sup>3</sup> /million RMB revenue	26.64

The Group pursues the principle of energy saving and consumption reduction in the use of resources to reduce the use of resources and avoid wastage. The water used by the Group all comes from municipal water supply. We conduct regular inspections of the Group's water supply system to ensure that the water supply equipment is in optimal working condition to prevent any leakage and to carry out immediate repairs to water equipment with leakage. We also post water-saving informational labels at all water fixtures. We educate our employees not to waste resources, save water, turn off lights when leaving, and turn off electrical appliances not in use. Some personnel also patrol regularly to turn off lamps and air conditioners not in use. The filters of air conditioners are cleaned regularly, and the cooling function of air conditioners is suspended in certain months of each year. When using air conditioners, the temperature is set at 26°C. Employees are allowed not to wear suits in hot weather to reduce power waste. We will regularly replace the equipment that are in lack or need to be replaced frequently to ensure such equipment are operating at optimal conditions. In terms of lighting, we will maximize the use of natural daylight, and adopt lamps with high energy efficiency. We will divide our office area into several different lighting zones and set up independent lamp switches in different lighting zones. We will use energy-efficient equipment and turn off electronic equipment during non-working hours. Relevant departments will regularly make statistics on the water consumption and electricity consumption of the departments and analyze the consumption as the basis for resource conservation and promoting energy conservation and consumption reduction. To reduce paper waste, we use double-sided photocopying or electronic communication and electronic office systems as much as possible. We also encourage employees to use double-sided printing and photocopying, and use recycled paper and waste paper to keep notes.

We will select and use materials that are in consistent with the requirements of the EU ROHS, REACH, WEEE and other environmental regulations for production. In particular, we have formulated the PLM System Material Qualification Management Specification (《PLM系統物料認證屬性管理規範》), under which engineers audit the environmental protection data provided by suppliers to ensure compliance with environmental protection-related requirements.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### Case — Realizing “Carbon Peaking and Carbon Neutrality” Hydrogen-powered Humanoid Robot



Puyang, the “Zhongyuan Hydrogen City (中原氢城)”, and UBTech reached a strategic cooperation and released the world’s first hydrogen-powered humanoid robot

World’s first hydrogen-powered humanoid robot “Yixing (一行)” was officially released

On September 28, 2022, the Group held the “Hydrogen-powered Life, AI Leading the Future — World’s First Hydrogen-powered Humanoid Robot Release and Puyang ‘Dual-Energy’ Integration Strategy Signing Ceremony”. In Puyang, the “Zhongyuan Hydrogen City”, we met with Yang Qingjiu, the secretary of the Municipal Party Committee of Puyang, Sun Haifeng, a member of the Party Committee and a deputy editor-in-chief of people.cn, Zhang Yu, a vice president and the secretary-general of the Hydrogen Energy Branch of Chinese Industrial Development Committee, Wan Zhengfeng, the mayor of Puyang, Zhou Feng, a vice mayor of Puyang, Guo Qingyuan, the secretary of the Party Work Committee of the Urban-rural Integration Demonstration Zone in Puyang City, Kong Wei, the director of the Management Committee of the Urban-rural Integration Demonstration Zone in Puyang City, Wang Yongmei, the general manager of Puyang Investment Group, etc.

During this event, we signed an agreement with Puyang City and the Urban-rural Integration Demonstration Zone to collaborate in terms of developing an AI and robotics demonstration zone, building an AI and robotics technology town, creating a cultural tourism project featured by robotics, and constructing technology exhibition halls and education bases, respectively, to develop the AI and robotics industries. In line with the Mid-to-long-term Plan for Development of Hydrogen Energy Industry (2021–2035) (《氢能产业发展中长期规划2021–2035》) introduced by the state, which identifies hydrogen energy as a key approach to the future national energy system, both parties will seize such opportunity to vigorously develop robotics and hydrogen energy and other future industries.

Additionally, we also launched the world’s first hydrogen-powered humanoid robot “Yixing (一行)” during this event. Hydrogen energy can promote the realization of zero carbon emission, with higher energy replenishment efficiency, stronger endurance, and maintains good power performance even in low-temperature environments.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### 4.2. Emissions Management

We conduct the calculation of greenhouse gases (GHG) for our subsidiaries and production sites in accordance with the Greenhouse Gas Protocol developed by the World Resources Institute and the World Business Council for Sustainable Development, and ISO 14064-1 standard set by the International Organization for Standardization, while air pollution emissions are calculated using the “How to Prepare an ESG Report — Appendix 2: Reporting Guidance on Environmental KPIs”.

GHG emissions	Unit	2023
Direct GHG emissions (Scope 1)	tonnes of carbon dioxide equivalent (tCO <sub>2</sub> e)	1.77
GHG emission removals from newly planted trees (Scope 1)	tCO <sub>2</sub> e	1.79
Indirect GHG emissions (Scope 2)	tCO <sub>2</sub> e	1,787.87
Total GHG Emissions (Scopes 1 & 2)	tCO <sub>2</sub> e	1,787.85
GHG emissions per square meter (Scopes 1 & 2)	tCO <sub>2</sub> e/m <sup>2</sup>	0.03
GHG emissions per million RMB revenue (Scopes 1 & 2)	tCO <sub>2</sub> e/million RMB revenue	1.69

Air pollution emissions	Unit	2023
Nitrogen oxides	kg	18.20
Particulate matter	kg	1.16

#### *Pollutant emissions management*

We register the discharge of stationary pollution sources in accordance with regulatory requirements and adopt appropriate methods to treat pollutants. We will engage a qualified third party to test our emissions to ensure that the concentration of emissions meets the emission requirements. During the Year, all emissions tested were in compliance with the standards. The Group has adopted a series of emission reduction measures to reduce pollutant emissions, such as the installation of active carbon absorption devices in the air outlets of our production sites and emissions at high altitudes. Vehicles used by the Group are subject to annual audit, and those fail the annual audit are prohibited from use. Any pollutants or sewage are strictly prohibited from being dumped into the rainwater pipeline. The oil-contained wastewater generated by the equipment in the air compressor room must be treated using oil-water separation equipment and then handed over to qualified suppliers for treatment. We will provide low-carbon and environmental protection training for our employees and try our best to use video conferencing instead of business travel. We also encourage employees to use low-carbon ingredients, take public transportation, etc. in corporate activities, and implement a low-carbon lifestyle in their daily lives.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### *Waste production management*

We will select a qualified third party recycling company for the recycling of the waste and enter into a contract with such company to stipulate the disposal of the waste in accordance with the legislation. We will classify all kinds of waste, such as non-recyclable general waste, recyclable general waste, hazardous waste, etc. In particular, hazardous waste is further divided into used oil, waste circuit board, waste tin slag, etc. Each waste will be classified and treated, and cannot be mixed with other types of waste. We will also enhance our staff's awareness of environmental protection, reduce the generation of waste, and make full recycling and rational use. During the Year, the Group generated 267,432.50 tonnes of non-hazardous waste and recovered 800 tonnes. The hazardous waste included 431.00 waste computers, 5,076.00 waste batteries, 97.50kg of waste wiping agent, and 1.00kg of waste tin slag, all of which have been recycled. In terms of packaging materials, the Group used 381,182.20kg of cartons, 216.00kg of paper, 845.28kg of plastics, 28,092.00kg of packaging bags and 40,000.00kg of wood.

### 4.3. Climate Change

We deeply recognize the importance of climate change. To address the impacts that may be caused by climate change on our business, we have also identified, assessed and managed climate change risks and opportunities during the Year. We identify various types of risks and opportunities, assess the risk levels and time frame which is divided into short term (within 5 years), medium term (5–15 years) and long term (over 15 years). We also assess the potential impacts on our business, strategy and finance, as well as the relevant countermeasures. We will actively explore and implement various countermeasures to address or capture the risks and opportunities associated with climate change.

#### *Climate change related risks*

Risk type	Risk level	Time frame	Potential impacts on business, strategy and finance	Countermeasures
Physical risk — extreme heat	Low	Short term	Increase in cooling demands leads to heightened energy consumption and increased electricity usage, which may cause a rise in operating costs, or regional power supply constraints, resulting in increased operating costs.	<p>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:</p> <ul style="list-style-type: none"> <li>Promoting awareness of high-temperature heat stroke among workers, ensuring they have a solid understanding of heat stroke prevention and cooling techniques.</li> <li>Adjusting production shifts, increasing night shifts and reducing day shifts as necessary, to avoid working in hot environments during daytime.</li> </ul>

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Risk type	Risk level	Time frame	Potential impacts on business, strategy and finance	Countermeasures
Physical risk — flood	Low	Medium term	Floods will cause damage to infrastructure offices and assembly locations (i.e. indoor factories) in certain low-lying areas, resulting in increased maintenance and operating costs.	<p>We also have developed the Flood Mitigation Emergency Plan (《抗洪減災應急預案》) and undertaken the following actions:</p> <ul style="list-style-type: none"> <li>• Entailing 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;</li> <li>• Promptly informing all workers at the production sites about the situation, deploying personnel to the production sites to provide assistance in flood relief efforts and conducting a comprehensive review of the emergency actions undertaken following the occurrence of the flooding hazard.</li> </ul>
Physical risk — wildfire	Low	Long term	Wildfire may have an impact on road traffic, which in turn may adversely affect the punctuality of product transportation.	<p>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:</p> <ul style="list-style-type: none"> <li>• Ensuring an ample supply of fire-fighting equipment, both in terms of quantity and appropriate types.</li> <li>• Strengthening the inspection and monitoring of critical fire safety workplaces and areas.</li> <li>• Delivering comprehensive fire safety education to workers, with the objective of augmenting their awareness of fire safety and fostering self-rescue capabilities.</li> </ul>

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Risk type	Risk level	Time frame	Potential impacts on business, strategy and finance	Countermeasures
Transition risk — policy and regulation — tighter regulation by the Chinese government	Low	Short term, medium term, long term	China will continue to develop policies and regulations addressing climate change, which may entail additional expenses of compliant operation. Moreover, regulators are expected to impose stricter environmental requirements on us.	<ul style="list-style-type: none"> <li>We will continuously prioritize awareness and understanding of China's regulatory landscape to mitigate potential regulatory risks.</li> <li>We will actively implement the use of energy-efficient electrical equipment and production facilities to enhance staff awareness of energy conservation and emission reduction, and reduce emissions and resource consumption to prevent additional compliance costs resulting from exceeding emission standards.</li> </ul>
Transition risk — policy and regulation — strengthening GHG 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, operating 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.
Transition risk — policy and regulation — implementing carbon pricing regulations	Low	Medium term	The implementation of carbon pricing will facilitate the adoption of more carbon pricing regulations, such as carbon taxes, and market-based mechanisms like cap-and-trade, which 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.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Risk type	Risk level	Time frame	Potential impacts on business, strategy and finance	Countermeasures
Transition risk -market — changes in customer 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》) to foster a green supply chain and prioritize the utilization of environmentally-friendly products.
Transition risk — reputation — close attention paid by various stakeholders to carbon emissions	Low	Medium term, long term	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, as well as the rigorous implementation of environmental systems. We closely monitor our carbon emissions and take proactive measures to address any issues that arise.
Transition risk — 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 for us to enhance the development of environmental protection processes and 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.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

*Climate change related opportunities*

Type of opportunity	Time frame	Potential impacts on business, strategy and finance	Countermeasures
Accessing new markets	Short term Medium term	<p>The Mid-to-long-term Plan for Development of Hydrogen Energy Industry (2021-2035) (《氢能產業發展中長期規劃2021-2035》) released in April 2022 emphasizes that hydrogen energy is a crucial component of the future national energy system and a key area for development.</p> <p>Additionally, AI, as the technological core of the fourth industrial revolution, has a profound and extensive impact on economic development and social progress.</p>	<p>Hydrogen energy offers the advantage of zero carbon emissions during consumption. We are actively exploring the incorporation of new energy sources, such as hydrogen energy, into our products to align ourselves with China's objective of achieving "carbon peaking and carbon neutrality" while promoting green and high-quality economic development.</p>
Resource efficiency	Short term	<p>Enhancing the efficiency of resource utilization, including energy, water, and other resources, while minimizing consumption, can significantly assist companies in reducing operating costs.</p>	<ul style="list-style-type: none"> <li>• Actively implementing measures for green office and operation.</li> <li>• Implementing energy-saving and water-saving measures to increase energy and water efficiency.</li> </ul>

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### 5. COMMUNITY WELFARE

UBTech cares about community development, promotes community public welfare activities, and gives back to the society while developing its business. During the Year, we have collaborated with various organizations to launch a number of activities, including “Idle Market 2.0 (閑置集市2.0)”, “Christmas and New Year Celebration” and “Fun Sports Game — Searching for Childhood Memories (趣味運動會 — 尋找童年的記憶)”. During the Year, we invested a total of RMB301,655.00 for 48 hours, with 70 participants.

#### Fun Sports Games — Searching for Childhood Memories

Shanghai UBTECH Intelligent Health Technology Development Co., Ltd. and Shanghai Heart Wings Volunteer Service Team held an elaborate sports game at Yi’an Nursing Home in Yangpu District. Our volunteers and elderly people teamed up to participate in various competitions, such as bowling, ring toss, and pitching pots and arrows, enriching the lives of the elderly.



## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### Christmas and New Year Celebration

In addition to the fun game, we also held the Christmas and New Year Celebration at the Nursing Home to bring holiday warmth to the elderly during the Year. Our volunteers worked with the elderly to create hand-made works, making "health hammers" to take care of and care for their health.



# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## APPENDIX I: ABOUT THE REPORT

### Introduction to the Report

This report is the first Environmental, Social and Governance (“ESG”) Report (the “Report”) issued by UBTECH ROBOTICS CORP LTD (the “Group”, “UBTech”, and “we”, “our” or “us”). The Report discloses the Group’s ESG policies, guidelines, objectives and measures to share our work and efforts in sustainable development with stakeholders. We will continue to make changes to promote the development of the society and enterprises.

### Reporting Standard

The Report has been prepared in accordance with the mandatory disclosure requirements and “comply or explain” provisions of the Environmental, Social and Governance Reporting Guide as set out in Appendix C2 to the Listing Rules issued by The Stock Exchange of Hong Kong Limited, and the four reporting principles in the Guide.

- **Materiality:** We have identified and disclosed the process of important ESG issues and the criteria for selecting these issues, as well as described the process of stakeholder engagement herein.
- **Consistency:** The statistical methodologies applied to the data disclosed in the Report shall be consistent. Any changes will be stated clearly in the Report.
- **Quantitative:** The statistical standards, methodologies, assumptions and calculation tools used for ESG key performance indicators (KPIs) and relevant data disclosed in the Report, as well as the sources of conversion factors are all described herein.
- **Balance:** This is the first report of the Group. In the event of any changes in the statistical methodologies or KPIs used herein, or any other relevant factors that may affect meaningful comparisons, the Group will make disclosures in subsequent reports.

### Scope of the Report

The disclosure period of the Report is from January 1, to December 31, 2023 (the “Year”). The scope of social disclosure covered in the Report is consistent with that in the Annual Report, while the environmental disclosure involves the production bases and offices of the Group, including the Nanshan office in Shenzhen, the Shenzhen factory, the Liuzhou office, the Uqi office in Shenzhen, the Kunming office, the Wuxi office and factory, the Youbixing office in Jiujiang, the Xiamen factory, the Shijiazhuang factory, and the Guizhou factory.

### Reporting Languages

The Report is published in both versions of Chinese and English. In case of any discrepancies, the Chinese version shall prevail.

### Confirmation and Approval

The Report was considered and passed by the Board of the Group on March 28, 2024 upon confirmation by the management.

### Feedback on the Report

The Group highly values everyone’s opinions and suggestions on the Report, and feedback on the Report is welcomed. If you have any inquiries or suggestions, please feel free to contact us via the following channels.

Address: 22/F, Building C1, Nanshan Smart Park, No. 1001 Xueyuan Avenue, Nanshan District, Shenzhen

Telephone number: 0755-83474428

Email: investor@ubtrobot.com

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## APPENDIX II: SUSTAINABILITY DATA SUMMARY

Environmental Aspect	Unit	2023
<b>Air pollutant emissions<sup>1,2</sup></b>		
Nitrogen oxides	kg	18.20
Particulate matter	kg	1.16
<b>GHG emissions<sup>1</sup></b>		
Direct GHG emissions (Scope 1)	tCO <sub>2</sub> e	1.77
GHG emission removals from newly planted trees (Scope 1)	tCO <sub>2</sub> e	1.79
Indirect GHG emissions (Scope 2)	tCO <sub>2</sub> e	1,787.87
Total GHG emissions (Scopes 1 and 2)	tCO <sub>2</sub> e	1,787.85
Intensity of GHG emissions (per square meter) (Scopes 1 & 2)	tCO <sub>2</sub> e/m <sup>2</sup>	0.03
GHG emissions per million RMB revenue (Scopes 1 and 2)	tCO <sub>2</sub> e/million RMB revenue <sup>3</sup>	1.69
<b>Energy consumption</b>		
Purchased electricity consumption	MWh	3,134.97
Intensity of purchased electricity consumption (per square meter)	MWh/m <sup>2</sup>	0.05
Purchased electricity consumption per million RMB revenue (Scopes 1 and 2)	MWh/million RMB revenue <sup>3</sup>	2.97
Diesel consumption	litre	676.82
<b>Water consumption</b>		
Total water consumption	m <sup>3</sup>	28,126.64
Water consumption intensity (per square meter)	m <sup>3</sup> /m <sup>2</sup>	0.41
Water consumption per million RMB revenue (Scopes 1 and 2)	m <sup>3</sup> /million RMB revenue <sup>3</sup>	26.64
<b>Paper usage</b>		
Total paper usage	kg	5,042.19
Paper usage intensity per person	kg/person	2.82

<sup>1</sup> Air pollutant emissions and GHG emissions of the Group are calculated with reference to "How to prepare an ESG Report — Appendix 2: Reporting Guidance on Environmental KPIs" issued by the HKEx, "Technical Guidelines for Compilation of Non-road Mobile Sources Emissions Inventory (Trial)" and "Research on Quantitative Methodology of Greenhouse Gas Emissions from Public Transportation in Shenzhen (深圳市公共交通溫室氣體排放量方法學研究)".

<sup>2</sup> The Group does not own any motor vehicles.

<sup>3</sup> Revenue data is derived from the 2023 Annual Report.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Environmental Aspect	Unit	2023
<b>Waste produced<sup>4</sup></b>		
Total non-hazardous waste produced	tonnes	267,432.50
Non-hazardous waste per person	tonnes/person	149.82
Waste computers produced	unit	431.00
Waste batteries generated	piece	5,076.00
Waste tin slag	kg	1.00
Waste wiping agent	kg	97.50
<b>Use of packaging materials</b>		
Cartons	kg	381,182.20
Paper	kg	216.00
Plastics	kg	845.28
Packaging bags	kg	28,092.00
Wood	kg	40,000.00

<sup>4</sup> The waste ink cartridges are provided and recycled by the printer supplier on a uniform basis without any relevant records.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Social Aspect	Unit	2023
<b>Number of employees</b>		
Total number of employees	person	2,013
<b>Number of employees by gender</b>		
Female	person	692
Male	person	1,321
<b>Number of employees by employee category<sup>5</sup></b>		
Short-term contractual/part-time employees	person	106
Full-time junior employees	person	966
Full-time middle management	person	1,013
Full-time senior management	person	34
<b>Number of employees by age group</b>		
Aged below 30	person	663
Aged 31–50	person	1,342
Aged over 50	person	8
<b>Number of employees by geographical region</b>		
Northern China	person	56
Northeastern China	person	3
Eastern China	person	404
Central China	person	19
Northwestern China	person	7
Southern China	person	1,476
Others (including Hong Kong, Macau and Taiwan)	person	48

<sup>5</sup> Other employee categories (gender, age and region) and employee turnover rates do not include short-term contractual/part-time employees

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Social Aspect	Unit	2023
<b>Turnover rate<sup>6</sup></b>		
Total employee turnover	%	22.16
<b>Employee turnover rate by gender</b>		
Female	%	20.73
Male	%	22.88
<b>Employee turnover rate by age group</b>		
Aged below 30	%	26.25
Aged 31-50	%	19.78
Aged over 50	%	42.86
<b>Employee turnover rate by geographical region</b>		
Northern China	%	21.12
Northeastern China	%	0.00
Eastern China	%	32.55
Central China	%	20.83
Northwestern China	%	22.22
Southern China	%	18.68
Others (including Hong Kong, Macau and Taiwan)	%	26.15
<b>Occupational health and safety</b>		
Number of work-related fatalities occurred in each of the past three years including the reporting year	person	0
Rate of work-related fatalities occurred in each of the past three years including the reporting year	%	0.00
Number of lost days due to work injury	day	183

<sup>6</sup> Calculation of employee turnover in different categories: Number of departed employees ÷ (number of departed employees + year-end employees) x 100%

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Social Aspect	Unit	2023
<b>Development and training</b>		
<b>Percentage of employees trained by gender<sup>7</sup></b>		
Female	%	32.38
Male	%	67.62
<b>Percentage of employees trained by employee category<sup>4</sup></b>		
Short-term contractual/part-time employees	%	6.69
Full-time junior employees	%	79.64
Full-time middle management	%	11.20
Full-time senior management	%	2.46
<b>Average training hours per trained employee by gender</b>		
Female	hours	2.90
Male	hours	3.90
<b>Average training hours per trained employee by employee category</b>		
Short-term contractual/part-time employees	hours	1.50
Full-time junior employees	hours	4.00
Full-time middle management	hours	2.00
Full-time senior management	hours	1.00

<sup>7</sup> Calculation method for the percentage of employees trained in different categories: number of trained employees in that category ÷ total number of trained employees x 100%

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## APPENDIX III: INDEX OF THE ESG REPORTING GUIDE OF HKEX

Indicator Content		Respective Section	
<b>Mandatory Disclosure Requirements</b>			
<b>A. Environmental Aspect</b>			
A1. Emissions	General Disclosure	Information on: the policies; and compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	4. Environmental Management
	A1.1	Types of emissions and respective emissions data.	Appendix II: Sustainability Data Summary
	A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions and intensity.	Appendix II: Sustainability Data Summary
	A1.3	Total hazardous waste produced and intensity.	Appendix II: Sustainability Data Summary
	A1.4	Total non-hazardous waste produced and intensity.	Appendix II: Sustainability Data Summary
	A1.5	Description of emission target(s) set and steps taken to achieve them.	4.2 Emissions Management
	A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	4.2 Emissions Management
A2. Use of Resources	General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	4.1 Resource Management
	A2.1	Direct and/or indirect energy consumption by type in total and intensity.	Appendix II: Sustainability Data Summary
	A2.2	Water consumption in total and intensity.	Appendix II: Sustainability Data Summary
	A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	4. Environmental Management
	A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	4. Environmental Management
	A2.5	Total packaging material used for finished products and with reference to per unit produced.	4.1 Resource Management
			Appendix II: Sustainability Data Summary

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Indicator Content				Respective Section	
A3.	The Environment and Natural Resources	General Disclosure	Policies on minimizing the issuer's significant impacts on the environment and natural resources.	4.	Environmental Management
		A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	4.	Environmental Management
A4.	Climate Change	General Disclosure	Policies on identification and mitigation of significant climate related issues which have impacted, and those which may impact, the issuer.	4.4	Climate Change
		A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	4.4	Climate Change
<b>B. Social Aspect</b>					
<b>Employment and Labour Practices</b>					
B1.	Employment	General Disclosure	Information on: the policies; and compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	3.	Talent Management
		B1.1	Total workforce by gender, employment type (for example, full-time or part-time), age group and geographical region.	Appendix II: Sustainability Data Summary	
		B1.2	Employee turnover rate by gender, age group and geographical region.	Appendix II: Sustainability Data Summary	
B2.	Health and Safety	General Disclosure	Information on: the policies; and compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	3.4	Occupational Safety
		B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	Appendix II: Sustainability Data Summary	
		B2.2	Lost days due to work injury.	Appendix II: Sustainability Data Summary	
		B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	3.4	Occupational Safety

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Indicator Content				Respective Section	
B3.	Development and Training	General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	3.3	Employee Development
		B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Appendix II: Sustainability Data Summary	
		B3.2	The average training hours completed per employee by gender and employee category.	Appendix II: Sustainability Data Summary	
B4.	Labour Standards	General Disclosure	Information on: the policies; and compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	3.1	Employment Management
		B4.1	Description of measures to review employment practices to avoid child and forced labour.	3.1	Employment Management
		B4.2	Description of steps taken to eliminate such practices when discovered.	3.1	Employment Management
<b>Operating Practices</b>					
B5.	Supply Chain Management	General Disclosure	Policies on managing environmental and social risks of the supply chain.	2.5	Supply and Procurement Management
		B5.1	Number of suppliers by geographical region.	2.5	Supply and Procurement Management
		B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	2.5	Supply and Procurement Management
		B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	2.5	Supply and Procurement Management
		B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	2.5	Supply and Procurement Management

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Indicator Content				Respective Section	
B6.	Product Responsibility	General Disclosure	Information on: the policies; and compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	2.1	Product Quality Management
		B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	2.2	Customer Service Management
		B6.2	Number of products and service related complaints received and how they are dealt with.	2.2	Customer Service Management
		B6.3	Description of practices relating to observing and protecting intellectual property rights.	2.3	Intellectual Property Management
		B6.4	Description of quality assurance process and recall procedures.	2.1 2.2	Product Quality Management; Customer Service Management
B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	2.4	Information Security Management		
B7.	Anti-corruption	General Disclosure	Information on: the policies; and compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	1.5	Integrity Operation
		B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	1.5	Integrity Operation
		B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	1.5	Integrity Operation
		B7.3	Description of anti-corruption training provided to directors and staff.	1.5	Integrity Operation

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Indicator Content				Respective Section	
B8.	Community Investment	General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	5.	Community Welfare
		B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	5.	Community Welfare
		B8.2	Resources contributed (e.g. money or time) to the focus area.	5.	Community Welfare

# AUDITOR'S REPORT



普华永道

PwC ZT Shen Zi (2024) No.15001

(Page 1 of 8)

TO THE SHAREHOLDERS OF UBTECH ROBOTICS CORP LTD (深圳市優必選科技股份有限公司),

## I. OPINION

### (I) What we have audited

We have audited the accompanying financial statements of UBTECH ROBOTICS CORP LTD (深圳市優必選科技股份有限公司) (hereinafter "UBTECH"), which comprise:

- the consolidated and company balance sheets as at December 31, 2023;
- the consolidated and company income statements for the year then ended;
- the consolidated and company cash flow statements for the year then ended;
- the consolidated and company statements of changes in shareholders' equity for the year then ended; and
- notes to the financial statements.

### (II) Our opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated and company's financial position of UBTECH as at December 31, 2023, and their financial performance and cash flows for the year then ended in accordance with the requirements of Accounting Standards for Business Enterprises ("CASs").

## II. BASIS FOR OPINION

We conducted our audit in accordance with China Standards on Auditing ("CSAs"). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of UBTECH in accordance with the Code of Ethics for Professional Accountants of the Chinese Institute of Certified Public Accountants ("CICPA Code"), and we have fulfilled our other ethical responsibilities in accordance with the CICPA Code.

普華永道中天會計師事務所(特殊普通合夥)

PricewaterhouseCoopers Zhong Tian LLP, 11/F PricewaterhouseCoopers Center  
Link Square 2, 202 Hu Bin Road, Huangpu District, Shanghai 200021, PRC

T: +86 (21) 2323 8888, F: +86 (21) 2323 8800, [www.pwccn.com](http://www.pwccn.com)



普华永道

PwC ZT Shen Zi (2024) No.15001

(Page 2 of 8)

### III. KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarized as follows:

- (I) Assessment of net realizable value of inventories
- (II) Measurement of expected credit loss on accounts receivables

#### Key Audit Matter

#### How our audit addressed the Key Audit Matter

##### (I) Assessment of net realizable value of inventories

We have performed the following audit procedures to address the assessment of net realizable value of inventories, including:

Please refer to notes 2(10), 2(27) and 4(6) to the financial statements.

As at December 31, 2023, the gross amount of UBTECH's inventories was RMB427,485,000, the provision for decline in the value of inventories was RMB11,461,000, and the carrying amount was RMB416,024,000, which accounted for 8.7% of the consolidated total assets.

- Obtained an understanding of the management's internal controls and assessment processes relevant to the assessment of net realizable value of inventories and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as complexity, subjectivity, changes and susceptibility to management bias or fraud and other fraud risk factors;
- Understood and evaluated the appropriateness of the methodology adopted by the management for the measurement of net realizable value of inventories;
- Evaluated the outcome of prior period assessment of the net realizable value of inventories by comparing with the actual sales of current year to assess the effectiveness of management's estimation and whether there were indicators of possible management bias;

## AUDITOR'S REPORT



普华永道

PwC ZT Shen Zi (2024) No.15001

(Page 3 of 8)

III. KEY AUDIT MATTERS *(continued)*

Key Audit Matter	How our audit addressed the Key Audit Matter
<p><b>(I) Assessment of net realizable value of inventories</b> <i>(continued)</i></p> <p>UBTECH's inventories mainly include raw materials, work in progress, finished goods, goods in transit and contract fulfilment costs, which are measured at the lower of cost and net realizable value. Net realizable value is determined base of the estimated selling price, less the costs of completion, estimated contract fulfilment costs, estimated selling expenses and related taxes. Regarding estimated selling price, the estimation is based on the agreed price of existing sale contracts or sale orders. If agreed price does not exist, the selling price is estimated based on current market selling price.</p> <p>We considered the assessment of net realizable value of inventories as a key audit matter as the carrying amount of inventory is significant and the assessment involves complex accounting estimates and judgements.</p>	<p>We have performed the following audit procedures to address the assessment of net realizable value of inventories, including: <i>(continued)</i></p> <ul style="list-style-type: none"> <li>• Understood and evaluated the reasonableness of the management's key assumptions and judgements for the assessment of net realizable of inventories, including the estimated selling price of inventories, the estimated total costs of completion, the estimated contract fulfilment costs, estimated selling expenses and related taxes, and tested, on a sampling basis, by:               <ol style="list-style-type: none"> <li>(1) Compared the estimated selling price of inventories with the signed sales contracts or sale orders of UBTECH, and the current selling price of the same or similar type of products;</li> <li>(2) Compared total and the estimated contract fulfilment costs with the total recent cost of the same or similar type of products sold;</li> <li>(3) Compared the estimated selling expenses and related taxes with the actual selling expenses and related taxes of the same or similar type of products sold;</li> </ol> </li> <li>• Recalculated the net realizable value of inventories to assess the accuracy of the management's calculation;</li> <li>• Assessed the adequacy of the disclosures related to the assessment of net realizable value of inventories under the relevant requirements of the CASs.</li> </ul> <p>Based on the abovementioned procedures performed, we considered that management's key assumptions and judgements applied in the assessment of net realizable value of inventories were supportable by the audit evidence obtained.</p>



普华永道

PwC ZT Shen Zi (2024) No.15001

(Page 4 of 8)

### III. KEY AUDIT MATTERS (continued)

#### Key Audit Matter

#### How our audit addressed the Key Audit Matter

#### (II) Measurement of expected credit loss on accounts receivables

We have performed the following audit procedures to address the measurement of expected credit loss on accounts receivables, including:

Please refer to notes 2(9), 2(27) and 4(3) to the financial statements.

As at December 31, 2023, the gross amount of UBTECH's accounts receivables was RMB1,068,734,000, the provision for bad debts was RMB235,061,000, and the carrying amount was RMB833,673,000, which accounted for 17.5% of the consolidated total assets.

UBTECH measured the impairment provision for all accounts receivables according to the expected credit loss within their entire lifetime. Management assessed the expected credit loss on accounts receivable on a individual or collective basis:

- (1) For accounts receivables with significantly different credit risk characteristics, the expected credit loss, before taking into account the forward-looking adjustment, is calculated based on the difference between the carrying amount of the account receivable on a individual basis and the present value of the expected cash flows under various scenarios;
- (2) For the remaining balance of accounts receivables, the probability of default and loss given default is determined based on the external credit rating and the industry of the counterparty, and expected credit loss before adjustments of forward-looking information in the calculation of the exposure to default risk;

- Obtained an understanding of the management's internal controls and assessment process relevant to the measurement of expected credit loss on accounts receivables, including management's identification of accounts receivables, with shared credit risk characteristics, the classification of individual or collective basis, and the review and approval of the key assumptions adopted and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as complexity, subjectivity, changes, and susceptibility to management bias and other fraud risk factors;
- Evaluated the appropriateness of management's classification of accounts receivables based on the understanding of UBTECH's business and the credit risk characteristics of customers;
- Tested, on a sampling basis, the accuracy of the classification of accounts receivables ageing and the past-due ageing;
- For accounts receivables that expected credit loss assessed individually, examined the accuracy of the exposure at default for each counterparty, understood the basis of management's measurement of expected credit loss under various scenarios, and tested, on a sampling basis, the relevant supporting evidence to assess the reasonableness of management's estimate of expected credit loss;
- For accounts receivables that expected credit loss is assessed on collective basis, examined the accuracy of the exposure at default for each counterparty, and the accuracy of the external credit ratings of the counterparties and the information on the industries in which the counterparties are located, on which the key assumptions determination is based on, was tested, on a sampling basis;

## AUDITOR'S REPORT



普华永道

PwC ZT Shen Zi (2024) No.15001

(Page 5 of 8)

III. KEY AUDIT MATTERS *(continued)*

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>(II) <b>Measurement of expected credit loss on accounts receivables</b> <i>(continued)</i></p> <p>(3) Taking into account the forward-looking adjustment factor in respect of current and future economic conditions and calculated the expected credit loss of accounts receivables on a individual and collective basis.</p> <p>We considered the measurement of expected credit loss on accounts receivables as a key audit matter as it has a significant impact to the financial statements and involves complex accounting estimates and judgements.</p>	<p>We have performed the following audit procedures to address the measurement of expected credit loss on accounts receivables, including: <i>(continued)</i></p> <ul style="list-style-type: none"> <li>• With the assistance of internal valuation specialists,               <ol style="list-style-type: none"> <li>(1) Assessed the reasonableness of the models of measurement used by management;</li> <li>(2) Assessed the reasonableness of probabilities of default and loss given default used by counterparties with different external credit ratings and within different industries;</li> <li>(3) Examined management's selection of economic factors to assess the appropriateness of management's assessment of forward-looking information, by reference to industry and external macroeconomic data, and the relevance between the asset portfolio and economic indicators;</li> <li>(4) Performed sensitivity analysis on the assumptions adopted by management in the assessment of forward-looking information to assess the potential impact on the measurement of expected credit loss on accounts receivables in the event of a reasonable and probable change in the relevant key assumptions happened;</li> </ol> </li> <li>• Recalculated the amount of expected credit loss to assess the accuracy of management's calculations;</li> <li>• Assessed the adequacy of the disclosures related to the measurement of expected credit loss on accounts receivables under the relevant requirements of the CASs.</li> </ul>

Based on the abovementioned procedures performed, we considered that management's key assumptions and judgements applied in the measurement of expected credit loss on accounts receivables were supportable by the audit evidence obtained.



普华永道

PwC ZT Shen Zi (2024) No.15001  
(Page 6 of 8)

#### IV. OTHER INFORMATION

Management of UBTECH is responsible for the other information. The other information comprises all of the information included in 2023 annual report of UBTECH other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

#### V. RESPONSIBILITIES OF MANAGEMENT AND AUDIT COMMITTEE FOR THE FINANCIAL STATEMENTS

Management of UBTECH is responsible for the preparation and fair presentation of these financial statements in accordance with the CASs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Audit Committee is responsible for overseeing UBTECH's financial reporting process.

#### VI. AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether these financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with CSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

## AUDITOR'S REPORT



普华永道

PwC ZT Shen Zi (2024) No.15001

(Page 7 of 8)

**VI. AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS *(continued)***

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

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

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



普华永道

PwC ZT Shen Zi (2024) No.15001  
(Page 8 of 8)

## VI. AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS *(continued)*

We also provide Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with Audit Committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

PricewaterhouseCoopers Zhong Tian LLP	Signing CPA	Wang Yinming (Engagement Partner)
Shanghai, the People's Republic of China March 28, 2024	Signing CPA	Huangfu Xin

# CONSOLIDATED AND COMPANY BALANCE SHEET

AS AT DECEMBER 31, 2023

(ALL AMOUNTS IN RMB' 000 UNLESS OTHERWISE STATED)

		December 31, 2023 Consolidated	December 31, 2022 Consolidated	December 31, 2023 Company	December 31, 2022 Company
<b>Assets</b>	Note				
<b>Current assets</b>					
Cash at bank and on hand	4(1)	541,402	193,579	212,648	98,149
Notes receivables	4(2)	6,641	12,398	—	150
Accounts receivables	4(3), 14(1)	833,673	649,655	389,099	323,802
Prepayments	4(4), 14(2)	120,408	61,245	160,351	160,372
Other receivables	4(5), 14(3)	869,456	50,441	1,637,547	783,462
Inventories	4(6)	416,024	326,166	245,066	184,796
Assets held for sale		—	12,466	—	—
Other current assets	4(7)	129,633	79,209	18,456	1,283
<b>Total current assets</b>		<b>2,917,237</b>	1,385,159	<b>2,663,167</b>	1,552,014
<b>Non-current assets</b>					
Long-term equity investments	4(8), 14(4)	19,929	—	3,138,909	2,087,276
Investment in other equity instruments	4(9)	6,073	5,573	1,278	1,202
Fixed assets	4(10)	141,830	159,141	33,014	51,137
Construction in progress	4(11)	1,010,999	578,420	—	—
Right-of-use assets	4(12)	65,719	55,208	18,757	13,239
Intangible assets	4(13)	439,245	459,303	8,733	1,668
Goodwill	4(14)	52,221	75,587	—	—
Long-term prepaid expenses	4(15)	26,741	21,619	7,427	9,196
Other non-current assets	4(16)	85,641	47,992	4,378	809
<b>Total non-current assets</b>		<b>1,848,398</b>	1,402,843	<b>3,212,496</b>	2,164,527
<b>Total assets</b>		<b>4,765,635</b>	2,788,002	<b>5,875,663</b>	3,716,541

## CONSOLIDATED AND COMPANY BALANCE SHEET

AS AT DECEMBER 31, 2023  
(ALL AMOUNTS IN RMB' 000 UNLESS OTHERWISE STATED)

Liabilities and Shareholders' equity	Note	December 31, 2023 Consolidated	December 31, 2022 Consolidated	December 31, 2023 Company	December 31, 2022 Company
<b>Current liabilities</b>					
Short-term borrowings	4(18)	777,223	324,468	682,199	233,462
Notes payable	4(19)	3,964	—	50,000	58,000
Accounts payables	4(20)	412,534	305,406	701,733	540,300
Contract liabilities	4(21)	58,945	84,509	134,321	196,287
Employee benefits payable	4(22)	152,319	182,463	94,990	126,754
Taxes payable	4(23)	73,620	68,054	18,097	7,397
Other payables	4(24)	382,829	337,893	2,172,709	1,392,429
Non-current liabilities to be settled within one year	4(25)	62,771	37,164	8,633	5,129
Other current liabilities	4(26)	27,900	24,538	9,262	8,086
<b>Total current liabilities</b>		<b>1,952,105</b>	1,364,495	<b>3,871,944</b>	2,567,844
<b>Non-current liabilities</b>					
Long-term borrowings	4(27)	648,989	295,891	—	—
Lease liabilities	4(28)	41,514	31,273	10,597	8,048
Deferred income	4(29)	32,889	41,164	27,556	40,164
Deferred tax liabilities	4(30)	1,255	1,255	—	—
<b>Total non-current liabilities</b>		<b>724,647</b>	369,583	<b>38,153</b>	48,212
<b>Total liabilities</b>		<b>2,676,752</b>	1,734,078	<b>3,910,097</b>	2,616,056

## CONSOLIDATED AND COMPANY BALANCE SHEET

AS AT DECEMBER 31, 2023

(ALL AMOUNTS IN RMB' 000 UNLESS OTHERWISE STATED)

<b>Liabilities and Shareholders' equity</b>	Note	<b>December 31, 2023 Consolidated</b>	December 31, 2022 Consolidated	<b>December 31, 2023 Company</b>	December 31, 2022 Company
<b>Shareholders' equity</b>					
Share capital	4(31)	417,851	396,173	417,851	396,173
Capital surplus	4(32), 14(5)	7,212,784	5,014,876	6,943,102	4,973,815
Other comprehensive income/ (loss)	4(33)	8,985	(4,611)	(6,722)	(6,798)
Accumulated losses		<u>(5,679,207)</u>	<u>(4,445,159)</u>	<u>(5,388,665)</u>	<u>(4,262,705)</u>
<b>Total equity attributable to the shareholders of the Company</b>		<b>1,960,413</b>	961,279		
Minority interests		<u>128,470</u>	<u>92,645</u>		
<b>Total Shareholders' equity</b>		<b>2,088,883</b>	1,053,924	<b>1,965,566</b>	1,100,485
<b>Total liabilities and Shareholders' equity</b>		<b>4,765,635</b>	2,788,002	<b>5,875,663</b>	3,716,541

The accompanying notes to the financial statements are an integral part of the financial statements.

*Legal representative:*

**Zhou Jian**

*Principal in charge of  
accounting:*

**Zhang Ju**

*Head of the accounting  
department:*

**Chen Daocheng**

# CONSOLIDATED AND COMPANY INCOME STATEMENT

FOR THE YEAR 2023  
(ALL AMOUNTS IN RMB' 000 UNLESS OTHERWISE STATED)

Item	Note	2023	2022	2023	2022
		Consolidated	Consolidated	Company	Company
<b>I. Revenue</b>	4(34), 14(6)	<b>1,055,698</b>	1,008,272	<b>602,926</b>	532,279
Less: Cost of sales	4(34), 4(39), 14(6)	<b>(722,880)</b>	(611,104)	<b>(562,154)</b>	(477,403)
Taxes and surcharges	4(35)	<b>(8,593)</b>	(6,206)	<b>(1,315)</b>	(1,365)
Selling expenses	4(36), 4(39)	<b>(506,113)</b>	(373,344)	<b>(287,793)</b>	(248,899)
General and administrative expenses	4(37), 4(39)	<b>(399,706)</b>	(409,652)	<b>(335,596)</b>	(261,007)
Research and development expenses	4(38), 4(39)	<b>(490,502)</b>	(428,280)	<b>(309,195)</b>	(271,995)
Financial expenses	4(40)	<b>(9,011)</b>	(189)	<b>(17,928)</b>	(2,040)
Including: Interest expenses		<b>(14,949)</b>	(24,435)	<b>(21,736)</b>	(20,550)
Interest income		<b>8,078</b>	3,628	<b>3,829</b>	1,992
Add: Other income	4(41)	<b>27,220</b>	9,441	<b>17,489</b>	(1,484)
Investment income/(loss)	4(42), 14(7)	<b>(71)</b>	(22,491)	<b>—</b>	5,521
Including: Share of profit/(loss) of an associate and a joint venture		<b>(71)</b>	5,521	<b>—</b>	5,521
Credit impairment losses	4(43)	<b>(144,995)</b>	(46,386)	<b>(55,748)</b>	(33,450)
Asset impairment losses	4(44)	<b>(26,376)</b>	(70,618)	<b>(176,272)</b>	(334,395)
Losses of disposals of assets	4(45)	<b>(2,307)</b>	(17,837)	<b>(411)</b>	(5,113)
<b>II. Operating loss</b>		<b>(1,227,636)</b>	(968,394)	<b>(1,125,997)</b>	(1,099,351)
Add: Non-operating income		<b>1,037</b>	26	<b>600</b>	25
Less: Non-operating expenses		<b>(630)</b>	(2,491)	<b>(563)</b>	(1,958)
<b>III. Total loss</b>		<b>(1,227,229)</b>	(970,859)	<b>(1,125,960)</b>	(1,101,284)
Less: Income tax expenses	4(46)	<b>(37,361)</b>	(16,509)	<b>—</b>	—
<b>IV. Net loss</b>		<b>(1,264,590)</b>	(987,368)	<b>(1,125,960)</b>	(1,101,284)
Classified by continuity of operations					
Net loss from continuing operations		<b>(1,264,590)</b>	(987,368)	<b>(1,125,960)</b>	(1,101,284)
Classified by ownership of the equity					
Net loss attributable to shareholders of the Company		<b>(1,234,048)</b>	(974,809)	<b>(1,125,960)</b>	(1,101,284)
Loss attributable to minority interests		<b>(30,542)</b>	(12,559)	<b>—</b>	—

## CONSOLIDATED AND COMPANY INCOME STATEMENT

FOR THE YEAR 2023

(ALL AMOUNTS IN RMB' 000 UNLESS OTHERWISE STATED)

Item	Note	2023 Consolidated	2022 Consolidated	2023 Company	2022 Company
<b>V. Other comprehensive income/(loss), net of tax</b>					
Other comprehensive income that will not be subsequently reclassified to profit or loss					
Change in fair value of investments in other equity instruments	4(33)	500	1,600	76	229
Other comprehensive income/(loss) that will be reclassified to profit or loss					
Translation difference on foreign currency financial statements	4(33)	13,096	(16,739)	—	—
<b>VI. Total comprehensive loss</b>		<b>(1,250,994)</b>	<b>(1,002,507)</b>	<b>(1,125,884)</b>	<b>(1,101,055)</b>
Total comprehensive loss attributable to shareholders of the Company		(1,220,452)	(989,948)		
Total comprehensive loss attributable to minority interests		(30,542)	(12,559)		
<b>VII. Losses per share</b>					
Basic and diluted losses per share (RMB)	4(47)	(3.05)	(2.50)		

The accompanying notes to the financial statements are an integral part of the financial statements.

*Legal representative:*

**Zhou Jian**

*Principal in charge of  
accounting:*

**Zhang Ju**

*Head of the accounting  
department:*

**Chen Daocheng**

# CONSOLIDATED AND COMPANY CASH FLOW STATEMENT

FOR THE YEAR 2023  
(ALL AMOUNTS IN RMB' 000 UNLESS OTHERWISE STATED)

	Note	2023 Consolidated	2022 Consolidated	2023 Company	2022 Company
<b>I. Cash flows from operating activities</b>					
Cash received from sales of goods or rendering of services		812,662	710,560	457,089	824,092
Refund of taxes and surcharges		12,206	146,032	—	90,555
Cash received relating to other operating activities	4(49)	50,430	27,784	25,887	26,148
<b>Sub-total of cash inflows from operating activities</b>		<b>875,298</b>	<b>884,376</b>	<b>482,976</b>	<b>940,795</b>
Cash paid for purchase of goods and receipt of labor services		(833,172)	(485,786)	(480,215)	(415,959)
Cash paid to and on behalf of employees		(653,001)	(610,393)	(426,098)	(403,976)
Payments of various taxes		(101,853)	(46,026)	(21,824)	(1,560)
Cash paid relating to other operating activities	4(49)	(287,574)	(280,868)	(207,074)	(55,854)
<b>Sub-total of cash outflow from operating activities</b>		<b>(1,875,600)</b>	<b>(1,423,073)</b>	<b>(1,135,211)</b>	<b>(877,349)</b>
<b>Net cash used in operating activities</b>	4(49)	<b>(1,000,302)</b>	<b>(538,697)</b>	<b>(652,235)</b>	<b>63,446</b>
<b>II. Cash used in investing activities</b>					
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		46,071	12,696	7,071	2,894
Cash received relating to other investing activities		—	29,050	—	—
<b>Sub-total of cash inflows from investing activities</b>		<b>46,071</b>	<b>41,746</b>	<b>7,071</b>	<b>2,894</b>
Cash paid to acquire fixed assets, intangible assets and other long-term assets		(531,669)	(319,213)	(25,612)	(12,448)
Cash paid to acquire investments		—	(8,742)	—	(8,742)
Net cash paid for acquisition of a subsidiary and other business units		(20,000)	(108,108)	(1,192,659)	(767,733)
<b>Sub-total of cash outflows from investing activities</b>		<b>(551,669)</b>	<b>(436,063)</b>	<b>(1,218,271)</b>	<b>(788,923)</b>
<b>Net cash used in investing activities</b>		<b>(505,598)</b>	<b>(394,317)</b>	<b>(1,211,200)</b>	<b>(786,029)</b>

## CONSOLIDATED AND COMPANY CASH FLOW STATEMENT

FOR THE YEAR 2023  
(ALL AMOUNTS IN RMB' 000 UNLESS OTHERWISE STATED)

	Note	2023 Consolidated	2022 Consolidated	2023 Company	2022 Company
<b>III. Cash flows used in financing activities</b>					
Cash received from capital contribution		1,117,047	903,230	912,366	861,330
Including: Cash received from capital contributions by minority shareholders of investment in subsidiaries		204,680	41,900	—	—
Cash received from borrowings		1,380,280	908,928	850,650	620,700
Cash received relating to other financing activities		29,000	118,690	717,701	121,353
<b>Sub-total of cash inflows from financing activities</b>		<b>2,526,327</b>	<b>1,930,848</b>	<b>2,480,717</b>	<b>1,603,383</b>
Repayments of borrowings		(552,360)	(1,046,633)	(402,700)	(848,000)
Cash payments for dividends distribution and interest expenses of borrowings		(56,456)	(39,011)	(18,102)	(20,524)
Cash payments relating to other financing activities		(37,206)	(42,407)	(45,549)	(133,724)
<b>Sub-total of cash outflows from financing activities</b>		<b>(646,022)</b>	<b>(1,128,051)</b>	<b>(466,351)</b>	<b>(1,002,248)</b>
<b>Net cash flows from financing activities</b>		<b>1,880,305</b>	<b>802,797</b>	<b>2,014,366</b>	<b>601,135</b>
<b>IV. Effect of foreign exchange rate changes on cash and cash equivalents</b>		<b>1,099</b>	<b>2,512</b>	<b>34</b>	<b>206</b>
<b>V. Net increase/(decrease) in cash and cash equivalents</b>	4(49)	<b>375,504</b>	(127,705)	<b>150,965</b>	(121,242)
Add: Cash and cash equivalents at the beginning of the year		145,398	273,103	53,093	174,335
<b>VI. Cash and cash equivalents as at the end of the year</b>	4(49)	<b>520,902</b>	145,398	<b>204,058</b>	53,093

The accompanying notes form an integral part of these financial statements.

Legal representative:

**Zhou Jian**

Principal in charge of  
accounting:

**Zhang Ju**

Head of the accounting  
department:

**Chen Daocheng**

# CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEAR 2023  
(ALL AMOUNTS IN RMB' 000 UNLESS OTHERWISE STATED)

Item	Note	Equity attributable to shareholders of the Company					Total shareholders' equity
		Share capital	Capital surplus	Other comprehensive income	Retained profit	Minority interests	
<b>Balance at January 1, 2022</b>		384,088	3,828,180	10,528	(3,470,350)	7,552	759,998
<b>Movements for the year ended December 31, 2022</b>							
Total comprehensive income							
Net loss		—	—	—	(974,809)	(12,559)	(987,368)
Other comprehensive loss	4(33)	—	—	(15,139)	—	—	(15,139)
Total comprehensive loss for the year		—	—	(15,139)	(974,809)	(12,559)	(1,002,507)
Shareholders' investment and capital reduction							
Ordinary shares contributed by shareholders	4(31)	10,919	850,411	—	—	—	861,330
Share-based payments included in shareholders' equity	7	—	204,387	—	—	—	204,387
Acquisition of subsidiaries through the issuance of ordinary shares	4(31)	1,166	90,833	—	—	—	91,999
Transactions with minority interests	4(32)	—	41,065	—	—	70,748	111,813
Acquisition of subsidiaries	5	—	—	—	—	26,904	26,904
<b>Balance at ended December 31, 2022</b>		<u>396,173</u>	<u>5,014,876</u>	<u>(4,611)</u>	<u>(4,445,159)</u>	<u>92,645</u>	<u>1,053,924</u>
<b>Balance at January 1, 2023</b>		<u>396,173</u>	<u>5,014,876</u>	<u>(4,611)</u>	<u>(4,445,159)</u>	<u>92,645</u>	<u>1,053,924</u>
<b>Movements for the year ended December 31, 2023</b>							
Total comprehensive income							
Net loss		—	—	—	(1,234,048)	(30,542)	(1,264,590)
Other comprehensive loss	4(33)	—	—	13,596	—	—	13,596
Total comprehensive loss		—	—	13,596	(1,234,048)	(30,542)	(1,250,994)
Shareholders' investment and capital reduction							
Ordinary shares contributed by shareholders	4(31)	21,678	1,675,756	—	—	—	1,697,434
Share-based payments included in shareholders' equity	7	—	381,707	—	—	2,132	383,839
Transactions with minority interests	4(32)	—	140,445	—	—	64,235	204,680
<b>Balance at ended December 31, 2023</b>		<u>417,851</u>	<u>7,212,784</u>	<u>8,985</u>	<u>(5,679,207)</u>	<u>128,470</u>	<u>2,088,883</u>

The accompanying notes form an integral part of these financial statements.

Legal representative:

**Zhou Jian**

Principal in charge of  
accounting:

**Zhang Ju**

Head of the accounting  
department:

**Chen Daocheng**

# COMPANY STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEAR 2023

(ALL AMOUNTS IN RMB' 000 UNLESS OTHERWISE STATED)

Items	Notes	Equity attributable to shareholders of the Company				Total shareholders' equity
		Share capital	Capital surplus	Other comprehensive income	Accumulated loss	
<b>Balance at January 1, 2022</b>		384,088	3,828,184	(7,027)	(3,161,421)	1,043,824
<b>Movements for the year ended December 31, 2022</b>						
Total comprehensive loss						
Net loss		—	—	—	(1,101,284)	(1,101,284)
Other comprehensive income		—	—	229	—	229
Total comprehensive income for the year		—	—	229	(1,101,284)	(1,101,055)
Shareholders' investment and capital reduction						
Ordinary shares contributed by shareholders	14(5)	10,919	850,411	—	—	861,330
Share-based payments included in shareholders' equity	7	—	204,387	—	—	204,387
Acquisition of subsidiaries through the issuance of ordinary shares	5	1,166	90,833	—	—	91,999
<b>Balance at ended December 31, 2022</b>		<b>396,173</b>	<b>4,973,815</b>	<b>(6,798)</b>	<b>(4,262,705)</b>	<b>1,100,485</b>
<b>Balance at January 1, 2023</b>		<b>396,173</b>	<b>4,973,815</b>	<b>(6,798)</b>	<b>(4,262,705)</b>	<b>1,100,485</b>
<b>Movements for the year ended December 31, 2023</b>						
Total comprehensive loss						
Net loss		—	—	—	(1,125,960)	(1,125,960)
Other comprehensive income		—	—	76	—	76
Total comprehensive income for the year		—	—	76	(1,125,960)	(1,125,884)
Shareholders' investment and capital reduction						
Ordinary shares contributed by shareholders	14(5)	21,678	1,675,756	—	—	1,697,434
Share-based payments included in shareholders' equity	7	—	293,531	—	—	293,531
<b>Balance at ended December 31, 2023</b>		<b>417,851</b>	<b>6,943,102</b>	<b>(6,722)</b>	<b>(5,388,665)</b>	<b>1,965,566</b>

The accompanying notes form an integral part of these financial statements.

*Legal representative:*

**Zhou Jian**

*Principal in charge of accounting:*

**Zhang Ju**

*Head of the accounting department:*

**Chen Daocheng**

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR 2023  
(ALL AMOUNTS IN RMB' 000 UNLESS OTHERWISE STATED)

## 1 CORPORATE BACKGROUND

UBTECH ROBOTICS CORP LTD (hereinafter referred to as the “Company”) was a joint stock company established in the People’s Republic of China (the “PRC”) on March 31, 2012. The registered address and headquarters of the Company is in Shenzhen City, Guangdong Province, the PRC. The Company’s shares were listed on the main board of The Stock Exchange of Hong Kong Limited on December 29, 2023. As of December 31, 2023, the total share capital of the Company was RMB417,851,000, each with par value of RMB1.00. The major shareholder of the Company is Mr. Zhou Jian, as at December 31, 2023, he directly held 24.79% of the equity interest. In view of Mr. Zhou Jian’s indirect interest in the Company through certain partnerships, and Mr. Zhou Jian has entered into agreements with certain shareholders of the Company whereby such shareholders have agreed to entrust Mr. Zhou Jian or to follow his decision in exercising the voting rights of such shareholders, as at December 31, 2023, Mr. Zhou Jian beneficially controlled approximately 51.17% of the voting rights of the Company. Hence, Mr. Zhou Jian is regarded as the ultimate controlling shareholder of the Company.

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 and solutions.

These financial statements were authorised for issue by the Board of the Company on March 28, 2024.

## 2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

The Group applied the accounting policies and accounting estimates based on its business operations characteristics, including measurement of expected credit loss of receivables (Note 2(9)), measurement method of cost of inventories (Note 2(10)), depreciation of fixed assets, amortisation of intangible assets and right-of-use assets (Note 2(12), (14) and (24)), revenue recognition and measurement (Note 2(22)), etc.

The key judgements, significant accounting estimates and key assumptions used by the Group in determining significant accounting policies are disclosed in note 2(27).

### (1) Preparation basis of financial statements

The financial statements are prepared in accordance with the Accounting Standard for Business Enterprises — Basic Standard, the specific accounting standards and other relevant regulations issued by the Ministry of Finance on February 15, 2006 and in subsequent periods (hereafter collectively referred to as “the Accounting Standard for Business Enterprises” or “CAS”). Certain matters relating to the financial statements have been disclosed in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

The financial statements of the Company are prepared on a going concern basis.

### (2) Statement of Compliance with the Accounting Standard for Business Enterprises

The 2023 annual financial statements of the Company are in compliance with the Accounting Standards for Business Enterprises, and truly and completely present the Consolidated and the Company’s financial position of the as at December 31, 2023 and their financial performance, cash flows and other information for the year then ended.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR 2023

(ALL AMOUNTS IN RMB' 000 UNLESS OTHERWISE STATED)

### 2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

#### (3) Accounting period

The accounting period with the calendar year commences on January 1 and ends on December 31.

#### (4) Functional currency

Functional currency is determined by the Company and its subsidiaries on the basis of the currency in which major income and costs are denominated and settled.

The functional currency of the Company and its subsidiaries domiciled in PRC are Renminbi. Certain subsidiaries established in Hong Kong use Hong Kong Dollars as their functional currencies. Certain subsidiaries established in the U.S. use US dollars as their functional currencies. Foreign currencies are defined as currency other than functional currency.

Consolidated financial statements of the Company are presented in Renminbi. For subsidiaries using currencies other than Renminbi as their functional currencies, the Company translates the financial statements of these subsidiaries into Renminbi (see Note 2(8)).

#### (5) Business combinations

##### *Business combinations involving enterprises not under common control*

The cost of combination and identifiable net assets obtained by the Group in a business combination are measured at fair value at the acquisition date. Where the cost of the combination exceeds the Group's interest in the fair value of the acquiree's identifiable net assets, the difference is recognised as goodwill; where the cost of combination is lower than the Group's interest in the fair value of the acquiree's identifiable net assets, the difference is recognised in profit or loss for the current period. Any costs directly attributable to the business combination shall be recognised in profit or loss for the current period when occurred. Transaction costs associated with the issue of equity or debt securities for the business combination are included in the initially recognised amounts of the equity or debt securities.

For business combinations achieved by stages involving enterprises not under common control, previously-held equity in the acquiree is re-measured at its fair value at the acquisition dates in consolidated financial statement. Where the previously-held equity in the acquiree involves other comprehensive income under equity method, the difference between its fair value and carrying amount is included in investment income for the current period, and other comprehensive income under equity method, shareholders' equity changes other than those arising from the net profit or loss, other comprehensive income and profit distribution, the related other comprehensive income and other shareholders' equity changes are transferred into income for the current period to which the acquisition dates belongs, excluding those arising from changes in the investee's re-measurement of net liability or net asset related to the defined benefit plan and from accumulative changes in fair value of investments in equity instrument not held for trading held by investees that are classified as fair value through other comprehensive income.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR 2023  
(ALL AMOUNTS IN RMB' 000 UNLESS OTHERWISE STATED)

### 2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

#### (5) Business combinations *(continued)*

##### *Business combinations involving enterprises not under common control (continued)*

Where the acquirer's equity held prior to the date of purchase is classified as investment in equity instruments not for trading at fair value through other comprehensive income, the accumulated fair value changes originally included in other comprehensive income shall be transferred directly into retained earnings. Goodwill is the difference between the sum of the fair value of equity held on the date of purchase and the fair value of consideration paid, and the fair value share of the subsidiary's net identifiable assets acquired.

#### (6) Preparation of consolidated financial statements

The consolidated financial statements comprise the financial statements of the Company and all of its subsidiaries.

Subsidiaries are consolidated from the date on which the Group obtains control and are deconsolidated from the date that such control ceases. For a subsidiary that is acquired in a business combination involving enterprises under common control, it is included in the consolidated financial statements from the date when it, together with the Company, comes under common control of the ultimate controlling party. The portion of the net profits realised before the combination date is presented separately in the consolidated income statement.

In preparing the consolidated financial statements, where the accounting policies and the accounting periods of the Company and subsidiaries are inconsistent, the financial statements of the subsidiaries are adjusted to align with the accounting policies and the accounting period of the Company. For subsidiaries acquired from business combinations involving enterprises not under common control, the individual financial statements of the subsidiaries are adjusted based on the fair value of the identifiable net assets at the acquisition date.

All significant intra-group balances, transactions and unrealised profits are eliminated in the consolidated financial statements. The portion of subsidiaries' shareholders' equity and the portion of subsidiaries' net profits and losses and comprehensive incomes for the period not attributable to the Company are recognised as minority interests, net profit and loss attributed to minority interests and total comprehensive incomes attributed to minority interests, and presented separately in the consolidated financial statements under shareholders' equity, net profits and total comprehensive income respectively. Unrealised profits and losses resulting from the sale of assets by the Company to its subsidiaries are fully eliminated against net profit attributable to shareholders of the Company. Unrealised profits and losses resulting from the sale of assets by a subsidiary to the Company are eliminated and allocated between net profit attributable to shareholders of the Company and net profit attributed to minority interests in accordance with the allocation proportion of the Company's Interest in the subsidiary. Unrealised profits and losses resulting from the sale of assets by one subsidiary to another are eliminated and allocated between net profit attributable to shareholders of the Company and net profit attributed to minority interests in accordance with the allocation proportion of the Company's Interest in the subsidiary.

If the accounting treatment of a transaction in the financial statements at the Group level is inconsistent with that at the Company or its subsidiary level, adjustment is be made from the perspective of the Group.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR 2023

(ALL AMOUNTS IN RMB' 000 UNLESS OTHERWISE STATED)

### 2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

#### (7) Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand, deposits that can be readily drawn on demand, and short-term and highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

#### (8) Foreign currency translation

##### *(a) Foreign currency transactions*

Foreign currency transactions are translated into functional currency using the approximate exchange rate of the spot exchange rate prevailing at the dates of the transactions.

A rate that approximates the spot exchange rate is a rate determined under a systematic and rational method, which is the weighted average exchange rate that approximates the spot exchange rate at the date of the transaction.

At the balance sheet date, monetary items denominated in foreign currencies are translated into Renminbi using the spot exchange rates on the balance sheet date. Exchange differences arising from these translations are recognized in profit or loss for the current period, except for those attributable to foreign currency borrowings that have been taken out specifically for the acquisition or construction of qualifying assets, which are capitalized as part of the cost of those assets. Non-monetary items denominated in foreign currencies that are measured at historical costs are translated at the balance sheet date using the spot exchange rates at the date of the transactions. The effect of exchange rate changes on cash is presented separately in the cash flow statement.

##### *(b) Translation of financial statements denominated in foreign currency*

The asset and liability items in the balance sheets for overseas operations are translated at the spot exchange rates on the balance sheet date. Among the shareholders' equity items, the items other than "undistributed profits" are translated at the spot exchange rates on the transaction dates. The income and expense items in the income statements of overseas operations are translated at the spot exchange rates of the transaction dates. The differences arising from the above translations are presented separately in the shareholders' equity. The cash flows of overseas operations are translated at the spot exchange rates on the dates of the cash flows. The effect of exchange rate changes on cash is presented separately in the cash flow statement.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR 2023  
(ALL AMOUNTS IN RMB' 000 UNLESS OTHERWISE STATED)

### 2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

#### (9) Financial instruments

A financial instrument is a contract that gives rise to a financial asset of one entity meanwhile form a financial liability or equity instrument of another entity. When the Group becomes a party of the contract, relative financial assets, financial liabilities or equity instruments are recognized.

##### (a) *Financial assets*

###### (i) *Classification and measurement*

The Group classifies financial assets according to the business model of managing financial assets and the contractual cash flow characteristics of financial assets: (1) financial assets measured at amortized cost; (2) financial assets measured at fair value through other comprehensive income; (3) financial assets measured at fair value through profit or loss.

Financial assets are measured at fair value on initial recognition. For financial assets measured at fair value through profit or loss, the related transaction expense is directly recognized in profit or loss; for other categories of financial assets, the related transaction costs are included in the initial recognition amount. For the accounts receivables or notes receivables arising from the sale of products or the provision of labor services that do not contain or consider the significant financing components, the Group determines the amount of the consideration to be received as the initial recognition amount.

###### *Debt instruments*

The debt instruments held by the Group refer to the instruments that meet the definition of financial liabilities from the issuers' perspective. There are three categories into which the Group classifies its debt instruments:

Measured at amortised cost:

The Group's business model for managing such financial assets is to collect the contractual cash flows, and the contractual cash flow characteristics of such financial assets are consistent with the basic lending arrangements, which means the cash flows generated on a specific date, represent solely payment of the principal and interest on the outstanding principal amount. The Group recognises interest income for such financial assets in accordance with the effective interest method. Such financial assets mainly include cash at bank and on hand, notes receivables and accounts receivables and other receivables.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR 2023

(ALL AMOUNTS IN RMB' 000 UNLESS OTHERWISE STATED)

### 2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

#### (9) Financial instruments *(continued)*

##### (a) Financial assets *(continued)*

###### (i) Classification and measurement *(continued)*

###### Debt instruments *(continued)*

Measured at fair value through other comprehensive income ("FVOCI"):

The Group's business model for managing such financial assets is aimed at collecting contractual cash flow and selling, and the contractual cash flow characteristics of such financial assets are consistent with the basic lending arrangements. Such financial assets are measured at fair value through other comprehensive income, while impairment losses or gains, exchange gain or loss and interest income calculated according to the effective interest rate method are recognized in profit or loss for the current period. Such financial assets mainly include other equity instrument investments.

Measured at fair value through profit or loss ("FVPL"):

Debt instruments held by the Group that are measured neither at amortised cost nor at FVOCI, are measured at FVTPL. The Group lists those expired for more than one year from the balance sheet date and expected to be held for more than one year as other non-current financial assets and listed others as financial assets held for trading.

###### Equity instruments

Investments in equity instruments, over which the Group has no control, joint control or significant influence, are measured at fair value through profit or loss under financial assets held for trading; investments in equity instruments expected to be held for over one year as from the balance sheet date are presented as other non-current financial assets.

In addition, the Group designates part of financial assets which are not held for trading at FVOCI and presents them in other equity instruments investments at initial recognition. The dividend income is recognised in profit or loss.

###### (ii) Impairment

The Group recognizes a loss allowance for expected credit loss on a financial asset that is measured at amortised cost, and debt instruments investment at FVOCI and contract assets.

Giving consideration to reasonable and supportable information that is available without undue cost or effort at the balance sheet date on past events, current conditions and forecasts of future economic conditions weighted by the probability of default, the Group recognises the ECL as the probability-weighted amount of the present value of the difference between the cash flows receivable from the contract and the cash flows expected to collect.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR 2023  
(ALL AMOUNTS IN RMB' 000 UNLESS OTHERWISE STATED)

### 2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

#### (9) Financial instruments *(continued)*

##### (a) Financial assets *(continued)*

##### (ii) Impairment *(continued)*

For notes receivables, accounts receivables and financial receivable arising from sale of goods and rendering of services in the ordinary course of operating activities, the Group recognises the lifetime ECL regardless of whether there exists a significant financing component. For accounts receivables and notes receivables with significantly different credit risk characteristics, the ECL is calculated according to the individual financial assets. When it is unable to evaluate the information of expected credit loss of a single financial asset at a reasonable cost, the Group divides the receivables and contract assets into portfolios according to the characteristics of credit risk, calculates the expected credit loss on the basis of the portfolio, and determines the portfolio on the basis of the following:

Accounts receivables portfolio 1	For governmental and state-owned corporate clients, the time point of overdue of ageing is the time point of expiry of the credit term
Accounts receivables portfolio 2	For non-governmental and non-state-owned corporate clients, the time point of overdue of ageing is the time point of expiry of the credit term
Accounts receivables portfolio 3	For external related parties of the Group, the time point of overdue of ageing is the time point of expiry of the credit term
Accounts receivables portfolio 4	For external related parties of the Group, the time point of overdue of ageing is the time point of expiry of the credit term
Notes receivables portfolio 1	Commercial acceptance notes receivables
Notes receivables portfolio 2	Bank acceptance notes receivables

For accounts receivables that are assessed ECL on an individual basis, the ELC before the adjustment of forward-looking information is calculated based on the difference between the carrying amount of the individual account receivable and the present value of all cash flows expected to collect.

For accounts receivables and notes receivables arising from sales of goods and rendering of services in the ordinary course of operating activities that are assessed ECL on a group basis, the Group determines the probability of default and the default loss rate based on the external credit rating of the counterparty and the industry in which it operates and calculates the ECL before the adjustment of forward-looking information based on the default risk exposure.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR 2023

(ALL AMOUNTS IN RMB' 000 UNLESS OTHERWISE STATED)

### 2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

#### (9) Financial instruments *(continued)*

##### (a) Financial assets *(continued)*

##### (ii) Impairment *(continued)*

At each statement of financial position date, the ECL of financial instruments other than aforesaid notes receivables and accounts receivables are measured based on different stages. A 12-month ECL provision is recognised for financial instruments in the first stage, that have not had a significant increase in credit risk since initial recognition, lifetime ECL provision is recognised for financial instruments in the second stage, that have had a significant increase in credit risk without credit impairment since initial recognition, and lifetime ECL provision is recognised for financial instruments in third stage, that have had a credit impairment since initial recognition.

For the financial instruments with low credit risks as at the statement of financial position date, the Group assumes there is no significant increase in credit risk since initial recognition and recognises loss allowance based on the 12-month ECL.

For the financial instruments in Stage 1 and Stage 2, the Group calculates the interest income by applying the effective interest rate to the gross carrying amount (before net of expected credit loss provision). For the financial instrument in Stage 3, the interest income is calculated by applying the effective interest rate to the amortised cost (net of expected credit loss provision).

Impairment losses (and reversal of impairment losses) is recognised in the statement of profit or loss. For debt investments measured at FVOCI, the Group recognises losses (and reversal of impairment losses) in the statement of profit or loss and adjusts OCI at the meantime.

##### (iii) Derecognition

A financial asset is derecognized when any of the below criteria is met: (1) the contractual rights to receive the cash flows from the financial asset expire; (2) the financial asset has been transferred and the Group transfers substantially all the risks and rewards of ownership of the financial asset to the transferee; (3) the financial asset has been transferred and the Group has not retained control of the financial asset, although the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset.

When the investment of other equity instruments is de-recognized, the difference between the carrying amount and the sum of the consideration received and the change of fair value accumulated in the original direct accounting of other comprehensive income shall be recorded into the retained earnings; when the recognition of other financial assets is de-recognized, the difference between the carrying amount and the sum of the consideration received and the change of fair value accumulated in the original direct accounting of other comprehensive income shall be recorded into profit or loss.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR 2023  
(ALL AMOUNTS IN RMB' 000 UNLESS OTHERWISE STATED)

### 2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

#### (9) Financial instruments *(continued)*

##### *(b) Financial liability*

Financial liabilities are classified into financial liabilities at amortised cost, financial liabilities at fair value through profit or loss at initial recognition and derivative financial liabilities.

The Group's financial liabilities are mainly financial liabilities measured at amortised cost, including notes payables and accounts payables, other payables, long-term payables and borrowings which are initially recognized at fair value deducting transaction costs, and subsequently measured at amortised cost using the effective interest method. Those with maturities no more than one year (inclusive) are classified as current liabilities; those with maturities over one year but due within one year (inclusive) at the balance sheet date are classified as the current portion of non-current liabilities; others are classified as non-current liabilities.

A financial liability is derecognised or partly derecognised when the current obligation is discharged or has been partly discharged. The difference between the carrying amount of the derecognised part of the financial liabilities and the consideration paid is recognised in profit or loss.

##### *(c) Equity instruments*

An equity instrument is a contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

##### *(d) Determination of fair value of financial instruments*

The fair value of a financial instrument that is traded in an active market is determined at the quoted price in the active market. The fair value of a financial instrument that is not traded in an active market is determined by using a valuation technique when it is applicable under current conditions and there are enough available data and other information to support. Those inputs should be consistent with the inputs a market participant would use when pricing the asset and liability, and should maximize the use of relevant observable inputs. When related observable inputs can't be acquired or are not feasible to be acquired, then unobservable inputs are used.

#### (10) Inventories

##### *(a) Classification*

Inventories include raw materials, products in progress, finished goods, goods in transit and contract fulfilment cost, which are measured at the lower of cost and net realisable value.

##### *(b) Measurement method of cost of inventories*

Cost of inventories recognised is calculated using the weighted average method on a monthly basis.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR 2023

(ALL AMOUNTS IN RMB' 000 UNLESS OTHERWISE STATED)

### 2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

#### (10) Inventories *(continued)*

##### *(c) Basis for determining net realisable values of inventories and method for making provision for decline in the value of inventories*

Provision for decline in the value of inventories is determined at the excess amount of the carrying amounts of the inventories over their net realisable value. Net realisable value is determined based on the estimated selling price in the ordinary course of business, less the costs of completion and estimated contract fulfilment costs and costs necessary to make the sale and related taxes.

##### *(d) The Group adopts the perpetual inventory system*

#### (11) Long-term equity investments

Long-term equity investments is comprised of the Company's long-term equity investments in its subsidiaries, the Group's long-term equity investments in its joint ventures and associates.

Subsidiaries are the investees over which the Company is able to exercise control. A joint venture is a joint arrangement which is structured through a separate vehicle over which the Group has joint control together with other parties and only has rights to the net assets of the arrangement based on legal forms, contractual terms and other facts and circumstances. An associate is the investee over which the Group has significant influence by participating in the financial and operating policy decisions.

Investments in subsidiaries are presented in the Company's financial statements using the cost method, and are adjusted to the equity method when preparing the consolidated financial statements. Investments in joint ventures and associates are accounted for using the equity method.

##### *(a) Determination of investment cost*

For long-term equity investments acquired through a business combination involving enterprises not under common control, the investment cost shall be the combination cost.

For long-term equity investments acquired not through a business combination: for long-term equity investment acquired by payment in cash, the initial investment cost shall be the purchase price actually paid; for long-term equity investments acquired by issuing equity instruments, the initial investment cost shall be the fair value of the equity instruments issued.

##### *(b) Subsequent measurement and recognition of related profit and loss*

Long-term equity investments accounted for using the cost method are measured at initial investment cost, and cash dividends or profit distributions declared by the investees are recognised as investment income in profit or loss.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR 2023  
(ALL AMOUNTS IN RMB' 000 UNLESS OTHERWISE STATED)

### 2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

#### (11) Long-term equity investments *(continued)*

##### *(b) Subsequent measurement and recognition of related profit and loss (continued)*

For long-term equity investments accounted for using the equity method, where the initial investment cost of a long-term equity investment exceeds the Group's share of the fair value of the investee's identifiable net assets at the acquisition date, the long-term equity investment is measured at the initial investment cost; where the initial investment cost is less than the Group's share of the fair value of the investee's identifiable net assets at the acquisition date, the difference is included in profit or loss and the cost of the long-term equity investment is adjusted upwards accordingly.

For long-term equity investments accounted for using the equity method, the Group recognises the investment income or loss according to its share of net profit or loss of the investee. The Group discontinues recognizing its share of net losses of an investee after the carrying amount of the long-term equity investment together with any long-term interests that, in substance, form part of the investor's net investment in the investee are reduced to zero. However, if the Group has obligations for additional losses and the criteria with respect to recognition of provisions under the accounting standards in the contingencies are satisfied, the Group continues recognizing the investment losses expected to be borne. For changes in shareholders' equity of the investee other than those arising from its net profit or loss, other comprehensive income and profit distribution, the Group adjusts the carrying amount of long-term equity investments and records its proportionate share directly into capital surplus. The carrying amount of the investment is reduced by the Group's share of the profit distribution or cash dividends declared by an investee.

The unrealised profits or losses arising from the intra-group transactions amongst the Group and its investees are eliminated in proportion to the Group's equity interest in the investees, and then based on which the investment gains or losses of Company financial statements are recognised. In preparing the consolidated financial statements, for the portion of unrealized internal transaction gains or losses attributable to the Group arising from downstream transactions in which the Group invests or sells assets to the investee, the Group offsets the portion of unrealized revenues and costs or gains or losses on disposal of assets attributable to the Group on the basis of the offset in the company financial statements, and adjusts investment income accordingly. For the portion of unrealized internal transaction gains or losses attributable to the Group arising from counter-current transactions in which the investee invests or sells assets to the Group, the Group should offset the portion of unrealized internal transaction gains or losses attributable to the Group included in the carrying amount of the relevant assets on the basis of the offset in the Company's financial statements and adjust the carrying amount of long-term equity investments accordingly. For the loss on the intra-group transaction amongst the Group and its investees attributable to asset impairment, any unrealised loss is not eliminated.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR 2023

(ALL AMOUNTS IN RMB' 000 UNLESS OTHERWISE STATED)

### 2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

#### (11) Long-term equity investments *(continued)*

##### *(c) Basis for determining significant influence over investees*

Control is the power over an investee, whereby the Group is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Joint control is a contractually agreed sharing of control of an arrangement, and the decisions relating to the activity of the arrangement require the unanimous consent of the Group and other participating parties sharing that control.

Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

##### *(d) Impairment of long-term equity investments*

The carrying amounts of long-term equity investments in subsidiaries, joint ventures and associates are reduced to the recoverable amounts when the recoverable amounts are below their carrying amounts (Note 2(16)).

#### (12) Fixed assets

Fixed assets comprise buildings, machinery and equipment, motor vehicles, office and other equipment. Fixed assets are recognised when it is probable that the related economic benefits will flow to the Group and the costs can be reliably measured. Purchased or newly acquired fixed assets are measured initially at cost on date of acquisition.

Subsequent expenditures incurred for the fixed asset are included in the cost of the fixed asset when it is probable that the related economic benefits will flow to the Group and the subsequent expenditures can be reliably measured. The carrying amount of the replaced part is derecognised. All the other subsequent expenditures are recognised in profit or loss for the period in which they are incurred.

Fixed assets are depreciated using the straight-line method to allocate the cost of the assets to their estimated residual values over their estimated useful lives. For the fixed assets that have been provided for impairment loss, the related depreciation charge is prospectively determined based upon the adjusted carrying amounts over their remaining useful lives.

The estimated useful lives, the estimated residual values expressed as a percentage of cost and the annual depreciation rates are as follows:

	Estimated useful lives	Estimated residual value rate	Annual depreciation rate
Houses and buildings	50 years	5%	1.9%
Machinery and equipment	2-10 years	5%	9.50%-47.50%
Motor vehicles	3-10 years	5%	9.50%-31.67%
Office and other equipment	3-5 years	5%	19.00%-31.67%

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR 2023  
(ALL AMOUNTS IN RMB' 000 UNLESS OTHERWISE STATED)

### 2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

#### (12) Fixed assets *(continued)*

The estimated useful life, the estimated net residual value of a fixed asset and the depreciation method applied to the asset are reviewed, and adjusted as appropriate at each year-end. The carrying amount shall be reduced to the recoverable amount when the recoverable amount of fixed assets is less than the carrying amount (Note 2 (16)).

A fixed asset is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The amount of proceeds on sale, transfer, retirement or damage of a fixed asset net of its carrying amount and related taxes and expenses is recognised in profit or loss for the current period.

#### (13) Construction in progress

Construction in progress is measured at actual cost. Actual cost comprises construction costs, installation costs, borrowing costs that are eligible for capitalisation and other costs necessary to bring the fixed assets ready for their intended use. Construction in progress is transferred to fixed assets when the assets are ready for their intended use, and depreciation begins from the following month. The carrying amount shall be reduced to the recoverable amount when the recoverable amount of construction in progress is less than the carrying amount (Note 2 (16)).

#### (14) Intangible assets

Intangible assets are land use rights, customer contracts and relationships, trademarks and software and others, and are measured at cost method.

##### (a) Land use rights

Land use rights are amortised on the straight-line basis over their approved useful period from 30 to 50 years.

##### (b) Software

Software are amortised using the straight-line basis over their approved useful period from 3 to 5 years.

##### (c) Customer contracts and relationships

Customer contracts and relationships acquired in business combinations are recognised at fair value at the acquisition date. Customer contracts and relationships are amortized over 3-6 years.

##### (d) Trademarks

Trademarks acquired in a business combination are recognised at fair value at the acquisition date. Trademarks are amortized over 10 years.

##### (e) Periodical review of useful life and amortisation method

For an intangible asset with a finite useful life, review of its useful life and amortisation method is performed at each year-end, with adjustment made as appropriate.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR 2023

(ALL AMOUNTS IN RMB' 000 UNLESS OTHERWISE STATED)

### 2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

#### (14) Intangible assets *(continued)*

##### *(f) Research and development*

The Group's research and development expenditures mainly include expenditures on materials consumed for the implementation of the Group's research and development activities, remuneration of staff in the research and development department, depreciation and amortisation of assets such as equipment and software used in research and development, research and development testing, research and development technical service fees and licensing fees.

Expenditure on the planned investigation, evaluation and selection phases of the production process research is recognized in profit or loss when it is incurred. Expenditure on the design and testing for the final application of the production process before the large-scale production, should be capitalized only if all of the following conditions satisfied:

- The development of the production process has been sufficiently proved by the technical team;
- The budget relating to development of the production process has been approved by the management;
- It can be demonstrated that the products due to product process have potential market from previous marketing investigation;
- There are adequate technical and financial resources to complete the development of production process and subsequent large-scale production; and
- The expenditures attributable to the development of the production process can be reliably measured.

Other development expenditures that do not meet the conditions above are recognised in profit or loss in the period in which they are incurred. Development costs previously recognised as expenses are not recognised as an asset in a subsequent period. Capitalised expenditure on the development phase is presented as development costs in the balance sheet and transferred to intangible assets at the date that the asset is ready for its intended use.

##### *(g) Impairment of intangible assets*

When the recoverable amount of an intangible asset is lower than its carrying amount, the carrying amount is reduced to the recoverable amount (Note 2 (16)).

#### (15) Long-term prepaid expenses

Long-term prepaid expenses include the expenditure for improvements to right-of-use assets, and other expenditures that have been incurred but should be recognised as expenses over more than one year in the current and subsequent periods. Long-term prepaid expenses are amortised on the straight-line basis over the expected beneficial period and are presented at actual expenditure net of accumulated amortisation.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR 2023  
(ALL AMOUNTS IN RMB' 000 UNLESS OTHERWISE STATED)

### 2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

#### (16) Impairment of long-term assets

Fixed assets, construction in progress, intangible assets with finite useful lives and long-term equity investments in joint ventures and associates are tested for impairment if there is any indication that the assets may be impaired at the balance sheet date. The intangible assets not ready for intended use yet, are treated at least annually for impairment, irrespective of whether there are any indications of impairment. If the result of the impairment test indicates that the recoverable amount of an asset is less than its carrying amount, a provision for impairment and an impairment loss are recognised 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 to sell and the present value of the future cash flows expected to be derived from the asset. Provision for asset impairment is determined and recognised on the individual asset basis. If it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of a group of assets to which the asset belongs is determined. A group of assets is the smallest group of assets that is able to generate independent cash inflows.

Goodwill that is separately presented in the financial statements is tested at least annually for impairment, irrespective of whether there is any indication that it may be impaired. In conducting the test, the carrying value of goodwill is allocated to the related group of assets or group of asset combinations which are expected to benefit from the synergies of the business combination. If the result of the test indicates that the recoverable amount of an asset group or a group of asset groups, including the allocated goodwill, is lower than its carrying amount, the corresponding impairment loss is recognised. The impairment loss is first deducted from the carrying amount of goodwill that is allocated to the group of assets or group of asset combinations, and then deducted from the carrying amounts of other assets within the group of assets or group of asset combinations in proportion to the carrying amounts of assets other than goodwill.

Once the above asset impairment loss is recognised, it will not be reversed for the value recovered in the subsequent periods.

#### (17) Borrowing costs

The borrowing costs that are directly attributable to acquisition and construction of an asset that needs a substantially long period of time for its intended use commence to be capitalised and recorded as part of the cost of the asset when expenditures for the asset and borrowing costs have been incurred, and the activities relating to the acquisition and construction that are necessary to prepare the asset for its intended use have commenced. The capitalisation of borrowing costs ceases when the asset under acquisition or construction becomes ready for its intended use and the borrowing costs incurred thereafter are recognised in profit or loss for the current period. Capitalisation of borrowing costs is suspended during periods in which the acquisition or construction of an asset is interrupted abnormally and the interruption lasts for more than 3 months, until the acquisition or construction is resumed.

For the specific borrowings obtained for the acquisition or construction of an asset qualifying for capitalization, the amount of borrowing costs eligible for capitalization is determined by deducting any interests income earned from depositing the unused specific borrowings in the banks or any investment income arising on the temporary investment of those borrowings during the capitalization period.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR 2023

(ALL AMOUNTS IN RMB' 000 UNLESS OTHERWISE STATED)

### 2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

#### (17) Borrowing costs *(continued)*

For the general borrowings obtained for the acquisition or construction of an asset qualifying for capitalization, the amount of borrowing costs eligible for capitalization is determined by applying the weighted average effective interest rate of general borrowings, to the weighted average of the excess amount of cumulative expenditures on the asset over the amount of specific borrowings. The effective interest rate is the rate at which the estimated future cash flows during the period of expected duration of the borrowings or applicable shorter period are discounted to the initial amount of the borrowings.

#### (18) Employee benefits

Employee benefits refer to all forms of consideration or compensation given by the Group in exchange for service rendered by employees or for termination of employment relationship, which include short-term employee benefits, post-employment benefits, termination benefits and other long-term employee benefits, etc.

##### (a) Short-term employee benefits

Short-term employee benefits include wages or salaries, bonus, allowances and subsidies, staff welfare, premiums or contributions on medical insurance, work injury insurance and maternity insurance, housing funds, union running costs and employee education costs and short-term paid absence, etc. The short-term employee benefits actually occurred are recognised as a liability in the accounting period in which the service is rendered by the employees, with a corresponding charge to the profit or loss for the current period or the cost of relevant assets. Non-monetary benefits are measured at fair value.

##### (b) Post-employment benefits

The Group classifies post-employment benefits into defined contribution plans and defined benefit obligations. Defined contribution plans are post-employment benefits plan that no longer assumes further payment obligations after the Group pays a fixed fee to an independent fund. Defined benefit obligations are post-employment benefit plans other than defined contribution plan.

During the reporting period, the Group's post-employment benefits mainly include the premiums or contributions on basic pension insurance and unemployment insurance.

##### *Basic pension insurance*

The Group's employees participated in the basic social pension insurance organised and implemented by local labour and social security bureau. Monthly payments of premiums on the basic pension insurance are calculated according to the bases and percentage prescribed by the relevant local authorities. After retirement, local labour and social security bureau is responsible for paying the pension benefit to the retired employees. The amounts based on the above calculations are recognised as liabilities in the accounting period in which the service has been rendered by the employees, with a corresponding charge to the profit or loss for the current period or the cost of relevant assets.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR 2023  
(ALL AMOUNTS IN RMB' 000 UNLESS OTHERWISE STATED)

### 2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

#### (18) Employee benefits *(continued)*

##### *(c) Termination benefits*

The Group provides compensation for terminating the employment relationship with employees before the end of the employment contracts or as an offer to encourage employees to accept voluntary redundancy before the end of the employment contracts. The Group recognises a liability arising from compensation for termination of the employment relationship with employees, with a corresponding charge to profit or loss for the current period at the earlier of the following dates: when the Group cannot unilaterally withdraw an employment termination plan or a curtailment proposal; when the Group recognises costs or expenses for a restructuring that involves the payment of termination benefits.

The termination benefits expected to be settled within one year since the balance sheet date are classified as employee benefits payable.

#### (19) Dividend distribution

Cash dividend is recognised as a liability for the period in which the dividend is approved by the shareholders' meeting.

#### (20) Provisions

The quality of the Group's products is guaranteed for within 1 year, provisions for product quality warranty are recognised when the Group has a present obligation, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be measured reliably.

A provision is initially measured at the best estimate of the expenditure required to settle the related present obligation. Factors surrounding a contingency, such as the risks, uncertainties and the time value of money, are taken into account as a whole in reaching the best estimate of a provision. Where the effect of the time value of money is material, the best estimate is determined by discounting the related future cash outflows. The increase in the discounted amount of the provision arising from passage of time is recognised as interest expense.

The carrying amount of provisions is reviewed at each balance sheet date and adjusted to reflect the current best estimate.

The provisions expected to be settled within one year since the balance sheet date are classified as current liabilities.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR 2023

(ALL AMOUNTS IN RMB' 000 UNLESS OTHERWISE STATED)

### 2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

#### (21) Deferred tax assets and deferred tax liabilities

Deferred tax assets and deferred tax liabilities are calculated and recognised based on the differences arising between the tax bases of assets and liabilities and their carrying amounts (temporary differences). Deferred tax asset is recognised for the deductible losses that can be carried forward to subsequent years for deduction of the taxable profit in accordance with the tax laws. No deferred tax liability is recognised for a temporary difference arising from the initial recognition of goodwill. No deferred tax asset or deferred tax liability is recognised for the temporary differences resulting from the initial recognition of assets or liabilities due to a transaction other than a business combination, which affects neither accounting profit nor taxable profit (or deductible loss). At the balance sheet date, deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled.

Deferred tax assets are only recognised for deductible temporary differences, deductible losses and tax credits to the extent that it is probable that taxable profit will be available in the future against which the deductible temporary differences, deductible losses and tax credits can be utilised.

Deferred tax liabilities are recognised for temporary differences arising from investments in joint ventures and subsidiaries, except where the Group is able to control the timing of the reversal of the temporary difference, and it is probable that the temporary difference will not reverse in the foreseeable future. When it is probable that the temporary differences arising from investments in joint ventures and subsidiaries will be reversed in the foreseeable future and that the taxable profit will be available in the future against which the temporary differences can be utilised, the corresponding deferred tax assets are recognised.

Deferred tax assets and liabilities are offset when:

the deferred tax assets and liabilities are related to the same tax payer within the Group and the same taxation authority; and that tax payer within the Group has a legally enforceable right to offset current tax assets against current tax liabilities.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR 2023  
(ALL AMOUNTS IN RMB' 000 UNLESS OTHERWISE STATED)

### 2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

#### (22) Revenue recognition

The Group generates revenue primarily from the sale of products and provision of other ancillary services to customers. The Group recognises revenue at the amount of consideration which the Group expects to be entitled to receive when the customer obtains control of the relevant goods or services.

The Group should recognize revenue when the customer acquires control of relevant goods after the contracts between the Group and the customer meeting the following conditions: (1) the contracted parties have approved such contract and committed that they would perform their respective obligations; (2) the contract specified the rights and obligations of all parties related to the goods transferred or the services provided; (3) the contract has clear payment terms on the goods transferred; (4) the contract is of commercial nature, namely that the performance of the contract will change the risks, time or amount of future cash flows of the enterprise; (5) the consideration entitled to the enterprise from the transfer of goods to the customer is likely to be withdrawn. If a contract previously signed between the Group and a customer does not meet the five conditions, upon the contract is in effective, the Group assesses the contract on an ongoing basis and recognizes revenue in accordance with the revenue criterion when the five conditions are simultaneously met.

The Group satisfies a performance obligation over time, if one of the following criteria is met; otherwise, it satisfies a performance obligation at a point in time:

- (i) the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs.
- (ii) the customers can control the asset created or enhanced during the Group's performance.
- (iii) the Group's performance does not create an asset with an alternative use to it, and the Group has an enforceable right to payment for performance completed to date.

For performance obligation satisfied over time, the Group recognises revenue over time by measuring the progress towards complete satisfaction of that performance obligation.

When the performance progress cannot be reasonably determined, the revenue shall be recognised according to the amount of costs incurred if the expenses incurred by the Group could be expected to be compensated, until the performance progress can be reasonably determined.

For performance obligation fulfilled at a point of time, the Group recognises revenue at the amount of consideration that is likely to be received when a customer obtains control of the relevant goods.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR 2023

(ALL AMOUNTS IN RMB' 000 UNLESS OTHERWISE STATED)

### 2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

#### (22) Revenue recognition *(continued)*

Contract costs include contract fulfilment costs and contract acquisition costs. The costs are recognised as contract fulfilment costs on the condition that (1) the costs are incurred by the Group for the fulfilment of the current or expected sales contracts or service contracts, (2) the costs increase the resources that the Group will use to fulfil obligations in the future, and (3) the costs are expected to be recoverable. The contract fulfilment costs are recognised as the cost of sales of main operations based on the stage of completion when recognising revenue. Cost incurred by the Group for the acquisition of the contract is recognised as incremental costs of obtaining a contract. For costs of obtaining a contract with amortisation period of less than one year, it would be recognised in profit or loss for the current period when it occurs; for costs of obtaining a contract with amortisation period of more than one year, it would be amortised in profit or loss on the basis of revenue recognition of the related contract. If the carrying amount of contract cost is higher than the remaining consideration expected to be obtained by the provision of the service minus the estimated cost to be incurred, the Group makes impairment provisions on the excess and recognises it as asset impairment losses. As at the balance sheet date, based on whether the amortisation period of the contract fulfilment costs is less than one year or more than one year as determined upon initial recognition, the amount of the Group's contract fulfilment costs (net of related provision for asset impairment) is presented as inventories or other non-current assets respectively. For contract acquisition costs with an amortisation period more than one year as determined upon the initial recognition, the amount net of any related provision for asset impairment is presented as an other non-current asset.

The Group considers that its contracts with customers do not contain significant financing components, as a consequence, the Group does not adjust the transaction prices for the time value of money.

At the inception date of contract, the Group shall assess the contract, identify each of the performance obligations in the contract, as well as ensure whether the performance obligations is to be fulfilled over time or at a particular point in time, and subsequently confirms the revenue accordingly upon the complete fulfillment of each of the performance obligations. For contracts containing different performance obligations, the Group allocates the price obtained for the contract among the different performance obligations according to the relative proportion of individual selling price of each performance obligation. 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 based on expected cost plus a margin or adjusted market assessment approach, depending on the availability of observable information. The amount of revenue recognised by the Group may be affected by changes in the assumptions and estimates made by the Group in estimating the relative selling prices of various different performance obligations.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR 2023  
(ALL AMOUNTS IN RMB' 000 UNLESS OTHERWISE STATED)

### 2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

#### (22) Revenue recognition *(continued)*

##### *Revenue from sale of goods*

When selling goods to customers, the Group recognises revenue from the sale of goods at the amount of consideration to which the Group expects to be entitled when the customer obtains control of the relevant goods or services. Revenue from the sale of goods is calculated on the basis of the price stipulated in the sales contract and accounts receivables are recognised when the unconditional right to receive payment is recognised, otherwise the Group recognises contract assets at the time of revenue recognition. In some of the contracts, customers of the Group were granted a right of return within 7 days. The Group uses its accumulated experience to estimate the likelihood that goods sold will be returned at the time of sale and to make provision for sales returns. The Group recognises the amount expected to be refunded as a result of sales returns as returns payable, which is presented as other current liabilities. At the same time, the balance of the carrying amount of the returned product at the time of sale, after deducting the estimated cost of recovering the product, is recognised as a return cost receivable and presented as other current assets.

##### *Revenue from provision of ancillary services*

For the products sold by the Group, it also provides training and other ancillary services. Relevant revenue is recognized over the contracted period with customers in which the ancillary services are provided by the Group as the customers simultaneously receive and consume the benefit arising from the Group's performance.

#### (23) Government grants

Government grants are transfers of monetary or non-monetary assets from the government to the Group at nil consideration, including refund of taxes and financial subsidies.

A government grant is recognised when the conditions attached to it can be satisfied and the government grant can be received. If a government grant in the form of transfer of monetary assets, the grant is measured at the amount received or receivable. For a government grant in the form of transfer of non-monetary assets, it is measured at fair value; if the fair value is not reliably determinable, the grant is measured at nominal amount.

Government grants related to assets are those obtained for forming long-term assets by purchase, construction or acquisition in other ways. Government grants related to income represent those government grants other than related to assets.

The Group recognizes government grants related to assets as deferred income and apportions to profit or loss in a systemic manner over the useful lives of the relevant assets.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR 2023

(ALL AMOUNTS IN RMB' 000 UNLESS OTHERWISE STATED)

### 2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

#### (23) Government grants *(continued)*

For government grants related to income, where the grant is a compensation for related expenses or losses to be incurred in the subsequent periods, the grant is recognized as deferred income, and recognized in profit or loss over the periods in which the related costs are recognized; where the grant is a compensation for related expenses or losses already incurred by the Group, the grant is recognized immediately in the current profit or loss.

The Group presents similar types of government grants consistently in the financial statements. Government grants that are related to daily activities are included in the operating profit, otherwise, they are recorded in non-operating income or expenses.

#### (24) Lease

Lease is a contract in which the lessor transfers the use rights of assets to the lessee to obtain consideration for a certain period.

##### *The Group as the lessee*

At the commencement date, the Group shall recognise the right-of-use asset and measure the lease liability at the present value of the lease payments that are not paid at that date. Lease payments include fixed payments, the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and payments of penalties for terminating the lease if the lessee exercises an option to terminate the lease. Variable lease payments that are linked to a certain percentage of sales are excluded from lease payments and recognised in profit or loss as incurred. Lease liabilities that are due within one year (inclusive) as from the balance sheet date are included in non-current liabilities to be settled within one year.

Right-of-use assets comprise leased depot, plants and equipment. Right-of-use assets are measured initially at cost, which comprises the amount of the initial measurement of lease liabilities, any lease payments made at or before the commencement date and any initial direct costs, less any lease incentives received. If there is reasonable certainty that the Group will obtain ownership of the underlying asset by the end of the lease term, the asset is depreciated over its remaining useful life; otherwise the asset is depreciated over the shorter of the lease term and its remaining useful life. The carrying amount of the right-of-use asset is reduced to the recoverable amount when the recoverable amount is below the carrying amount.

For short-term leases, whose lease period is no more than 12 months, and low-value asset leases, which the value of brand-new individual asset is low, the Group chooses not to recognize the right-of-use assets or lease liabilities.

When the lease contract changes and the following conditions are met at the same time, the Group should treat it as a separate lease for accounting treatment: (1) the new lease contract expands the lease scope by adding one or more rights to use the leased asset; (2) the increased consideration is equivalent to the amount of the individual price of the expanded part of the lease scope adjusted according to the contract conditions.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR 2023  
(ALL AMOUNTS IN RMB' 000 UNLESS OTHERWISE STATED)

### 2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

#### (24) Lease *(continued)*

##### *The Group as the lessee (continued)*

When the lease change is not accounted for as a separate lease, the Group will re-determine the lease term on the effective date of the lease change, except for the simplified method for contract changes prescribed by the Ministry of Finance. In addition, the revised discount rate is used to discount the changed lease payment and remeasure the lease liability. If the lease change causes the scope of the lease to be narrowed or the lease term to be shortened, the Group will correspondingly reduce the carrying amount of the right-of-use asset, and the relevant gains or losses from the partial or complete termination of the lease are included in profit and loss for the current period. If other lease changes cause the lease liability to be remeasured, the Group will adjust the carrying amount of the right-of-use asset accordingly.

##### *The Group as the lessor*

A financial lease is a lease that substantially transfers almost all the risks and rewards related to the ownership of an asset. An operating lease is a lease other than a financial lease. Where the Group leases out self-owned buildings, rental income is recognised on a straight-line basis over the lease term.

#### (25) Segment information

The Group determines operating segments on the basis of the internal organizational structure, management requirements and internal report system, and determines reporting segments on the basis of operation segments, and discloses information of the segments.

An operating segment is a component of the Group that meets the following conditions: (1) it engages in business activities from which it may earn revenues and incur expenses; (2) its financial performance is regularly reviewed by the Group's management to make decisions about resource to be allocated to the segment and assess its performance; (3) the Group is able to obtain its accounting information regarding financial position, financial performance and cash flows. Two or more operating segments may be aggregated into a single operating segment if the segments have similar economic characteristics and satisfy certain conditions. As the management of the Group believes that the Group has only one operating segment, the Group does not disclose any segment information.

During 2023, more than 90% of the Group's non-current assets, excluding financial instruments and deferred income tax assets, were situated in Mainland China.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR 2023

(ALL AMOUNTS IN RMB' 000 UNLESS OTHERWISE STATED)

### 2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

#### (26) Share-based payments

Share-based payments are classified as equity-settled share-based payments and cash-settled share-based payments. The restricted share scheme and share option scheme implemented by the Group is accounted for as equity-settled share-based payments.

The equity-settled share-based payments in exchange for employee services shall be measured at the fair value of the equity instruments granted to the employees. Where the equity-settled share-based payments are exercisable immediately after the grant is completed, the payments shall be recognised in profit or loss for the current period at the fair value of the equity instruments at the grant date, with capital surplus increased accordingly; where the equity-settled share-based payments are exercisable after the service in the waiting period is completed or specified performance conditions are met, the service obtained in the current period shall be recognised in profit or loss for the current period at the fair value of the equity instruments at the grant date based on the best estimate on the quantity of exercisable equity instruments made by the Group in accordance with the latest changes in the number of exercisable employees, satisfaction of specified performance conditions and other subsequent information at each balance sheet date within the waiting period.

Where the equity-settled share-based payments cannot be exercised in the end, its costs or expenses shall not be recognised by the Group unless that the payments are exercisable under the market conditions or non-exercisable conditions. In this regard, whether the market conditions or non-exercisable conditions are satisfied or not, the payments are deemed to be exercisable only when the non-market conditions among all of the exercisable conditions are satisfied.

When the Group modifies the terms of the share-based payment plan, if the modification increases the fair value of the granted equity instruments, the Group shall recognise the increase in services received based on the difference between the fair value of the equity instruments before and after the modification on the modification date. If the Group revises the exercisable conditions in a manner favourable to employees, the Group shall account for the payment according to the revised exercisable conditions; if the Group revises the exercisable conditions in a manner unfavourable to employees, the Group shall not consider that in the accounting, unless the Group cancels part or all of the granted equity instruments. If the Group cancels the granted equity instruments, the payments shall be accelerated for exercise on the cancellation date, and the amount that should have been recognised during the remaining waiting period shall be immediately included in profit or loss for the current period, and capital surplus shall be also recognised.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR 2023  
(ALL AMOUNTS IN RMB' 000 UNLESS OTHERWISE STATED)

### 2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

#### (27) Critical accounting estimates and judgements

The Group continually evaluates the critical accounting estimates and key judgements applied based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The critical accounting estimates and key assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below:

##### **(a) Critical accounting estimates and key assumptions**

###### *(i) Revenue from customer contracts with multiple performance obligations*

For contracts containing different performance obligations, the Group allocates the transaction price among the different performance obligations according to the relative proportion of individual selling price of each performance obligation. The Group generally determines standalone selling prices of performance obligations based on the prices charged to customers when the Group sells performance obligations separately in similar circumstances to similar customers. If the standalone selling price is not directly observable, it is estimated using cost plus a margin or adjusted market assessment approach, depending on the availability of observable information. The amount of revenue recognised by the Group may be affected by changes in the assumptions and estimates made by the Group in estimating the relative selling prices of various different performance obligations.

###### *(ii) Accounting estimate of provision for decline in the value of inventories*

The inventories of the Group are measured at the lower of cost and net realizable value. The management of the Group makes significant estimates to determine the net realizable value of inventory. In determining the net realizable value of inventories, the Group evaluates signed sales contracts and orders, selling prices of the same or similar type of products recently sold, cost to be incurred from inventory to completion and cost fulfilment costs, estimated selling expenses and related taxes. If the conditions affecting the net realizable value of inventories deteriorate, additional provision for impairment may be required.

###### *(iii) Share-based payments*

To determine the share-based payments during the vesting period, the Group is required to estimate the date of the successful initial public offering of the Company's shares and the number of grantees who will continue to be employed by the Group at the end of the vesting period. Changes in such estimates and assumptions may have a material impact on the timing and amount of vesting restricted stock, which may further have a material impact on share-based expenses recognised for each year.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR 2023

(ALL AMOUNTS IN RMB' 000 UNLESS OTHERWISE STATED)

### 2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

#### (27) Critical accounting estimates and judgements *(continued)*

##### (a) Critical accounting estimates and key assumptions *(continued)*

###### (iv) Measurement of expected credit loss

The Group calculates the expected credit loss based on the default risk exposure and the expected credit loss rate, and determines the expected credit loss rate based on the default probability and the default loss rate. It assesses the adjustment factors of forward-looking information combined with current and future economic conditions and makes adjustment to the historical data.

When considering forward-looking information, the Group has considered the different macroeconomic scenarios. During 2023, the weights of the three economic scenarios (being base, downside, upside) are 60%, 20% and 20% (2022: 60%, 20% and 20%). The Group regularly monitors and reviews important macroeconomic assumptions and parameters related to the calculation of expected credit loss, including the risk of economic downturn, external market environment, technological environment, changes in customer conditions, gross domestic product and consumer price index.

###### (v) Accounting estimates on impairment of long-term equity investments and fixed assets

The Group conducted impairment test on long-term equity investments and fixed assets with impairment indicators. If the result of the impairment test indicates that the recoverable amount of such assets are less than its carrying amount, a provision for asset impairment and an impairment loss are recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount of an asset is the higher of the fair value less the cost of disposal and the present value of the future cash flows expected to be derived from the asset. These determinations require the use of estimates.

When the present value of expected future cash flows is adopted by the Group to determine the recoverable amount, due to the uncertainty of the economic environment in which the relevant regions are located, there is also uncertainty in the income growth rate, gross profit margin, and pre-tax discount rate used in the calculation of the present value of expected future cash flows. If the management revises the growth rate used in the future cash flow calculation of the relevant asset group, and the revised growth rate is lower than the current growth rate, the Group needs to increase the provision for impairment of the relevant assets. If the management revises the gross profit margin that is used in the calculation of future cash flows for the relevant asset groups, and the revised gross profit margin is lower than the current gross profit margin, the Group would need to increase the provision for impairment of the related assets. If the management revises the pre-tax discount rate used for cash flow discounting, and the revised pre-tax discount rate is higher than the currently used discount rate, the Group would need to increase the provision for impairment of related assets. If the actual growth rate and gross profit margin are higher than the management's estimate or the actual pre-tax discount rate is lower than the management's estimate, the Group shall not reverse the impairment loss of related asset that have been previously provisioned.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR 2023  
(ALL AMOUNTS IN RMB' 000 UNLESS OTHERWISE STATED)

### 2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

#### (27) Critical accounting estimates and judgements *(continued)*

##### (a) Critical accounting estimates and key assumptions *(continued)*

###### (vi) Goodwill impairment

The Group tests goodwill for impairment at least on an annual basis. The recoverable amount of group of assets or group of asset combinations containing goodwill is the higher of the net amount after deducting disposal expenses from the fair value of group of assets or group of asset combinations and the present value of its expected future cash flows, and accounting estimates need to be used for determination.

When the present value of expected future cash flows is used by the Group to determine the recoverable amount, due to the uncertainty of the economic environment in which the relevant regions are located, there is also uncertainty in the income growth rate, gross profit margin, and pre-tax discount rate used in the calculation of the present value of expected future cash flows. If the management revises the growth rate used in the calculation of future cash flows for group of assets or group of asset combinations, and the revised growth rate is lower than the current growth rate, the Group needs to increase impairment provisions for goodwill. If the management revises the gross profit margin used in the calculation of future cash flows for group of assets or group of asset combinations, and the revised gross profit margin is lower than the current gross profit margin, the Group needs to increase impairment provisions for goodwill. If the management revises the pre-tax discount rate used for cash flow discounting, and the revised pre-tax discount rate is higher than the currently used discount rate, the Group needs to increase the provision for impairment of goodwill. If the actual growth rate and gross profit margin are higher than the management's estimate or the actual pre-tax discount rate is lower than the management's estimate, the Group shall not reverse the impairment loss of goodwill that has been previously provisioned.

###### (vii) Income tax and deferred income tax

The Group is subject to income taxes in numerous jurisdictions. There are some transactions and events for which the ultimate tax determination is uncertain during the ordinary course of business. Significant judgement is required from the Group in determining the provision for income taxes in each of these jurisdictions. Where the final tax outcome of these matters is different from the amounts initially recorded, such differences will affect the income tax and deferred tax provisions in the period in which such determination is made.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR 2023

(ALL AMOUNTS IN RMB' 000 UNLESS OTHERWISE STATED)

### 2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

#### (27) Critical accounting estimates and judgements *(continued)*

##### (a) Critical accounting estimates and key assumptions *(continued)*

###### (vii) Income tax and deferred income tax *(continued)*

As disclosed in note 3, some subsidiaries of the Group are high-tech enterprises. The validity period of the high-tech enterprise qualification is 3 years. Upon expiration, application for high-tech enterprise should be submitted again to the relevant government authorities. Based on the past experience of reassessment for high-tech enterprise upon expiration and the actual condition of the subsidiaries, the Group considers that the subsidiaries are able to obtain the qualification for high-tech enterprises in future years, and therefore a preferential tax rate of 15% is used to calculate the corresponding deferred income tax. If some subsidiaries cannot obtain the qualification for high-tech enterprise upon expiration, then the subsidiaries are subject to a statutory tax rate of 25% for the calculation of the deferred income tax, which further influences the recognised deferred tax assets, deferred tax liabilities and income tax expenses.

For the deductible losses that can be carried forward in subsequent years, the Group shall recognise the corresponding deferred tax assets within the limit of the taxable income that is likely to be used to deduct the deductible losses in the future period. The taxable income obtained in the future period includes the taxable income that the Group can realise through normal production and operation activities, and the taxable income that will increase when the taxable temporary difference generated in the previous period is reversed in the future period. The Group needs to apply estimates and judgements in determining the time and amount of taxable income in the future. If there is any difference between the actual and the estimates, adjustment may be made to the carrying amount of deferred tax assets.

#### (28) Significant changes in accounting policies

The Ministry of Finance promulgated the Notice on Issuing the No. 16 Interpretation of Accounting Standards for Business Enterprises (《關於印發〈企業會計準則解釋第16號〉的通知》) (“No. 16 Interpretation”) in 2022. No. 16 Interpretation regarding the deferred income tax related to assets and liabilities arising from a single transaction not applicable to the initial recognition exemption have not had a significant impact on the financial statements of the Group and the Company.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR 2023  
(ALL AMOUNTS IN RMB' 000 UNLESS OTHERWISE STATED)

## 3 TAXATION

Category	Taxation basis	Tax rate
Enterprise income tax (a)	Taxable income	5%, 15%, 16.5%, 25% and 29.84%
Value-added tax (b)	Taxable value-added amount (Tax payable is calculated using the taxable sale amount multiplied by the applicable tax rate less deductible VAT input of the current period)	6%, 9%, 13%
City maintenance and construction tax	Taxable amount of VAT	5% or 7%
Education surcharges	Taxable amount of VAT	3%
Local education surcharges	Taxable amount of VAT	2%
Land use tax	Actual area of land used	Applicable differential tax amount
Urban land use tax	Actual area of land used	Applicable differential tax amount

- (a) According to the Enterprise Income Tax of the People's Republic of China and the Regulations on the Implementation of Enterprise Income Tax, except for a few subsidiaries in the Chinese Mainland that enjoy a preferential tax rate of 15% due to the certification of high-tech enterprises, the remaining subsidiaries mainly apply an income tax rate of 25%. In 2021, the Company and Shanghai UBJ Education Technology Co., Ltd. obtained the Certificate of High-tech Enterprises. In 2023, UBTECH Software Technology (Shenzhen) Co., Ltd. obtained the Certificate of High-tech Enterprises, which is valid for 3 years. According to the Enterprise Income Tax Law of the People's Republic of China, the enterprise income tax rate applicable to the Company and Shanghai UBJ Education Technology Co., Ltd. in 2023 is 15% (2022: 15%), and the enterprise income tax rate applicable to UBTECH Software Technology (Shenzhen) Co., Ltd. in 2023 is 15% (2022: 12.5%).

Certain subsidiaries of the Group are micro and small enterprises. According to the Announcement on Implementation of Preferential Policy on Income Tax for Small and Micro Enterprises and Self-Employed Individuals by the Ministry of Finance and the State Administration of Taxation (《財政部、稅務總局關於實施小微企業和個體工商戶所得稅優惠政策的公告》) (Announcement [2023] No. 6) and the Announcement of the State Administration of Taxation on Issues Concerning the Implementation of Preferential Income Tax Policies to Support the Development of Small and Low-Profit Enterprises and Individual Business (SAT Announcement [2021] No. 8), a 5% income tax rate is applicable to these subsidiaries.

The subsidiaries of the Company established in Hong Kong is subject to a 16.5% income tax rate.

The subsidiaries of the Company established in North America is subject to a federal income tax rate of 21% and a state income tax rate of 8.84%, totaling 29.84%.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR 2023

(ALL AMOUNTS IN RMB' 000 UNLESS OTHERWISE STATED)

### 3 TAXATION (continued)

- (b) According to the Announcement on Deepening the Relevant Policies of VAT Reform (《關於深化增值稅改革有關政策的公告》) issued by the Ministry of Finance, the State Taxation Administration and the General Administration of Customs (Ministry of Finance the State Taxation Administration the General Administration of Customs Announcement [2019] No. 39) and the relevant provisions, as of April 1, 2019, the value-added tax rate applicable to the Group's sales of goods is 13% and to the service fees income is 6%.

### 4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### (1) Cash at bank and on hand

	December 31, 2023	December 31, 2022
Cash on hand	77	75
Bank deposits	509,034	134,138
Other cash balances	32,291	59,366
	<u>541,402</u>	<u>193,579</u>

As at December 31, 2023, the Group's restricted cash amounted to RMB20,500,000 (December 31, 2022: RMB48,181,000), which mainly consists of security deposits, term deposits, and regulated account funds. Other cash balances, except for restricted funds, are mainly funds deposited by the Group on third-party payment platforms.

#### (2) Notes receivables

	December 31, 2023	December 31, 2022
Trade acceptance notes	494	—
Bank acceptance notes	6,147	12,398
	<u>6,641</u>	<u>12,398</u>

- (a) As at December 31, 2023, the Group did not have notes receivables pledged.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR 2023  
(ALL AMOUNTS IN RMB' 000 UNLESS OTHERWISE STATED)

## 4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

## (2) Notes receivables (continued)

- (b) In 2023, the Group's endorsed and discounted bank acceptance notes and substantially all risks and rewards of their ownership have not been transferred to other parties.

As at December 31, 2023, notes endorsed or discounted but not due, presented as notes receivables of the Group was as follows:

	Derecognised	Not Derecognized
Bank acceptance notes	—	4,175

- (c) Provision for bad debts

The notes receivable of the Group are generated from daily business activities such as sales of goods and provision of services, regardless of whether there is a significant financing component, the Group calculates loss provisions in accordance with the expected credit loss throughout the lifetime. As at December 31, 2023 and December 31, 2022, the Group assessed that the expected credit loss of notes receivable were not significant.

## (3) Accounts receivables

	December 31, 2023	December 31, 2022
Accounts receivables	1,068,734	739,284
Less: Provision for bad debts	(235,061)	(89,629)
	<u>833,673</u>	<u>649,655</u>

- (a) The aging analysis of accounts receivables by invoice date is as follows:

	December 31, 2023	December 31, 2022
Within 6 months	618,188	469,282
6 months to 1 year	67,318	119,912
1 to 2 years	291,208	89,978
2 to 3 years	59,991	11,916
Above 3 years	32,029	48,196
	<u>1,068,734</u>	<u>739,284</u>

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR 2023

(ALL AMOUNTS IN RMB' 000 UNLESS OTHERWISE STATED)

### 4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

#### (3) Accounts receivables (continued)

##### (b) Provision for bad debts

For the accounts receivables, regardless of whether there is a significant financing component, the Group calculates loss provisions in accordance with the expected credit loss throughout the lifetime.

The analysis of provision for bad debts for accounts receivables by category is as follows:

	December 31, 2023				December 31, 2022			
	Accounts balance		Provision for bad debts		Accounts balance		Provision for bad debts	
	Amount	% of total	Amount	% of provision	Amount	% of total	Amount	% of provision
Provision on an individual basis (i)	445,303	41.67%	216,529	48.63%	91,068	12.32%	74,388	81.68%
Provision on a collective basis (ii)	623,431	58.33%	18,532	2.97%	648,216	87.68%	15,241	2.35%
	<u>1,068,734</u>	<u>100.00%</u>	<u>235,061</u>	<u>21.99%</u>	<u>739,284</u>	<u>100.00%</u>	<u>89,629</u>	<u>12.12%</u>

- (i) Provision for bad debts made on an individual basis for accounts receivables is analysed as follows:

In 2023, the accounts receivables overdue over one year of the Group are approximately RMB187,627,000 (December 31 2022: RMB90,645,000). The Group provided estimated credit loss on an individual basis as its credit risk characteristics were significantly different. The Group has evaluated the cash flows that might be collected under different scenarios and recognised the difference of RMB216,529,000 (December 31, 2022: RMB74,388,000), of which RMB142,141,000 (2022: RMB20,338,000) was included in profit or loss for the current period, between the present value of the cash flows that might be collected and the cash flows receivable according to the contract as provision for bad debts.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR 2023  
(ALL AMOUNTS IN RMB' 000 UNLESS OTHERWISE STATED)

## 4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

## (3) Accounts receivables (continued)

## (b) Provision for bad debts (continued)

- (ii) Provision for bad debts made on a collective basis for accounts receivables is analysed as follows:

Portfolio 1: Government and state-owned enterprise clients:

	December 31, 2023		
	Accounts balance	Provision for bad debts	
	Amount	Lifetime ECL rates	Amount
Not overdue	155,035	1.45%	2,244
Overdue within 1-90 days	298	3.02%	9
Overdue within 91-180 days	54	3.70%	2
Overdue within 181-360 days	145	3.45%	5
	<u>155,532</u>		<u>2,260</u>

	December 31, 2022		
	Accounts balance	Provision for bad debts	
	Amount	Lifetime ECL rates	Amount
Not overdue	83,005	0.17%	139
Overdue within 1-90 days	60,023	0.68%	411
Overdue within 91-180 days	104,243	1.90%	1,978
Overdue within 181-360 days	104,620	2.36%	2,466
	<u>351,891</u>		<u>4,994</u>



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR 2023  
(ALL AMOUNTS IN RMB' 000 UNLESS OTHERWISE STATED)

## 4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

## (3) Accounts receivables (continued)

## (b) Provision for bad debts (continued)

- (ii) Provision for bad debts made on a collective basis for accounts receivables is analysed as follows (continued):

Portfolio 3: External related parties of the Group:

	December 31, 2023		
	Accounts balance	Provision for bad debts	
	Amount	Lifetime ECL rates	Amount
Not overdue	265,559	4.98%	13,226

	December 31, 2022		
	Accounts balance	Provision for bad debts	
	Amount	Lifetime ECL rates	Amount
Not overdue	215,657	4.36%	9,399

- (iii) During the year, the provision for bad debts amounted to RMB157,492,000. The collecting or reversal of provision for bad debts is RMB12,060,000, and its corresponding accounts balance is RMB12,060,000.
- (a) During the year, there is no accounts receivables were written off.
- (b) There were no accounts receivables pledged to banks as security as at December 31, 2023.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR 2023

(ALL AMOUNTS IN RMB' 000 UNLESS OTHERWISE STATED)

### 4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

#### (4) Prepayments

	December 31, 2023		December 31, 2022	
	Amount	% of total prepayments	Amount	% of total prepayments
Within 1 year	114,954	95.47%	51,443	84.00%
1 to 2 years	2,423	2.01%	8,450	13.80%
2 to 3 years	2,531	2.10%	498	0.81%
Over 3 years	500	0.42%	854	1.39%
	<u>120,408</u>	<u>100%</u>	<u>61,245</u>	<u>100%</u>

As at December 31, 2023, prepayments aged over a year amounted to RMB5,454,000 (December 31, 2022: RMB9,802,000), which were prepayments to suppliers. Since the suppliers have not yet fulfilled their delivery and service obligations, the payment has not been settled.

#### (5) Other receivables

	December 31, 2023	December 31, 2022
Receivables in respect of listing proceeds (a)	828,142	—
Deposits and guarantees receivables (b)	36,134	48,781
Receivables relating to asset disposal	7,000	7,000
Advances to employees	2,696	3,415
Others	12,136	8,334
	<u>886,108</u>	<u>67,530</u>
Less: Provision for bad debts	<u>(16,652)</u>	<u>(17,089)</u>
	<u>869,456</u>	<u>50,441</u>

- (a) The shares of the Company were listed on the Main Board of Hong Kong Stock Exchange on December 29, 2023. The international allocation raised a total of HK\$913,842,000 (approximately equivalent to RMB828,142,000) on the listing date. Such proceeds, after deducting relevant amounts due to underwriters by the Company of HK\$871,378,000 (equivalent to approximately RMB789,155,000) in aggregate, were transferred from our underwriters to our fundraising account (Hong Kong dollar bank account) in Hong Kong on January 3, 2024.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR 2023  
(ALL AMOUNTS IN RMB' 000 UNLESS OTHERWISE STATED)

## 4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

## (5) Other receivables (continued)

- (b) As at December 31, 2023 and December 31, 2022, the Group's deposits and guarantees receivable mainly include quality deposits, construction in progress and lease deposits paid by the Group.

There is no situation in the Group where funds were classified as other accounts receivables due to centralized fund management.

- (c) The aging analysis of other receivables is as follows:

	December 31, 2023	December 31, 2022
Within 1 year	848,571	20,803
1 to 2 years	4,203	28,720
2 to 3 years	24,054	14,324
Over 3 years	9,280	3,683
	<u>886,108</u>	<u>67,530</u>

- (d) Changes in loss allowance and its account balance

The analysis of provision for bad debts for other receivables by category is as follows:

	December 31, 2023				December 31, 2022			
	Accounts balance		Provision for bad debts		Accounts balance		Provision for bad debts	
	Amount	% of total balance	Amount	% of provision	Amount	% of total balance	Amount	% of provision
Stage 1	875,122	98.76%	(5,666)	0.65%	50,956	75.46%	(515)	1.01%
Stage 3	10,986	1.24%	(10,986)	100%	16,574	24.54%	(16,574)	100%
	<u>886,108</u>	<u>100.00%</u>	<u>(16,652)</u>	<u>1.88%</u>	<u>67,530</u>	<u>100.00%</u>	<u>(17,089)</u>	<u>25.31%</u>

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR 2023

(ALL AMOUNTS IN RMB' 000 UNLESS OTHERWISE STATED)

### 4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

#### (5) Other receivables (continued)

(d) Changes in loss allowance and its account balance (continued)

	Stage 1		Stage 3		Total Provision for bad debts
	Accounts balance	Provision for bad debts	Accounts balance	Provision for bad debts	
December 31, 2022	50,956	(515)	16,574	(16,574)	(17,089)
Transfer to Stage 3 this year	(3,577)	25	3,577	(25)	—
Net changes this year	<u>827,743</u>	<u>(5,176)</u>	<u>(9,165)</u>	<u>5,613</u>	<u>437</u>
December 31, 2023	<u><b>875,122</b></u>	<u><b>(5,666)</b></u>	<u><b>10,986</b></u>	<u><b>(10,986)</b></u>	<u><b>(16,652)</b></u>

In 2023 and 2022, the changes in provision for bad debts caused by the conversion between the Stage 1 and Stage 3 are not significant, and the changes in provision for bad debts caused by changes in the parameter data used for expected credit loss are also not significant.

As at December 31, 2023 and December 31, 2022, the Group had no other receivables in the Stage 2. Other receivables in the Stage 1 and Stage 3 are analysed as follows:

(i) As at December 31, 2023, the analysis of other receivables for single provision for bad debts was as follows:

Stage 3	Account balance	Lifetime ECL rate	Provision for bad debts	Reasons
Deposits and guarantees receivable	6,366	100%	(6,366)	Due for over one year
Others	4,620	100%	(4,620)	Due for over one year
	<u>10,986</u>		<u>(10,986)</u>	

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR 2023  
(ALL AMOUNTS IN RMB' 000 UNLESS OTHERWISE STATED)

## 4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

## (5) Other receivables (continued)

(d) Changes in loss allowance and its account balance (continued)

(ii) As at December 31, 2022, the analysis of other receivables for single provision for bad debts was as follows:

Stage 3	Account balance	Lifetime ECL rate	Provision for bad debts	Reasons
Deposits and guarantees receivable	12,260	100%	(12,260)	Due for over one year
Others	4,314	100%	(4,314)	Due for over one year
	<u>16,574</u>		<u>(16,574)</u>	

(iii) As at December 31, 2023 and December 31, 2022, other receivables that are assessed for provision for bad debts on a collective group basis were both in the Stage 1, analysis was as follows:

	December 31, 2023			December 31, 2022		
	Account balance	Loss allowance	% of	Account balance	Loss allowance	% of
	Amount	Amount	provision	Amount	Amount	provision
Deposits and guarantees receivable	29,768	(660)	2.22%	36,521	(377)	1.03%
Petty cash for employees receivable	2,696	(21)	0.78%	3,415	(25)	0.73%
Receivables in respect of listing proceeds	828,142	(4,728)	0.57%	—	—	—
Others	<u>14,516</u>	<u>(257)</u>	<u>1.77%</u>	<u>11,020</u>	<u>(113)</u>	<u>1.03%</u>
	<u>875,122</u>	<u>(5,666)</u>	<u>0.65%</u>	<u>50,956</u>	<u>(515)</u>	<u>1.01%</u>

During the year, the single and collective provisions for credit loss amounted to RMB8,708,000, of which RMB9,145,000 of loss provision reversed due to collected in the Stage 3, and the relevant balance was RMB9,145,000. The recovered amount mainly refers to a receivable that the Group has fully provisioned for losses in previous years.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR 2023

(ALL AMOUNTS IN RMB' 000 UNLESS OTHERWISE STATED)

### 4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

#### (6) Inventories

##### (a) Inventories are classified as follows:

	December 31, 2023			December 31, 2022		
	Account balance	Provision for declines in the value of inventories	Carrying amount	Account balance	Provision for declines in the value of inventories	Carrying amount
Raw materials	68,577	(1,239)	67,338	50,874	(1,783)	49,091
Work in progress	39,144	(196)	38,948	29,366	(774)	28,592
Finished goods	178,293	(10,026)	168,267	247,729	(70,214)	177,515
Contract fulfilment costs (i)	35,093	—	35,093	54,923	—	54,923
Goods in transit (ii)	106,378	—	106,378	16,045	—	16,045
	<u>427,485</u>	<u>(11,461)</u>	<u>416,024</u>	<u>398,937</u>	<u>(72,771)</u>	<u>326,166</u>

- (i) The account balance of contract fulfilment costs is mainly the direct and indirect expenses incurred in fulfilling logistics project contracts by the Group, which have not been transferred to customers and have not been carried forward to operating costs. In 2023, the total amortisation of contract fulfilment costs included in operating costs was RMB374,779,000 (2022: RMB265,421,000).
- (ii) The main purpose of goods in transit is for the Group to sign contracts with business partners in order to obtain business opportunities related to the project, and then to send certain of the goods to the local business partner's warehouse in advance. As the control of this part has not yet been transferred to the end customer, it is presented as goods in transit for accounting.

##### (b) Provision for declines in value of inventories are analysed as follows:

	December 31, 2022	Increase in the current year Provision	Decrease in the current year		December 31, 2023
			Written off with retirement	Written off with sales	
Raw materials	1,783	83	(608)	(19)	1,239
Work in progress	774	—	(549)	(29)	196
Finished goods	<u>70,214</u>	<u>2,927</u>	<u>(12,649)</u>	<u>(50,466)</u>	<u>10,026</u>
	<u>72,771</u>	<u>3,010</u>	<u>(13,806)</u>	<u>(50,514)</u>	<u>11,461</u>

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR 2023  
(ALL AMOUNTS IN RMB' 000 UNLESS OTHERWISE STATED)

## 4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

## (6) Inventories (continued)

(c) The provision for decline in value of inventories is as follows:

	Specific basis for determining net realisable value	Reason for reversal or writing off the provision for decline in value of inventories in the year
Raw materials	Measured at the lower of cost and net realisable value	Retirement
Work in progress	Measured at the lower of cost and net realisable value	Retirement
Finished goods	Measured at the lower of cost and net realisable value	Retirement or sell
Contract fulfilment costs	Measured at the lower of cost and net realisable value	N/A
Goods in transit	Measured at the lower of cost and net realisable value	N/A

## (7) Other current assets

	December 31, 2023	December 31, 2022
Input VAT to be deducted	107,427	69,207
Prepaid tax	12,005	3,502
Right to returned goods	10,201	6,500
	<u>129,633</u>	<u>79,209</u>

## (8) Long-term equity investments

	December 31, 2023	December 31, 2022
Associates — Investments in unlisted companies	78,373	58,444
Less: Provision for impairment	(58,444)	(58,444)
	<u>19,929</u>	<u>—</u>

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR 2023

(ALL AMOUNTS IN RMB' 000 UNLESS OTHERWISE STATED)

### 4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

#### (8) Long-term equity investments (continued)

	December 31, 2022	Increase in investment	Share of net loss under equity method	December 31, 2023	Provision for impairment
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)	52,222	—	—	52,222	(52,222)
Shenzhen Yiersan Technology Co., Ltd. (深圳市易二三科技有限公司)	3,222	—	—	3,222	(3,222)
Sichuan Shanyuan Sports Industry Development Co., Ltd. (四川山原體育產業發展有限公司)	3,000	—	—	3,000	(3,000)
Beijing Humanoid Robot Innovation Center Co., Ltd. (北京人形機器人創新中心有限公司)	—	20,000	(71)	19,929	—
	<u>58,444</u>	<u>20,000</u>	<u>(71)</u>	<u>78,373</u>	<u>(58,444)</u>

The equity investments above are accounted for using the equity method. The directors of the Company were of opinion that the above associates have no material impact on the Group's financial statements.

#### (9) Investments in other equity instruments

	December 31, 2023	December 31, 2022
Equity of unlisted companies		
Shenzhen Qiaolian Technology Co., Ltd. (深圳橋漣科技有限責任公司)		
— Costs	8,000	8,000
— Accumulated changes in fair value	(6,722)	(6,798)
	<u>1,278</u>	<u>1,202</u>
Changsha Go Further AI Technology Co., Ltd. (長沙行深智能科技有限公司)		
— Costs	3,000	3,000
— Accumulated changes in fair value	1,795	1,371
	<u>4,795</u>	<u>4,371</u>
	<u>6,073</u>	<u>5,573</u>

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR 2023  
(ALL AMOUNTS IN RMB' 000 UNLESS OTHERWISE STATED)

## 4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

## (9) Investments in other equity instruments (continued)

Investments in other equity instruments is the Group's investment in unlisted equity at fair value through other comprehensive income whose fair value measurement is classified under Level 3, and the table below sets out its fair value change:

	December 31, 2023	December 31, 2022
Opening balance for the year	5,573	3,973
Change in fair value through other comprehensive income	500	1,600
Closing balance for the year	6,073	5,573

As at December 31, 2023, fair value of investment in other equity instruments mainly made reference of recent transactions. The table below summarizes the quantitative information about the significant unobservable inputs used in recurring level 3 fair value measurements as at December 31, 2022 and December 31, 2023.

	December 31, 2023	December 31, 2022	Relationship of unobservable inputs to fair values
Unobservable inputs			
Business enterprise value/ book multiple of comparable companies	4.01	2.82	The higher the multiple, the higher the fair value
Lack of marketability discount rate	20.6%	20.5%	The higher the discount rate, the lower the fair value

In 2023, the Group's financial assets at fair value through other comprehensive income increased or decreased 10% with other factors remaining unchanged, there is no material impact on the Group's other comprehensive income.

In 2023, the Group has no transfers among the fair value level between level 1, level 2 or level 3.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR 2023  
(ALL AMOUNTS IN RMB' 000 UNLESS OTHERWISE STATED)

### 4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

#### (10) Fixed assets

	Buildings	Machinery and equipment	Office equipment and motor vehicles	Total
Cost				
December 31, 2022	87,364	163,721	48,536	299,621
Increase in the current year				
Purchases	—	12,853	4,983	17,836
Decrease in the current year				
Disposal and other decrease	(3,350)	(3,430)	(5,573)	(12,353)
December 31, 2023	<b>84,014</b>	<b>173,144</b>	<b>47,946</b>	<b>305,104</b>
Accumulated depreciation				
December 31, 2022	—	103,125	37,355	140,480
Increase in the current year				
Accruals (i)	1,602	22,885	6,348	30,835
Decrease in the current year				
Disposal and other decrease	—	(2,676)	(5,365)	(8,041)
December 31, 2023	<b>1,602</b>	<b>123,334</b>	<b>38,338</b>	<b>163,274</b>
Carrying amount				
December 31, 2023	<b>82,412</b>	<b>49,810</b>	<b>9,608</b>	<b>141,830</b>
December 31, 2022	87,364	60,596	11,181	159,141

- (i) In 2023, depreciation of fixed assets recognised amounted to RMB30,835,000 (2022: RMB41,653,000), of which RMB14,333,000, RMB1,184,000, RMB8,796,000 and RMB6,522,000 (2022: RMB18,022,000, RMB1,842,000, RMB11,062,000 and RMB10,727,000) has been charged in cost of sales, selling expenses, general and administrative expenses, research and development expenses, respectively.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR 2023  
(ALL AMOUNTS IN RMB' 000 UNLESS OTHERWISE STATED)

## 4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

## (11) Construction in progress

Names of projects	December 31, 2022	Increase in the current year	December 31, 2023	Accumulative capitalized borrowing costs	Including: Capitalized borrowing costs this year	Borrowing cost capitalizing rate this year	Source of funds
Shenzhen headquarters building	454,657	369,993	824,650	60,022	40,752	6.43%	Borrowings/self-funding
Hangzhou 2nd headquarters building	81,670	33,839	115,509	3,790	3,790	6.43%	Borrowings/self-funding
Kunming industrial park	20,859	8,257	29,116	1,418	1,418	6.43%	Borrowings/self-funding
Hangzhou Lin'an infrastructure project	20,939	18,611	39,550	1,241	1,241	6.43%	Borrowings/self-funding
Others	295	1,879	2,174	105	105	6.43%	Borrowings/self-funding
	<u>578,420</u>	<u>432,579</u>	<u>1,010,999</u>	<u>66,576</u>	<u>47,306</u>		

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR 2023

(ALL AMOUNTS IN RMB' 000 UNLESS OTHERWISE STATED)

### 4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

#### (12) Right-of-use assets

	<b>Buildings</b>
Cost	
December 31, 2022	159,492
Increase in the current year	
New lease contracts	43,111
Modification of leases	324
Decrease in the current year	
Contract expiration	(24,706)
Early termination of leases	(17,884)
December 31, 2023	<b>160,337</b>
Accumulated depreciation	
December 31, 2022	104,284
Increase in the current year	
Accruals	32,039
Decrease in the current year	
Contract expiration	(24,706)
Early termination of leases	(16,999)
December 31, 2023	<b>94,618</b>
Carrying amount	
December 31, 2023	<b>65,719</b>
December 31, 2022	55,208

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR 2023  
(ALL AMOUNTS IN RMB' 000 UNLESS OTHERWISE STATED)

## 4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

## (13) Intangible assets

	Land use rights	Customer contract	Office software	Trademark	Total
Cost					
December 31, 2022	511,117	8,654	11,501	1,474	532,746
Increase in the current year	—	—	—	—	—
Purchases	25,637	—	10,546	—	36,183
Differences arising from translation of foreign currency financial statements	—	—	45	—	45
Decrease in the current year	—	—	—	—	—
Disposal	(36,663)	—	—	—	(36,663)
December 31, 2023	<b>500,091</b>	<b>8,654</b>	<b>22,092</b>	<b>1,474</b>	<b>532,311</b>
Accumulated amortisation					
December 31, 2022	62,918	801	9,234	490	73,443
Increase in the current year	—	—	—	—	—
Accruals	14,485	3,411	2,279	147	20,322
Differences arising from translation of foreign currency financial statements	—	—	99	—	99
Decrease in the current year	—	—	—	—	—
Disposal	(798)	—	—	—	(798)
December 31, 2023	<b>76,605</b>	<b>4,212</b>	<b>11,612</b>	<b>637</b>	<b>93,066</b>
Net carrying amount					
December 31, 2023	<b>423,486</b>	<b>4,442</b>	<b>10,480</b>	<b>837</b>	<b>439,245</b>
December 31, 2022	<u>448,199</u>	<u>7,853</u>	<u>2,267</u>	<u>984</u>	<u>459,303</u>

In the year, the amortisation of intangible assets included in construction in progress, selling expenses, general and administrative expenses and research and development expenses amounted to RMB13,320,000, RMB3,463,000, RMB3,365,000 and RMB174,000 respectively (2022: RMB15,655,000, nil, RMB2,221,000 and RMB111,000).

As at December 31, 2023, land use rights with a carrying amount of RMB291,879,000 (a cost of RMB357,410,000) (December 31, 2022: carrying amount of RMB303,791,000 and cost of RMB357,410,000) was pledged as collateral for short-term borrowings of RMB72,146,000 (December 31, 2022: RMB30,028,000) (note 4(18)), long-term borrowings of RMB676,311,000 (December 31, 2022: RMB298,194,000) (note 4(27)).

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR 2023

(ALL AMOUNTS IN RMB' 000 UNLESS OTHERWISE STATED)

### 4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

#### (14) Goodwill

	December 31, 2023	December 31, 2022
Goodwill —		
Shanghai UBJ Education Technology Co., Ltd. (上海優必杰教育科技有限公司) (“Shanghai UBJ”)	14,622	14,622
Jiangsu Tianhui Science and Technology Development Co., Ltd. (江蘇天慧科技開發有限公司) (“Jiangsu Tianhui”)	60,965	60,965
	<u>75,587</u>	<u>75,587</u>
Less: Provision for impairment —		
Shanghai UBJ	(6,956)	—
Jiangsu Tianhui	(16,410)	—
	<u>52,221</u>	<u>75,587</u>

The goodwill arose from the acquisition of subsidiaries in 2022 (note 5). The Group monitors goodwill at the level of Shanghai UBJ and Jiangsu Tianhui, therefore, impairment testing on goodwill will be performed at the level of Shanghai UBJ and Jiangsu Tianhui. Management determines the recoverable amounts of cash generating units of Shanghai UBJ and Jiangsu Tianhui based on value in use calculations.

When performing impairment testing on goodwill, the Group compares the recoverable amounts of related asset groups or groups of asset groups (goodwill inclusive) to their carrying amounts, if the recoverable amounts are lower than the carrying amounts, the difference is included in impairment losses on assets for current period.

The Group determines the growth rates and the gross margins based on its past experience and forecast on future market development. The forecast period growth rates are built on the five-year budget approved by the management, and the terminal growth rates are the weighted average growth rates applied by management to extrapolate cash flows beyond the forecast period, which are consistent with those estimated in the authoritative industry reports, and do not exceed the long-term average growth rates of each product. The discount rates used by the management are the pre-tax interest rates that are able to reflect the risks specific to the related asset groups or groups of asset groups.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR 2023  
(ALL AMOUNTS IN RMB' 000 UNLESS OTHERWISE STATED)

## 4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

## (14) Goodwill (continued)

The main assumptions applied in calculating discounted future cash flows are as follows:

	2023		2022	
	Shanghai UBJ Education Technology Co., Ltd.	Jiangsu Tianhui Science and Technology Development Co., Ltd.	Shanghai UBJ Education Technology Co., Ltd.	Jiangsu Tianhui Science and Technology Development Co., Ltd.
Forecast period growth rates	2.2%–20.0%	3.7%–228.0%	5.8%–31.7%	7.0%–171.6%
Terminal growth rates	2.2%	2.2%	2.0%	2.0%
Forecast period gross margins	46.5%	15.2%–23.4%	45.6%	20.9%–22.6%
Pre-tax discount rates	15.7%	21.9%	18.1%	21.8%

As at December 31, 2023, the Company's management assessed and totally provided impairment of goodwill of RMB23,366,000 because Shanghai UBJ and Jiangsu Tianhui didn't meet the performance targets after the acquisitions.

## (15) Long-term prepaid expenses

	December 31, 2022	Increase in the current year	Amortisation in the current year	December 31, 2023
Improvement to right-of-use assets	21,619	21,191	(16,069)	26,741

## (16) Other non-current assets

	December 31, 2023	December 31, 2022
Prepayment for construction in progress and other fixed assets	16,810	13,003
Credit tax available for deduction	68,831	34,989
	85,641	47,992

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR 2023

(ALL AMOUNTS IN RMB' 000 UNLESS OTHERWISE STATED)

### 4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

#### (17) Provision for asset impairment and losses

	December 31, 2022	Increase in the current year	Decrease in the current year		December 31, 2023
			Reversal	Write-off	
Provision for bad debts of accounts receivables	89,629	157,492	(12,060)	—	235,061
Including: Provision for bad debts on an individual basis	74,388	154,201	(12,060)	—	216,529
Provision for bad debts on a collective basis	15,241	3,291	—	—	18,532
Provision for bad debts of other receivables	17,089	8,708	(9,145)	—	16,652
Provision for decline in the value of inventories and impairment of contract fulfilment costs	72,771	3,010	—	(64,320)	11,461
Impairment of long-term equity investment	58,444	—	—	—	58,444
Provision for impairment of goodwill	—	23,366	—	—	23,366
	<u>237,933</u>	<u>192,576</u>	<u>(21,205)</u>	<u>(64,320)</u>	<u>344,984</u>

#### (18) Short-term borrowings

	December 31, 2023	December 31, 2022
Secured and guaranteed borrowings (a)	72,146	30,028
Secured borrowings (b)	2,000	58,000
Guaranteed borrowings (c)	643,063	236,440
Unsecured credit borrowings	60,014	—
	<u>777,223</u>	<u>324,468</u>

- (a) As at December 31, 2023, secured and guaranteed borrowings of the Group of RMB72,146,000 (December 31, 2022: RMB30,028,000) were secured by the Group's certain land use rights (note 4(13)) and 100% equity interest of a subsidiary Shenzhen UBTECH Technology Industrial Co., Ltd. (深圳市優必選科技實業有限公司) and the Company's 16 patent rights as collateral, and guaranteed by the Company and Mr. Zhou Jian. As at February 6, 2024, the guarantee from Mr. Zhou Jian was released.
- (b) As at December 31, 2023, secured borrowings of RMB2,000,000 were short-term borrowings obtained from discounting bank acceptance notes of RMB2,000,000 (December 31, 2022: RMB58,000,000) or providing collateral pledge.
- (c) As at December 31, 2023, guaranteed borrowings of RMB643,063,000 (December 31, 2022: RMB236,440,000) were obtained by a subsidiary of the Group which are guaranteed by the Company and other subsidiaries.
- (d) As at December 31, 2023, the Group had no overdue short-term borrowings, which bear interest ranging from 4.00% to 5.66% (December 31, 2022: 3.70% to 6.00%).

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR 2023  
(ALL AMOUNTS IN RMB' 000 UNLESS OTHERWISE STATED)

## 4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

## (19) Notes Payables

	December 31, 2023	December 31, 2022
Bank acceptance notes	<u>3,964</u>	<u>—</u>

## (20) Accounts payables

	December 31, 2023	December 31, 2022
Payables for purchase of raw materials	260,408	156,804
Payables for outsourcing labour costs	148,351	129,083
Others	<u>3,775</u>	<u>19,519</u>
	<u>412,534</u>	<u>305,406</u>

The aging analysis of accounts payables based on invoice dates of recognition is as follows:

	December 31, 2023	December 31, 2022
Within 6 months	323,456	239,190
6 months to 1 year	24,766	15,288
1 to 2 years	37,616	45,909
Over 2 years	<u>26,696</u>	<u>5,019</u>
	<u>412,534</u>	<u>305,406</u>

As at December 31, 2023, accounts payables over one year amounted to RMB64,312,000 (December 31, 2022: RMB50,928,000), which were mainly outsource projects payables, part of which will be settled upon inspection and acceptance due to their long construction period.

## (21) Contract liabilities

	December 31, 2023	December 31, 2022
Advance for goods and labour services	<u>58,945</u>	<u>84,509</u>

Contract liabilities of RMB64,777,000 that was included in carrying amount on December 31, 2022 had been transferred to revenue in 2023, including RMB45,500,000 of rendering education training service fee.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR 2023

(ALL AMOUNTS IN RMB' 000 UNLESS OTHERWISE STATED)

### 4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

#### (22) Employee benefits payable

	December 31, 2023	December 31, 2022
Short-term employee benefits payable (a)	140,351	169,548
Defined contribution plans payable (b)	11,742	11,273
Termination benefits payable (c)	226	1,642
	<u>152,319</u>	<u>182,463</u>

#### (a) Short-term employee benefits

	December 31, 2022	Increase in the current year	Decrease in the current year	December 31, 2023
Wages and salaries, bonus, allowances and subsidies	155,729	487,834	(517,073)	126,490
Staff welfare	25	11,535	(11,560)	—
Social security contributions	6,168	29,254	(29,400)	6,022
Including: Medical insurance	5,622	26,582	(26,743)	5,461
Work injury insurance	139	985	(980)	144
Maternity insurance	407	1,687	(1,677)	417
Housing funds	7,631	31,166	(30,958)	7,839
Labour union funds and employee education funds	(5)	523	(518)	—
	<u>169,548</u>	<u>560,312</u>	<u>(589,509)</u>	<u>140,351</u>

#### (b) Defined contribution plans payable

	December 31, 2022	Increase in the current year	Decrease in the current year	December 31, 2023
Basic pensions	11,165	53,147	(52,684)	11,628
Unemployment insurance	108	626	(620)	114
	<u>11,273</u>	<u>53,773</u>	<u>(53,304)</u>	<u>11,742</u>

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR 2023  
(ALL AMOUNTS IN RMB' 000 UNLESS OTHERWISE STATED)

## 4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

## (22) Employee benefits payable (continued)

## (b) Defined contribution plans (continued)

The Group paid basic pensions and unemployment insurance to relevant institutions monthly according to the payment base and proportion which specified by the local labour and social security department, and the payment cannot be used to offset the amount that the Group should pay for employees in the future.

## (c) Termination benefits payable

	December 31, 2023	December 31, 2022
Other termination benefits (i)	<u>226</u>	<u>1,642</u>

(i) In 2023, the Group provided other termination benefits of RMB8,885,000 (2022: RMB20,741,000) due to termination of employment relationship.

## (23) Taxes payable

	December 31, 2023	December 31, 2022
Enterprise income tax payable	38,053	13,387
VAT payable	32,362	51,304
Individual income tax payable	3,116	3,003
Educational surcharge payable	82	191
City maintenance and construction tax payable	7	169
	<u>73,620</u>	<u>68,054</u>

## (24) Other payables

	December 31, 2023	December 31, 2022
Accrued expenses (a)	152,513	27,639
Payables for the following:		
— Government grants received (b)	118,523	125,626
— Purchase of fixed assets	91,191	171,890
— Acquisition of land use rights	3,800	3,800
Others	16,802	8,938
	<u>382,829</u>	<u>337,893</u>

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR 2023

(ALL AMOUNTS IN RMB' 000 UNLESS OTHERWISE STATED)

### 4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

#### (24) Other payables (continued)

- (a) The amounts mainly represent expenses including withholding professional service fees, advertising and promotion expenses, of which withholding listing expenses amounted to RMB66,757,000.
- (b) The amounts represent government grants received by the Group for which the attached conditions have not been fulfilled and accounted for as accounts payables.
- (c) As at December 31, 2023, other payables aging over a year amounted to RMB16,007,000 (December 31, 2022: RMB6,014,000), which are mainly renovation payables and unsettled due to long renovation duration.

#### (25) Non-current liabilities to be settled within one year

	December 31, 2023	December 31, 2022
Long-term borrowings to be settled due within one year (note 4(27))	27,322	2,303
Lease liabilities to be settled due within one year (note 4(28))	35,449	34,861
	<u>62,771</u>	<u>37,164</u>

#### (26) Other current liabilities

	December 31, 2023	December 31, 2022
Payables for returned goods	14,697	15,273
Quality assurance fund — provision for repair service	13,203	9,265
	<u>27,900</u>	<u>24,538</u>

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR 2023  
(ALL AMOUNTS IN RMB' 000 UNLESS OTHERWISE STATED)

## 4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

## (27) Long-term borrowings

	December 31, 2023	December 31, 2022
Secured and guaranteed borrowings	676,311	298,194
Less: Long-term borrowings to be settled within one year (note 4(25))	<u>(27,322)</u>	<u>(2,303)</u>
	<u><u>648,989</u></u>	<u><u>295,891</u></u>

As at December 31, 2023, secured and guaranteed borrowings of the Group of RMB676,311,000 (December 31, 2022: RMB298,194,000) were secured by the Group's certain land use rights assets (as stated in note 4(13)) and 100% equity interest of Shenzhen UBTECH Technology Industrial Co., Ltd. (深圳市優必選科技實業有限公司), and the Company's 16 patent rights as collateral, and guaranteed by the Company and Mr. Zhou Jian. The interest rate is 6.84% The interest shall be paid every three months and the principal shall be repaid before June 18, 2031. As at February 6, 2024, Mr. Zhou Jian released the guarantee.

## (28) Lease liabilities

	December 31, 2023	December 31, 2022
Lease liabilities	76,963	66,134
Less: Lease liabilities to be settled within one year	<u>(35,449)</u>	<u>(34,861)</u>
	<u><u>41,514</u></u>	<u><u>31,273</u></u>

As at December 31, 2023, the Group did not include lease liabilities, as a result, the minimum rental payable in the future for contracts of short-term leases and low-value asset leases that will lead to future cash outflow amounted to RMB339,000 (December 31, 2022: RMB540,000), both payable within one year.

As at December 31, 2023, there were no lease contracts that the Group had signed but not yet executed.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR 2023

(ALL AMOUNTS IN RMB' 000 UNLESS OTHERWISE STATED)

### 4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

#### (29) Deferred income

	December 31, 2022	Increase in the current year	Included in other income in the current year	December 31, 2023
Assets related government grants	21,522	—	(10,559)	10,963
Income related government grants	19,642	12,570	(10,286)	21,926
	41,164	12,570	(20,845)	32,889

#### (30) Deferred income tax and liabilities

- (a) The analysis of deductible temporary differences and deductible losses of the Group's unrecognized deferred income tax assets is as follows:

	December 31, 2023	December 31, 2022
Deductible temporary differences	942,276	706,562
Deductible losses	5,141,252	4,182,423
	6,083,528	4,888,985

- (b) Deductible losses that are not recognized as deferred tax assets will expire in the following years:

	December 31, 2023	December 31, 2022
2023	—	6,859
2024	32,418	37,282
2025	100,233	103,748
2026	194,817	197,525
2027	395,849	406,888
2028 and after	4,417,935	3,430,121
	5,141,252	4,182,423

- (c) As at December 31, 2023 and December 31, 2022, the Group's recognised deferred income tax liabilities arose from the evaluation increment from business combination.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR 2023  
(ALL AMOUNTS IN RMB' 000 UNLESS OTHERWISE STATED)

## 4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

## (31) Share capital

	December 31, 2022	Issuance of new shares in the current year	December 31, 2023
Share capital (a)	<u>396,173</u>	<u>21,678</u>	<u>417,851</u>
	December 31, 2021	Issuance of new shares in the current year	December 31, 2022
Share capital (b)	<u>384,088</u>	<u>12,085</u>	<u>396,173</u>

- (a) In February 2023, the Company issued a total of 10,395,538 shares to investors through private placing at the price of RMB78.88 per share and funded totally RMB820,000,000, of which RMB10,396,000 was included in share capital and RMB809,604,000 was included in share premium.

The shares of the Company were listed on the Main Board of Hong Kong Stock Exchange on December 29, 2023 and publicly issued a total of 11,282,000 shares at the price of HK\$90.00 per share. The total proceeds were HK\$1,015,380,000 (equivalent to RMB920,508,000), after deducting capitalized issuance expense of RMB43,074,000, the amount of RMB11,282,000 was included in share capital and RMB866,152,000 was included in share premium. The proceeds from international placement of the Company of HK\$913,842,000 (as stated in note 4(5), RMB828,142,000 in aggregate) are temporarily deposited in the account of the Company's underwriter on December 31, 2023, and transferred into the Company's fundraising account in Hong Kong on January 3, 2024.

- (b) 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.

As stated in note 5, in July 2022, the Company issued a total of 1,166,319 shares to three vendors to satisfy part of the consideration in relation to the acquisition of Shanghai UBJ Education Technology Co., Ltd. (上海優必杰教育科技有限公司). The fair value of the issued shares is RMB91,999,000, of which RMB1,166,000 was included in share capital and RMB90,833,000 was included in share premium.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR 2023

(ALL AMOUNTS IN RMB' 000 UNLESS OTHERWISE STATED)

### 4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

#### (32) Capital surplus

	December 31, 2022	Increase in the current year	Decrease in the current year	December 31, 2023
Share premium (note 4(31)(a))	4,438,761	1,825,866	(9,665)	6,254,962
Share-based payment	537,238	381,707	—	918,945
Others	38,877	—	—	38,877
	<u>5,014,876</u>	<u>2,207,573</u>	<u>(9,665)</u>	<u>7,212,784</u>
	December 31, 2021	Increase in the current year	Decrease in the current year	December 31, 2022
Share premium (note 4(31)(b))	3,456,452	982,309	—	4,438,761
Share-based payment	332,851	204,387	—	537,238
Others	38,877	—	—	38,877
	<u>3,828,180</u>	<u>1,186,696</u>	<u>—</u>	<u>5,014,876</u>

- (a) In March 2023, minority shareholders made capital contribution of RMB3,000,000 to Chaozhou UBTECH Education Technology Co., Ltd. (潮州市優必選教育科技有限公司), a subsidiary of the Company, and the Group recognised the increase of minority interests of RMB3,000,000.

From January to March 2023, the Company made capital contribution of RMB20,000,000 to Wuxi Uqi Intelligent Technology Co., Ltd. (無錫優奇智能科技有限公司), a subsidiary of the Company, to acquire its 1.56% equity interests, and the Group recognised the decrease of capital surplus of RMB9,623,000 and the increase of minority interests of RMB9,623,000.

From July to November 2023, a third party made capital contribution of RMB1,500,000 to Youdi Health Technology (Shenzhen) Co., Ltd. (優邸健康科技(深圳)有限公司), a subsidiary of the Company, and the Group recognised the increase of minority interests of RMB1,500,000.

From April to December 2023, the Company and a third party made capital contribution of RMB1,350,000 and RMB180,000 to Shenzhen Youshijie Robot Co., Ltd. (深圳市優世界機器人有限公司), a subsidiary of the Company, respectively, and the Group recognised the increase of capital surplus of RMB67,000 and the increase of minority interests of RMB113,000.

From May to September 2023, a third party made capital contribution of RMB200,000,000 to UBKang (Qingdao) Technology Co., Ltd. (優必康(青島)科技有限公司), a subsidiary of the Company, to obtain 20% of its equity, thus the shareholding of the Group decreased from 100% to 80% and the Group recognised the increase of capital surplus of RMB150,001,000 and the increase of minority interests of RMB49,999,000.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR 2023  
(ALL AMOUNTS IN RMB' 000 UNLESS OTHERWISE STATED)

### 4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

#### **(32) Capital surplus *(continued)***

- (b) In January 2022, the Company and MAE, a shareholder of its subsidiary Wuxi Uqi, made capital contribution of RMB5,100,000 and RMB4,900,000 to Wuxi Uqi, and the Group recognised the increase of minority interests of RMB4,900,000.

In March 2022, some third parties made capital contribution of RMB32,000,000 to Wuxi Uqi, a subsidiary of the Company, to acquire its 9.09% equity interest, and the Group recognised the increase of capital surplus of RMB13,908,000 and the increase of minority interests of RMB18,092,000.

As stated in note 5, in December 2022, Wuxi Uqi, the Company's subsidiary, acquired 100% equity interest in Jiangsu Tianhui from shareholders of Jiangsu Tianhui by issuance of 7.82% of registered capital of Wuxi Uqi. As a result, the Company's equity interest in Wuxi Uqi was diluted from 46.36% to 41.89% and there was no change in the Company's control of Wuxi Uqi after the acquisition of Jiangsu Tianhui. The issuance of 7.82% of registered capital of Wuxi Uqi to the shareholders of Jiangsu Tianhui was treated as a transaction with minority shareholders. The consideration was RMB69,913,000, and the Group recognised the increase of capital surplus of RMB27,157,000 and the increase of minority interests of RMB42,756,000.

In August 2022, the Group disposed of its 25% equity interests of its subsidiary Shanhu Industrial to a third party at a consideration of RMB5,000,000. The Group recognized an increase in minority interests of RMB5,000,000.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR 2023

(ALL AMOUNTS IN RMB' 000 UNLESS OTHERWISE STATED)

### 4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

#### (33) Other comprehensive income

	Other comprehensive income in balance sheet			Other comprehensive income in 2023 income statement		
	December 31, 2022	Attributable	December 31, 2023	Incurred amount before income tax	Attributable to the parent, after tax	Attributable to minority shareholders, after tax
		to the parent, after tax				
<i>Other comprehensive income that will not be subsequently reclassified to profit or loss</i>						
Change in fair value of investments in other equity instruments	(5,427)	500	(4,927)	500	500	—
<i>Other comprehensive income that will be subsequently reclassified to profit or loss</i>						
Exchange difference from translation of foreign currency financial statements	816	13,096	13,912	13,096	13,096	—
Total other comprehensive income	<u>(4,611)</u>	<u>13,596</u>	<u>8,985</u>	<u>13,596</u>	<u>13,596</u>	<u>—</u>

	Other comprehensive income in balance sheet			Other comprehensive income in 2022 income statement		
	December 31, 2022	Attributable	December 31, 2022	Incurred amount before income tax	Attributable to the parent, after tax	Attributable to minority shareholders, after tax
		to the parent, after tax				
<i>Other comprehensive income that will not be subsequently reclassified to profit or loss</i>						
Change in fair value of investments in other equity instruments	(7,027)	1,600	(5,427)	1,600	1,600	—
<i>Other comprehensive income that will be subsequently reclassified to profit or loss</i>						
Exchange difference from translation of foreign currency financial statements	17,555	(16,739)	816	(16,739)	(16,739)	—
Total other comprehensive income	<u>10,528</u>	<u>(15,139)</u>	<u>(4,611)</u>	<u>(15,139)</u>	<u>(15,139)</u>	<u>—</u>

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR 2023  
(ALL AMOUNTS IN RMB' 000 UNLESS OTHERWISE STATED)

## 4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

## (34) Revenue and cost of sales

	2023		2022	
	Revenue	Cost of sales	Revenue	Cost of sales
Sales of goods	964,273	691,439	910,778	555,291
Provision of services	91,425	31,441	97,494	55,813
	<u>1,055,698</u>	<u>722,880</u>	<u>1,008,272</u>	<u>611,104</u>

The Group's revenue breakdown based on the geographical regions and the timing of delivery of goods and provision of services sets out below:

	2023	2023	2023
	Mainland China	Hong Kong and overseas	Total
Revenue			
Including: Recognised at a point in time	735,481	228,792	964,273
Recognised over time	89,540	1,885	91,425
	<u>825,021</u>	<u>230,677</u>	<u>1,055,698</u>
	2022	2022	2022
	Mainland China	Hong Kong and overseas	Total
Revenue			
Including: Recognised at a point in time	780,159	130,619	910,778
Recognised over time	97,108	386	97,494
	<u>877,267</u>	<u>131,005</u>	<u>1,008,272</u>

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR 2023

(ALL AMOUNTS IN RMB' 000 UNLESS OTHERWISE STATED)

### 4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

#### (34) Revenue and cost of sales (continued)

The amount of estimated revenue corresponding to performance obligations of the Group that have been contracted for but have not yet been performed as at December 31, 2023 was RMB750,970,000 (December 31, 2022: RMB558,271,000), of which RMB746,181,000 is expected to be recognised as revenue in 2024, and RMB4,789,000 is expected to be recognised as revenue in 2025.

In 2023, the revenue contributed by two customers which individually contributed more than 10% of the total revenue of the Group amounted to RMB422,822,000 in total, representing 40% of the Group's revenue.

In 2022, the revenue contributed by two customers which individually contributed more than 10% of the total revenue of the Group amounted to RMB527,825,000 in total, representing 52% of the Group's revenue.

#### (35) Taxes and surcharges

	2023	2022
City maintenance and construction tax	2,828	2,342
Stamp tax	2,506	1,361
Educational surcharges	1,273	1,052
Local educational surcharges	757	679
Land use tax	643	591
Others	586	181
	<u>8,593</u>	<u>6,206</u>

#### (36) Selling expenses

	2023	2022
Employee benefit expenses	165,823	192,167
Share-based payments	135,592	43,765
Advertising and promotion expenses	90,932	50,784
Sales commission	26,305	10,346
Travelling expenses	21,315	14,330
Depreciation and amortization	18,123	16,136
Entertainment expenses	17,401	17,620
Outsourcing labour costs	11,031	5,062
Office expenses	7,215	9,651
Repair and maintenance expenses	6,633	13,110
Others	5,743	373
	<u>506,113</u>	<u>373,344</u>

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR 2023  
(ALL AMOUNTS IN RMB' 000 UNLESS OTHERWISE STATED)

## 4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

## (37) General and administrative expenses

	2023	2022
Share-based payments	124,143	98,382
Employee benefit expenses	122,544	134,998
Depreciation and amortization	30,867	31,405
Inventory retirement	4,760	16,341
Office expenses	8,338	10,884
Entertainment expenses	7,876	6,347
Professional service fees	6,278	5,197
Travelling expenses	5,244	4,446
Outsourcing labour costs	3,814	3,786
Listing expenses	63,749	944
Auditors' remuneration	7,470	340
— Audit services	6,100	183
— Non-audit services	1,370	157
Share-based payments to facilitate business combination (note 5)	—	91,999
Others	14,623	4,583
	<u>399,706</u>	<u>409,652</u>

## (38) Research and development expenses

	2023	2022
Employee benefit expenses	286,919	298,796
Share-based payments	120,615	59,866
Materials consumed	29,048	18,867
Software tools and consumables	18,885	16,913
Depreciation and amortization	14,035	16,601
Travelling expenses	7,008	3,234
Outsourcing labour costs	6,494	7,568
Office expenses	1,889	1,666
Others	5,609	4,769
	<u>490,502</u>	<u>428,280</u>

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR 2023

(ALL AMOUNTS IN RMB' 000 UNLESS OTHERWISE STATED)

### 4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

#### (39) Expenses by nature

The cost of sales, selling expenses, general and administrative expenses, research and development expenses presented in consolidated income statement classified by nature are sets out below:

	2023	2022
Raw materials and consumables used	654,352	347,271
Employee benefit expenses	622,970	658,418
Share-based payments	383,839	204,387
Changes in finished goods, work in progress, delivered goods and contract fulfilment costs	(71,611)	101,036
Advertising and promotion expenses	90,932	50,784
Depreciation and amortization	85,945	90,043
Travelling expenses	37,867	22,945
Transportation expenses	35,321	20,783
Sales commission	26,305	10,346
Entertainment expenses	25,277	23,967
Outsourcing labour costs	23,839	21,705
Subcontracting expenses	22,010	63,811
Office expenses	19,215	22,992
Software tools and consumables	18,885	16,913
Warehousing and storage expenses	17,932	9,829
Installation costs	10,259	12,041
Repair and maintenance expenses	6,633	13,110
Professional service fees	6,278	5,197
Scrap of inventories	4,760	16,341
Listing expenses	63,749	944
Auditors' remuneration	7,470	340
— Audit services	6,100	183
— Non-audit services	1,370	157
Share-based payments to facilitate business combination (note 5)	—	91,999
Others	26,974	17,178
	<u>2,119,201</u>	<u>1,822,380</u>

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR 2023  
(ALL AMOUNTS IN RMB' 000 UNLESS OTHERWISE STATED)

## 4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

## (40) Financial expenses

	2023	2022
Interest expenses on borrowings	59,408	38,688
Add: Interest expense on lease liabilities	2,847	3,185
Less: Capitalised interest	<u>(47,306)</u>	<u>(17,438)</u>
Interest expenses	14,949	24,435
Less: Interest income	(8,078)	(3,628)
Exchange gains and losses	(696)	(20,631)
Others	<u>2,836</u>	<u>13</u>
	<u><u>9,011</u></u>	<u><u>189</u></u>

## (41) Other income

	2023	2022
Government grants (a)		
— Assets related	10,559	12,669
— Income related	10,286	13,915
VAT and other tax refund	6,375	7,053
Return of VAT refunded (b)	<u>—</u>	<u>(24,196)</u>
	<u><u>27,220</u></u>	<u><u>9,441</u></u>

- (a) Government grants consisted of grants relating to assets and grants relating to income. 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.
- (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 in accordance with the policy of “immediate refund upon collection”. From April 2022, according to the Announcement on Further Enhancing the Implementation of the End-of-Period Value-Added Tax Refund Policy (《關於進一步加大增值稅期末留抵退稅政策實施力度的公告》), promulgated by the Ministry of Finance and the State Administration of Taxation on March 21, 2022, the Group is entitled to apply for the refunds of input VAT. 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 in 2022.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR 2023

(ALL AMOUNTS IN RMB' 000 UNLESS OTHERWISE STATED)

### 4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

#### (42) Investment income/(loss)

	2023	2022
Long-term equity investment under equity method (note 4(8))	(71)	5,521
Changes of gains and losses from holding of financial assets held for trading	—	119
Loss on deemed disposal of investment in Shanghai UBJ (note 5)	—	(28,131)
	<u>(71)</u>	<u>(22,491)</u>

There is no significant restriction on the repatriation of investment income of the Group.

#### (43) Credit impairment losses

	2023	2022
Losses on bad debts of accounts receivables	145,432	39,803
(Reversal)/losses on bad debts of other receivables	(437)	6,583
	<u>144,995</u>	<u>46,386</u>

#### (44) Asset impairment losses

	2023	2022
Decline in value of inventories and impairment of contract fulfilment costs	3,010	70,618
Impairment losses of goodwill	23,366	—
	<u>26,376</u>	<u>70,618</u>

#### (45) Losses on disposal of assets

	2023	2022
Losses on disposal of fixed assets	794	5,276
Gains on disposal of intangible assets	(2,645)	14,753
Gains on disposal of right-of-use assets	(1,397)	(2,192)
Others	5,555	—
	<u>2,307</u>	<u>17,837</u>

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR 2023  
(ALL AMOUNTS IN RMB' 000 UNLESS OTHERWISE STATED)

## 4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

## (46) Income tax expenses

	2023	2022
Current income tax calculated based on tax law and related regulations	<u>37,361</u>	<u>16,509</u>

The reconciliation from income tax calculated based on the applicable tax rates and loss presented in the consolidated income statements to the income tax expenses is listed below:

	2023	2022
Total loss	<u>(1,227,229)</u>	<u>(970,859)</u>
Tax calculated at the tax rate of 25%	(306,807)	(242,715)
Effects of different tax rates within a group entity	102,096	83,230
Additional deduction for research and development expenses	(45,815)	(45,327)
Investment loss accounted for using the equity method	2	(828)
Expenses not deductible for tax purpose	4,113	4,268
Share-based payment	66,129	33,566
Utilization of temporary differences not previously recognized	(20,948)	(15,293)
Utilization of tax losses not previously recognized	(6,135)	(5,656)
Temporary differences for which no deferred income tax assets were recognized	87,970	30,789
Tax losses for which no deferred income tax assets were recognized	<u>156,756</u>	<u>174,475</u>
	<u>37,361</u>	<u>16,509</u>

## (47) Losses per share

Basic losses per share is calculated by dividing the consolidated net loss attributable to ordinary shareholders of the Company by the weighted average number of outstanding ordinary shares of the Company:

	2023	2022
Consolidated net loss attributable to ordinary shareholders of the Company (RMB)	1,234,048	974,809
Weighted average number of outstanding ordinary shares of the Company	<u>405,149</u>	<u>389,194</u>
Basic losses per share (RMB)	<u>3.05</u>	<u>2.50</u>

As there were no dilutive potential ordinary shares in 2023 and 2022, diluted losses per share equal to basic losses per share.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR 2023

(ALL AMOUNTS IN RMB' 000 UNLESS OTHERWISE STATED)

### 4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

#### (48) Dividends

On March 28, 2023, the Board of the Company proposed not to distribute 2023 dividend.

#### (49) Notes to consolidated cash flow statement

##### (a) Reconciliation from net loss to cash flows from operating activities

	2023	2022
Net loss	(1,264,590)	(987,368)
Add: Assets impairment loss	26,376	70,618
Credit impairment loss	144,995	46,386
Depreciation of fixed assets	30,835	41,653
Depreciation of right-of-use assets	32,039	36,693
Amortisation of intangible assets	7,002	2,332
Amortisation of long-term prepaid expenses	16,069	9,365
Amortisation of deferred income	(20,845)	(13,469)
Loss on disposal of assets	2,307	17,837
Financial expenses	14,253	3,804
Investment loss	71	22,491
Share-based payment (note 7)	383,839	204,387
Share-based consideration payment for acquiring subsidiaries (note 5)	—	91,999
(Decrease)/increase in inventories	(28,548)	98,918
Increase in operating receivables	(426,740)	(400,710)
Increase in operating payables	82,635	216,367
Net cash flows from operating activities	<u>(1,000,302)</u>	<u>(538,697)</u>

##### (b) Net increase/(decrease) in cash and cash equivalents

	2023	2022
Closing balance of monetary funds	541,402	193,579
Less: Restricted funds	(20,500)	(48,181)
Closing balance of cash and cash equivalent	520,902	145,398
Less: Opening balance of cash and cash equivalents	(145,398)	(273,103)
Net increase/(decrease) in cash and cash equivalents	<u>375,504</u>	<u>(127,705)</u>

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR 2023  
(ALL AMOUNTS IN RMB' 000 UNLESS OTHERWISE STATED)

## 4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

## (49) Notes to consolidated cash flow statement (continued)

## (c) Cash received relating to other operating activities

	2023	2022
Deposits and guarantees	9,564	—
Bank interest income	8,078	3,628
Government grants	12,570	4,217
Others	20,218	19,939
	<u>50,430</u>	<u>27,784</u>

## (d) Cash paid for other operating activities

	2023	2022
Advertising and promotion expenses	66,469	50,784
Travelling expenses and entertainment expenses	47,179	45,977
Sales commission	26,305	10,346
Listing expenses	24,098	19,225
Outsourcing labour costs	21,339	16,416
Software tools and consumables	18,885	16,913
Refund of government grants	—	31,500
Others	83,299	89,707
	<u>287,574</u>	<u>280,868</u>

- (e) In 2023, the total cash outflows related to the lease paid by the Group amounted to RMB34,907,000 (2022: RMB34,122,000), including the amount paid for the repayment of the lease liabilities for the financing activities amounted to RMB34,568,000 (2022: RMB33,582,000), the remaining cash outflows were included in operating activities.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR 2023  
(ALL AMOUNTS IN RMB' 000 UNLESS OTHERWISE STATED)

### 4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

#### (50) Foreign currency items

	December 31, 2023		
	Foreign currency balance	Exchange rate	RMB balance
Cash at bank and on hand —			
USD	2,433	7.0827	17,232
EUR	213	7.8592	1,674
HKD	104,039	0.9062	94,280
SGD	38	5.3772	204
GBP	32	9.0411	289
JPY	48	0.0502	2
			113,681
Accounts receivables —			
USD	16	7.0827	113
HKD	29,030	0.9062	26,307
			26,420
Other receivables —			
HKD	913,842	0.9062	828,124
USD	272,077	7.0827	1,927,040
			2,755,164

Foreign currencies of the above-mentioned foreign currency items refer to all currencies other than RMB.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR 2023  
(ALL AMOUNTS IN RMB' 000 UNLESS OTHERWISE STATED)

## 5 CHANGE OF CONSOLIDATED SCOPE

## Business combination involving enterprises not under common control in 2022

Before July 2022, the Group held 39.73% equity interest in Shanghai UBJ Education Technology Co., Ltd. (上海優必杰教育科技有限公司) ("Shanghai UBJ") which is accounted for as a joint venture. In July 2022, the Group 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 involving enterprises not under common control.

In December 2022, Wuxi Uqi Intelligent Technology Co., Ltd. (無錫優奇智能科技有限公司) ("Wuxi Uqi"), a subsidiary of the Group, acquired 100% equity interest in Jiangsu Tianhui from shareholders of Jiangsu Tianhui Science and Technology Development Co., Ltd. (江蘇天慧科技開發有限公司) ("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 involving enterprises not under common control.

The recognition of consolidated cost and goodwill:

	Acquisition of Shanghai UBJ	Acquisition of Jiangsu Tianhui
Consolidated cost		
Payment of cash consideration	117,760	—
Fair value of investment in joint ventures held before combination (b)	85,727	—
Fair value of additional registered capital of Wuxi Uqi	—	69,913
Total consolidated cost	203,487	69,913
Less: Share of fair value of identifiable assets acquired	(188,865)	(8,948)
Goodwill	14,622	60,965

- (a) The Group recognised minority interests based on share of fair value of identifiable assets attributable to minority shareholders. The Group adopted valuation techniques to determine the fair value of non-cash assets.
- (b) Before the acquisition date, the cost of accounted for Shanghai UBJ under equity method as a joint venture is RMB113,858,000, the difference between the cost and the fair value of this investment of RMB85,727,000 on acquisition date is RMB28,131,000 and included in gains and losses of investment (note 4(42)).

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR 2023

(ALL AMOUNTS IN RMB' 000 UNLESS OTHERWISE STATED)

### 5 CHANGE OF CONSOLIDATED SCOPE *(continued)*

#### Business combination involving enterprises not under common control in 2022 *(continued)*

- (c) As a condition of the acquisition of Shanghai UBJ, pursuant to the supplemented shareholder agreement dated June 15, 2022, the Company and some investors of Shanghai UBJ have waived the redemption rights and drag-along rights.
- (d) Our Directors consider the purpose of issuing 1,166,319 shares to the Three Sellers is to facilitate the acquisition of Shanghai UBJ and is not to pay for the consideration of the business acquired. The issue of these shares was not part of the business combination transaction and was regarded as a separate transaction in accordance with accounting standards. The Company did not acquire any identifiable goods and labor services due to the share-based payment, thus the consideration was recognised in profit and loss in current period as share-based payment.

The fair value of acquirees' assets and liabilities at the acquisition date sets out below:

	Shanghai UBJ	Jiangsu Tianhui
Cash at bank and on hand	3,612	1,040
Financial assets held for trading	28,931	—
Accounts receivables	181,890	13,805
Prepayments	703	76
Other receivables	437	264
Inventories	4,736	772
Other current assets	1,719	—
Fixed assets	415	58
Right-of-use assets	877	268
Intangible assets	8,433	1,809
Less: Lease liabilities	(877)	(268)
Accounts payables	(515)	(7,614)
Contract liabilities	(8,977)	—
Employee benefits payable	(3,261)	(332)
Tax payables	(1,268)	(514)
Other payables	(183)	(64)
Deferred income tax liabilities	(903)	(352)
	<u>215,769</u>	<u>8,948</u>
Net assets	215,769	8,948
Less: Minority interests	<u>(26,904)</u>	<u>—</u>
	<u><u>188,865</u></u>	<u><u>8,948</u></u>

The Group adopted valuation techniques to determine the fair value of the assets and liabilities of Shanghai UBJ and Jiangsu Tianhui at the acquisition date.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR 2023  
(ALL AMOUNTS IN RMB' 000 UNLESS OTHERWISE STATED)

## 6 EQUITY IN OTHER ENTITIES

## (1) EQUITY IN SUBSIDIARIES

## (a) The structure of the Group

Names of subsidiaries	Principal place of operation	Place of registration	Registered capital	Business nature	Shareholding proportion		Way of acquisition
					Direct	Indirect	
UBTECH ROBOTICS CORP	United States	United States	USD25,000,000	Sales of robotic products	100%	—	Establishment
UBTECH ROBOTICS LIMITED	Hong Kong, PRC	Hong Kong, PRC	HKD310,584,000	Sales of robotic products	100%	—	Establishment
UBTECH Education (Shenzhen) Co., Ltd. (優必選教育(深圳)有限公司)	Shenzhen, PRC	Shenzhen, PRC	RMB1,000,000	Provision of robotic ancillary services	100%	—	Establishment
UBTECH Entertainment (Shenzhen) Co., Ltd. (優必選娛樂(深圳)有限公司)	Shenzhen, PRC	Shenzhen, PRC	RMB71,000,000	Dormant	100%	—	Establishment
Shanghai UBTECH Education Technology Co., Ltd. (上海優必選教育科技(有限)公司) (ii)	Shanghai, PRC	Shanghai, PRC	RMB7,243,502	Provision of robotic ancillary services	87.53%	—	Establishment
Kunming UBTECH Technology Investment Co., Ltd. (昆明市優必選科技投資(有限)公司)	Kunming, PRC	Kunming, PRC	RMB36,500,000	Production of robotic products	—	100%	Establishment
UBTECH Technology (Kunming) Co., Ltd. (優必選科技(昆明)有限公司)	Kunming, PRC	Kunming, PRC	RMB10,000,000	Sales of robotic products	100%	—	Establishment
Shenzhen Youzhixue Education Technology Co., Ltd. (深圳市優智學教育科技(有限)公司)	Shenzhen, PRC	Shenzhen, PRC	RMB393,000,000	Dormant	100%	—	Establishment
UBTECH Software Technology (Shenzhen) Co., Ltd. (優必選軟件技術(深圳)有限公司)	Shenzhen, PRC	Shenzhen, PRC	RMB5,000,000	Development and sales of robotic products	100%	—	Establishment
Sichuan UBTECH Holding Co., Ltd. (四川優必選控股(有限)責任(有限)公司)	Chengdu, PRC	Chengdu, PRC	RMB100,000,000	Sales of robotic products	100%	—	Establishment
UBTECH (Chongqing) Technology Co., Ltd. (優必選(重慶)科技(有限)公司)	Chongqing, PRC	Chongqing, PRC	RMB20,000,000	Development, design and sales of robotic products	100%	—	Establishment
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(有限)公司)	Chengdu, PRC	Chengdu, PRC	RMB10,000,000	Dormant	—	100%	Establishment

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR 2023

(ALL AMOUNTS IN RMB' 000 UNLESS OTHERWISE STATED)

### 6 EQUITY IN OTHER ENTITIES (continued)

#### (1) EQUITY IN SUBSIDIARIES (continued)

##### (a) The structure of the Group (continued)

Names of subsidiaries	Principal place of operation	Place of registration	Registered capital	Business nature	Shareholding proportion		Way of acquisition
					Direct	Indirect	
UBTECH North America Research and Development Center Corp	United States	United States	USD10,000,000	Research and development services	100%	—	Establishment
Jiangsu Tianhui Science and Technology Development Company Limited (江蘇天慧科技開發有限公司)	Wuxi, PRC	Wuxi, PRC	RMB10,000,000	Provision of robotic ancillary services	—	43.45%	Establishment
Hangzhou UBTECH Industrial Co., Ltd. (杭州優必選實業有限公司)	Hangzhou, PRC	Hangzhou, PRC	RMB20,000,000	Sales of robotic products	100%	—	Establishment
UBTECH (Hangzhou) Technology Co., Ltd. (優必選(杭州)科技有限公司)	Hangzhou, PRC	Hangzhou, PRC	RMB20,000,000	Sales of robotic products	100%	—	Establishment
Guizhou UBTECH Technology Co., Ltd. (貴州優必選科技有限公司)	Guiyang, PRC	Guiyang, PRC	RMB20,000,000	Production and sales of robotic products	100%	—	Establishment
UBTECH (Fujian) Technology Co., Ltd. (優必選(福建)科技有限公司)	Fuzhou, PRC	Fuzhou, PRC	RMB30,000,000	Dormant	100%	—	Establishment
UBTECH (Jiangsu) Intelligent Robot Co., Ltd. (優必選(江蘇)智能機器人有限公司)	Nanjing, PRC	Nanjing, PRC	RMB200,000,000	Sales of robotic products	100%	—	Establishment
Shandong UBTECH Technology Co., Ltd. (山東優必泰克科技有限公司)	Weifang, PRC	Weifang, PRC	RMB100,000,000	Sales of robotic products	100%	—	Establishment
UBTECH (Suzhou) Technology Co., Ltd. (優必選(蘇州)科技有限公司)	Suzhou, PRC	Suzhou, PRC	RMB30,000,000	Sales of robotic products	100%	—	Establishment
UBTECH (Shenzhen) Technology Co., Ltd. (優必選(深圳)科技有限公司)	Shenzhen, PRC	Shenzhen, PRC	RMB10,000,000	Production of robotic products	100%	—	Establishment
UBTECH (Xiamen) Intelligent Technology Limited (優必選(廈門)智能科技有限公司)	Xiamen, PRC	Xiamen, PRC	RMB50,000,000	Development, design, production and sales of robotic products	100%	—	Establishment
UBJ (Hangzhou) Technology Service Co., Ltd. (優必傑(杭州)科技服務有限公司)	Hangzhou, PRC	Hangzhou, PRC	RMB1,000,000	Provision of robotic ancillary services	—	87.53%	Business combination involving enterprises not under common control

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR 2023  
(ALL AMOUNTS IN RMB' 000 UNLESS OTHERWISE STATED)

## 6 EQUITY IN OTHER ENTITIES (continued)

## (1) EQUITY IN SUBSIDIARIES (continued)

## (a) The structure of the Group (continued)

Names of subsidiaries	Principal place of operation	Place of registration	Registered capital	Business nature	Shareholding proportion		Way of acquisition
					Direct	Indirect	
UBTECH (Hangzhou) Intelligent Robot Co., Ltd. (優必選(杭州)智能機器人有限公司)	Hangzhou, PRC	Hangzhou, PRC	RMB100,000,000	Sales of robotic products	100%	—	Establishment
UBTECH Enze (Hangzhou) Technology Co., Ltd. (優必選恩澤(杭州)科技有限公司)	Hangzhou, PRC	Hangzhou, PRC	RMB30,000,000	Dormant	51%	—	Establishment
UBJ (Xiamen) Education Technology Co., Ltd. (優必傑(廈門)教育科技有限公司)	Xiamen, PRC	Xiamen, PRC	RMB5,000,000	Provision of robotic ancillary services	—	87.53%	Business combination involving enterprises not under common control
Ezhou UBTECH Technology Co., Ltd. (鄂州優必選科技有限公司)	Ezhou, PRC	Ezhou, PRC	RMB20,000,000	Sales of robotic products	100%	—	Establishment
Wuxi Uqi Intelligent Technology Co., Ltd. (無錫優奇智能科技有限公司) (i)	Wuxi, PRC	Wuxi, PRC	RMB30,019,500	Development, production and sales of smart logistics	43.45%	—	Establishment
UBTECH (Huzhou) Technology Co., Ltd. (優必選(湖州)科技有限公司)	Huzhou, PRC	Huzhou, PRC	RMB20,000,000	Development, design, production and sales of robotic products	100%	—	Establishment
UBTECH (Weihai) Technology Co., Ltd. (優必選(威海)科技有限公司)	Weihai, PRC	Weihai, PRC	RMB25,000,000	Sales of robotic products	100%	—	Establishment
Futronics (Hong Kong) Limited (優創未來有限公司)	Hong Kong, PRC	Hong Kong, PRC	USD15,000,000	Investment holding	—	100%	Establishment
UBTECH (Shantou) Technology Co., Ltd. (優必選(汕頭)科技有限公司)	Shantou, PRC	Shantou, PRC	RMB26,000,000	Sales of robotic products	100%	—	Establishment
UBTECH (Taiyuan) Intelligent Robot Co., Ltd. (優必選(太原)智能機器人有限公司)	Taiyuan, PRC	Taiyuan, PRC	RMB1,000,000	Sales of robotic products	100%	—	Establishment
FUTRONICS (NA) CORPORATION	United States	United States	USD14,500,000	Sales of robotic products	—	100%	Establishment
UBTECH Logistic (Kunming) Co., Ltd. (優必選物流(昆明)有限公司)	Kunming, PRC	Kunming, PRC	RMB10,000,000	Dormant	—	100%	Establishment

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR 2023

(ALL AMOUNTS IN RMB' 000 UNLESS OTHERWISE STATED)

### 6 EQUITY IN OTHER ENTITIES (continued)

#### (1) EQUITY IN SUBSIDIARIES (continued)

##### (a) The structure of the Group (continued)

Names of subsidiaries	Principal place of operation	Place of registration	Registered capital	Business nature	Shareholding proportion		Way of acquisition
					Direct	Indirect	
UBTECH Shanhu (Hangzhou) Technology Co., Ltd. (優必選山湖(杭州)科技有限公司)	Hangzhou, PRC	Hangzhou, PRC	RMB20,000,000	Sales of robotic products	100%	—	Establishment
UBTECH Shanhu (Hangzhou) Industrial Co., Ltd. (優必選山湖(杭州)實業有限公司)	Hangzhou, PRC	Hangzhou, PRC	RMB20,000,000	Production of robotic products	—	75%	Establishment
Shenzhen Youbixing Technology Co., Ltd. (深圳市優必行科技有限公司)	Shenzhen, PRC	Shenzhen, PRC	RMB50,000,000	Development, design, production and sales of robotic products	100%	—	Establishment
Best Epoch Technology Co. LTD (深圳市優紀元科技有限公司)	Shenzhen, PRC	Shenzhen, PRC	RMB50,000,000	Sales of intelligent hardware	100%	—	Establishment
UBTECH (Yangzhou) Technology Co., Ltd. (優必選(揚州)科技有限公司)	Yangzhou, PRC	Yangzhou, PRC	RMB20,000,000	Sales of robotic products	100%	—	Establishment
UBTECH (Anqing) Intelligent Robot Co., Ltd. (優必選(安慶)智能機器人有限公司)	Anqing, PRC	Anqing, PRC	RMB20,000,000	Development, design, production and sales of robotic products	100%	—	Establishment
UBTECH (Huzhou) Industrial Co., Ltd. (優必選(湖州)實業有限公司)	Huzhou, PRC	Huzhou, PRC	RMB20,000,000	Sales of robotic products	—	100%	Establishment
U&ME Innovation Technology Company Limited (優覓創新科技有限公司)	Hong Kong, PRC	Hong Kong, PRC	HK\$38,915,500	Research and development services	—	100%	Establishment
Youhang (Hangzhou) Industrial Co., Ltd. (優杭(杭州)實業有限公司)	Hangzhou, PRC	Hangzhou, PRC	RMB20,000,000	Dormant	—	100%	Establishment
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)	Shanghai, PRC	Shanghai, PRC	RMB20,000,000	Sales of robotic products	—	80%	Establishment
Shanghai Youjiajie Education Technology Co., Ltd. (上海優嘉傑教育科技有限公司)	Shanghai, PRC	Shanghai, PRC	RMB1,000,000	Provision of robotic ancillary services	—	87.53%	Business combination involving enterprises not under common control

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR 2023  
(ALL AMOUNTS IN RMB' 000 UNLESS OTHERWISE STATED)

## 6 EQUITY IN OTHER ENTITIES (continued)

## (1) EQUITY IN SUBSIDIARIES (continued)

## (a) The structure of the Group (continued)

Names of subsidiaries	Principal place of operation	Place of registration	Registered capital	Business nature	Shareholding proportion		Way of acquisition
					Direct	Indirect	
UBTECH (Hebei) Technology Co., Ltd. (優必選(河北)科技有限公司)	Shijiazhuang, PRC	Shijiazhuang, PRC	RMB20,000,000	Production and sales of robotic products	100%	—	Establishment
UBTECH (Hubei) Technology Co., Ltd. (優必選(湖北)科技有限公司)	Wuhan, PRC	Wuhan, PRC	RMB70,000,000	Sales of robotic products	100%	—	Establishment
Kunming Uqi Intelligent Technology Co., Ltd. (昆明優奇智能科技有限公司)	Kunming, PRC	Kunming, PRC	RMB10,000,000	Production of robotic products	—	43.45%	Establishment
Shenzhen Youzhixue Education Technology Co., Ltd. (深圳市優智學教育科技有限公司)	Shenzhen, PRC	Shenzhen, PRC	RMB10,000,000	Provision of robotic ancillary services	100%	—	Establishment
Shaoyang UBTECH Technology Co., Ltd. (邵陽優必選科技有限公司)	Shaoyang, PRC	Shaoyang, PRC	RMB30,000,000	Sales of robotic products	100%	—	Establishment
Shenzhen Uqi Zhixing Technology Co., Ltd. (深圳優奇智行科技有限公司)	Shenzhen, PRC	Shenzhen, PRC	RMB20,000,000	Development of robotic products	—	43.45%	Establishment
Sichuan UBTECH Intelligent Technology Development Co., Ltd. (四川優必選智慧科技有限公司)	Chengdu, PRC	Chengdu, PRC	RMB10,000,000	Sales of robotic products	100%	—	Establishment
Chengdu Longquanyi UBTECH Technology Co., Ltd. (成都龍泉驛優必泰克科技有限公司)	Chengdu, PRC	Chengdu, PRC	RMB20,000,000	Dormant	100%	—	Establishment
Jiujiang Youbixing Technology Co., Ltd. (九江優必行科技有限公司)	Jiujiang, PRC	Jiujiang, PRC	RMB210,000,000	Development, design, production and sales of robotic products	100%	—	Establishment
Liuzhou UBTECH Intelligent Technology Co., Ltd. (柳州優必選智能科技有限公司)	Liuzhou, PRC	Liuzhou, PRC	RMB200,000,000	Development, design, production and sales of robotic products	100%	—	Establishment
Yang Ling UBTECH Intelligent Agricultural Technology Co., Ltd. (楊凌優必選智慧農業科技有限公司)	Yangling, PRC	Yangling, PRC	RMB30,000,000	Dormant	100%	—	Establishment

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR 2023

(ALL AMOUNTS IN RMB' 000 UNLESS OTHERWISE STATED)

### 6 EQUITY IN OTHER ENTITIES (continued)

#### (1) EQUITY IN SUBSIDIARIES (continued)

##### (a) The structure of the Group (continued)

Names of subsidiaries	Principal place of operation	Place of registration	Registered capital	Business nature	Shareholding proportion		Way of acquisition
					Direct	Indirect	
Shenzhen Youshijie Robot Co., Ltd. (深圳市優世界機器人有限公司)	Shenzhen, PRC	Shenzhen, PRC	RMB5,000,000	Dormant	94.90%	—	Establishment
UB Kang (Qingdao) Technology Co., Ltd. (優必康(青島)科技有限公司)	Qingdao, PRC	Qingdao, PRC	RMB62,500,000	Sales of robotic products	80%	—	Establishment
UBTECH (Puyang) Technology Co., Ltd. (優必選(濮陽)科技有限公司)	Puyang, PRC	Puyang, PRC	RMB176,000,000	Sales of robotic products	100%	—	Establishment
UBTECH (Shenyang) Technology Co., Ltd. (優必選(瀋陽)科技有限公司)	Shenyang, PRC	Shenyang, PRC	RMB100,000,000	Dormant	100%	—	Establishment
Jiujiang Youye Technology Co., Ltd. (九江優耶科技有限公司)	Jiujiang, PRC	Jiujiang, PRC	RMB20,000,000	Dormant	—	100%	Establishment
UBot Innovation Technology Limited	Hong Kong, PRC	Hong Kong, PRC	HK\$10,000	Dormant	—	100%	Establishment
Chaozhou UBTECH Education Technology Co., Ltd. (潮州市優必選教育科技有限公司) (ii)	Chaozhou, PRC	Chaozhou, PRC	RMB16,800,000	Development, design, production and sales of robotic products	—	44.64%	Establishment
Liuzhou Youxue Technology Co., Ltd. (柳州優學科技有限公司)	Liuzhou, PRC	Liuzhou, PRC	RMB200,000,000	Development, design, production and sales of robotic products	100%	—	Establishment
Liuzhou UBTECH Technology Industry Co., Ltd. (柳州優必選科技產業有限公司)	Liuzhou, PRC	Liuzhou, PRC	RMB200,000,000	Development, design, production and sales of robotic products	100%	—	Establishment
Shenzhen Youxuan Zhiyi Elderly Caring Service Co., Ltd. (深圳市優選智頤養老服務有限公司)	Shenzhen, PRC	Shenzhen, PRC	RMB20,000,000	Dormant	—	80%	Establishment
Shenzhen Xuanyou Technology Co., Ltd. (深圳市選優科技有限公司)	Shenzhen, PRC	Shenzhen, PRC	RMB20,000,000	Dormant	100%	—	Establishment
Shenzhen Youbifu Technology Co., Ltd. (深圳市優必服科技有限公司)	Shenzhen, PRC	Shenzhen, PRC	RMB20,000,000	Dormant	100%	—	Establishment
Shenzhen Youlingjing Technology Co., Ltd. (深圳市優靈境科技有限公司)	Shenzhen, PRC	Shenzhen, PRC	RMB5,000,000	Dormant	51%	—	Establishment

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR 2023  
(ALL AMOUNTS IN RMB' 000 UNLESS OTHERWISE STATED)

## 6 EQUITY IN OTHER ENTITIES (continued)

## (1) EQUITY IN SUBSIDIARIES (continued)

## (a) The structure of the Group (continued)

Names of subsidiaries	Principal place of operation	Place of registration	Registered capital	Business nature	Shareholding proportion		Way of acquisition
					Direct	Indirect	
Youdi Health Technology (Shenzhen) Co., Ltd. (優邸健康科技(深圳)有限公司)(i)	Shenzhen, PRC	Shenzhen, PRC	RMB10,000,000	Dormant	57.75%	—	Establishment
Ganzhou UBTECH Intelligent Technology Co., Ltd. (贛州優必選智能科技有限公司)	Ganzhou, PRC	Ganzhou, PRC	RMB20,000,000	Dormant	100%	—	Establishment
Shenzhen UBTECH Medical Robot Co., Ltd. (深圳市優必選醫療機器人有限公司)	Shenzhen, PRC	Shenzhen, PRC	RMB5,000,000	Dormant	100%	—	Establishment
Beijing UBTECH Intelligent Robot Co., Ltd. (北京優必選智能機器人有限公司)	Beijing, PRC	Beijing, PRC	RMB50,000,000	Dormant	100%	—	Establishment
Guangzhou UBTECH Intelligent Health Industry Co., Ltd. (廣州優必選智慧健康產業有限公司)	Guangzhou, PRC	Guangzhou, PRC	RMB20,000,000	Dormant	—	80%	Establishment
UBTECH (Hejin) Technology Co., Ltd. (優必選(河津)科技有限公司)	Yuncheng, PRC	Yuncheng, PRC	RMB50,000,000	Dormant	100%	—	Establishment
Hebei UBTECH Intelligent Technology Co., Ltd. (河北優必選智能科技有限公司)	Tangshan, PRC	Tangshan, PRC	RMB20,000,000	Dormant	100%	—	Establishment
UBTECH Suzhou Technology Co., Ltd. (優必選(宿州)科技有限公司)	Suzhou, PRC	Suzhou, PRC	RMB20,000,000	Dormant	100%	—	Establishment
UBTECH (Hebi) Technology Co., Ltd. (優必選(鶴壁)科技有限公司)	Hebi, PRC	Hebi, PRC	RMB20,000,000	Dormant	100%	—	Establishment
UBTECH (Zhengzhou) Intelligent Agriculture Technology Co., Ltd. (優必選(鄭州)智慧農業科技有限公司)	Zhengzhou, PRC	Zhengzhou, PRC	RMB80,000,000	Dormant	100%	—	Establishment
UBTECH (Xiamen) Software Technology Co., Ltd. (優必選(廈門)軟件技術有限公司)	Xiamen, PRC	Xiamen, PRC	RMB20,000,000	Dormant	100%	—	Establishment

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR 2023

(ALL AMOUNTS IN RMB' 000 UNLESS OTHERWISE STATED)

### 6 EQUITY IN OTHER ENTITIES *(continued)*

#### (1) EQUITY IN SUBSIDIARIES *(continued)*

##### *(a) The structure of the Group (continued)*

Names of subsidiaries	Principal place of operation	Place of registration	Registered capital	Business nature	Shareholding proportion		Way of acquisition
					Direct	Indirect	
UBHOME TECHNOLOGY COMPANY LIMITED	Hong Kong, PRC	Hong Kong, PRC	HK\$100,000	Dormant	100%	—	Establishment
Tongren UBTECH Intelligent Health Development Co., Ltd. (銅仁優必選智慧健康發展有限公司)	Tongren, PRC	Tongren, PRC	RMB20,000,000	Dormant	—	80%	Establishment

All subsidiaries of the Group established in the PRC are registered as limited liability companies in accordance with the laws of the PRC.

- (i) 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.
- (ii) Shanghai UBJ held 51% voting rights in Chaozhou UBTECH and the Group thus indirectly controlled Chaozhou UBTECH.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR 2023  
(ALL AMOUNTS IN RMB' 000 UNLESS OTHERWISE STATED)

### 7 SHARE-BASED COMPENSATION

#### (1) Equity Incentive Scheme

Since 2015, share incentive plans were established by Mr. Zhou Jian to grant RSUs to employees of the Group and other designated persons through a RSU platform under his control ("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 under Mr. Zhou Jian's control ("RSU platform") on the grant date. These platforms held 39,599,280 ordinary shares of the Company as at December 31, 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 shares of the RSU platform 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) (such designee will not be the Company or any of the Company's subsidiaries) at the original subscription/or realization of the agreed transfer price.

The granted RSUs will vest at various dates. Based on the current ownership structure of RSU platform, 1 unit of RSU is equivalent to approximately 1.3743 shares of the Company upon vesting. Therefore, the fair value of 1 unit of RSU ranges from RMB108.41 to RMB113.18.

The fair value of the RSUs granted to employees on the grant date was mainly determined with interpolation method, considering the pricing of recent rounds of financing of the Company by the independent valuer. As Mr. Zhou Jian, the Company's actual controller indirectly granted the shares controlled by him to the Company's employees, which constituted equity-settled share-based payment and was regarded as a contribution from a shareholder while recognizing share-based payment expenses and was credited to the capital surplus.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR 2023  
(ALL AMOUNTS IN RMB' 000 UNLESS OTHERWISE STATED)

### 7 SHARE-BASED COMPENSATION (continued)

#### (1) Equity Incentive Scheme (continued)

##### Movement of restricted shares in the year

	Vesting time			Vested within two years after the closing of IPO	Total
	2022	2023	2024		
2022					
Unvested RSUs in RSU platform at the beginning of the year	2,119,990	1,148,470	20,650	8,641,900	11,931,010
RSUs in RSU platform granted in the year	—	—	—	76,000	76,000
RSUs in RSU platform forfeited in the year	(263,595)	(217,375)	(4,250)	(651,150)	(1,136,370)
RSUs in RSU platform vested in the year	<u>(1,856,395)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(1,856,395)</u>
Unvested RSUs in RSU platform at the end of the year	<u>—</u>	<u>931,095</u>	<u>16,400</u>	<u>8,066,750</u>	<u>9,014,245</u>
2023					
Unvested RSUs in RSU platform at the beginning of the year	—	931,095	16,400	8,066,750	9,014,245
RSUs in RSU platform forfeited in the year	<u>—</u>	<u>(119,350)</u>	<u>(4,400)</u>	<u>(155,000)</u>	<u>(278,750)</u>
Unvested RSUs in RSU platform at the end of the year	<u>—</u>	<u>811,745</u>	<u>12,000</u>	<u>7,911,750</u>	<u>8,735,495</u>

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR 2023  
(ALL AMOUNTS IN RMB' 000 UNLESS OTHERWISE STATED)7 SHARE-BASED COMPENSATION *(continued)*

## (2) Share Option Scheme

According to the resolution concerning preparation and implement of the 2022 share option incentive scheme of UBTECH ROBOTICS CORP LTD (draft) considered and approved on the fourth extraordinary general meeting held on December 27, 2022, the Company implemented share option incentive scheme to grantees and granted total 2,132,900 share options to qualified employees. Upon maturity of the share option to satisfy the exercise conditions, such grantees will have the right to subscribe for shares of a RSUs platform controlled by Mr. Zhou Jian at a price of RMB1 per equity share, therefore indirectly becoming entitled to 1.3743 shares of the Company.

The granted share options can be exercised on different date based on the share option incentive scheme signed by employees. The validity period of share option incentive scheme starts from the grant date of share options and ends on the date when all share options are exercised, lapsed or cancelled by grantees and the RSU platform completes liquidation and allotment.

*Movement of share options in 2023*

	Vesting time				Total
	2022	2023	2024	2025	
Outstanding share options at the beginning of the year	—	—	—	—	—
Share options granted in the year	—	860,450	1,064,450	208,000	2,132,900
Share options forfeited in the year	—	(47,750)	(59,250)	(11,500)	(118,500)
Outstanding share options at the end of the year	—	812,700	1,005,200	196,500	2,014,400
Including: share options satisfied the exercisable conditions at the end of the year	—	812,700			812,700

- (a) Exercise price of outstanding share options at the end of the year is RMB1 per option.
- (b) There were no exercised share options in the year.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR 2023

(ALL AMOUNTS IN RMB' 000 UNLESS OTHERWISE STATED)

### 7 SHARE-BASED COMPENSATION (continued)

#### (2) Share Option Scheme (continued)

##### Movement of share options in 2023 (continued)

- (c) Determination method of the fair value of share options on grant date

The Group used the Binomial Pricing Model to determine the fair value of share options. The major parameters are as follows:

Exercise price of options:	RMB1
The price of options granted to the target	RMB108.41–RMB113.18
Expected volatility of share price:	46.58%–48.60%
Risk free rate of options in validity period:	2.62%–2.91%

The fair value of share options calculated by the Group based on the above parameters is RMB107.41–RMB112.20.

- (3) In 2023, the one-time share-based payment of the share-holding platform equity granted to the Company's management personnel was 456,000, and the share-based payment expense of RMB50,200,000 was recognized, and the share-holding platform equity granted to the departing employees was 421,700, and the share-based payment expense of RMB46,548,000 was recognized.
- (4) The Group recognised the total share-based payment expenses in 2023 of RMB383,839,000 (2022: RMB204,387,000).

### 8 RELATED PARTIES RELATIONSHIP AND TRANSACTIONS

- (1) As stated in note 1, Mr. Zhou Jian is the Company's controlling shareholder.
- (2) For basic and related information of subsidiaries, please refer to note 6(1)(a).
- (3) **Information about other major related parties**

	<b>Relationship with the Group</b>
Miracle Automation Engineering Co., Ltd. (天奇自動化工程股份有限公司) ("MAE") and its subsidiaries	Minority shareholders of a material subsidiary
Shenzhen Yiersan Technology Co., Ltd. (深圳市易二三科技有限公司)	Associate
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
Shanghai UBJ	Joint venture (being a subsidiary after July 2022)

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR 2023  
(ALL AMOUNTS IN RMB' 000 UNLESS OTHERWISE STATED)

## 8 RELATED PARTIES RELATIONSHIP AND TRANSACTIONS (continued)

## (4) Significant related party transactions

## (a) Pricing policy

The prices of purchase of goods from related parties and acceptance of service from related parties and provision of services to related parties are determined based on market price, and rental arrangement with related parties are determined with reference to market price and based on mutual negotiations.

## (b) Purchase of goods and acceptance of service

		2023	2022
MAE and its subsidiaries	Purchase of goods	1,156	2,353
Shanghai UBJ	Acceptance of service	—	49,364
		<u>1,156</u>	<u>51,717</u>

## (c) Sales of goods

		2023	2022
MAE and its subsidiaries	Sales of goods	293,606	251,244
Shanghai UBJ	Sales of goods	—	420
		<u>293,606</u>	<u>251,664</u>

## (d) Acceptance of guarantee

		2023	2022
Mr. Zhou Jian	Loan guarantee	758,458	298,193

As at February 6, 2024, the guarantee from Mr. Zhou Jian was released.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR 2023

(ALL AMOUNTS IN RMB' 000 UNLESS OTHERWISE STATED)

### 8 RELATED PARTIES RELATIONSHIP AND TRANSACTIONS *(continued)*

#### (4) Significant related party transactions *(continued)*

##### (e) Directors' and supervisor's emoluments

Directors' and supervisor's emoluments in 2023 are as follows:

Name	Remuneration of directors or supervisors	Remuneration paid for management of the Company				Total
	Remuneration	Salaries, housing benefits, other bonuses and benefits in kind	Contributions to pension scheme	Discretionary bonuses	Share-based payment	
Executive Directors						
Zhou Jian	—	815	111	—	21,644	22,570
Wang Lin	—	566	113	—	5,439	6,118
Xiong Youjun	—	1,097	46	—	4,870	6,013
Liu Ming	—	906	46	69	7,154	8,175
Non-executive Directors						
Xia Zuoquan	—	—	—	—	—	—
Zhou Zhifeng	—	—	—	—	—	—
Chen Qiang	—	—	—	—	—	—
Independent Non-executive Directors						
Zhao Jie	106	—	—	—	—	106
Xiong Chuxiong	106	—	—	—	—	106
Poon Fuk Chuen	106	—	—	—	—	106
Leung Wai Man, Roger	91	—	—	—	—	91
Chen Danxia	3	—	—	—	—	3
Supervisors						
Deng Feng	36	842	46	500	6,202	7,626
Ben Cangsang	36	619	43	—	1,401	2,099
Wang Xingru	36	427	—	—	369	832
	520	5,272	405	569	47,079	53,845

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR 2023  
(ALL AMOUNTS IN RMB' 000 UNLESS OTHERWISE STATED)

## 8 RELATED PARTIES RELATIONSHIP AND TRANSACTIONS (continued)

## (4) Significant related party transactions (continued)

## (e) Directors' and supervisor's emoluments (continued)

Directors' and supervisor's emoluments in 2022 are as follows:

Name	Remuneration	Remuneration paid for management of the Company				Share-based payment	Total
	of directors or supervisors	Salaries, housing benefits, other bonuses and benefits in kind	Contributions to pension scheme	Discretionary bonuses			
	Remuneration						
Executive Directors							
Zhou Jian	—	797	103	83	274	1,257	
Wang Lin	—	553	106	53	9,174	9,886	
Liu Ming	—	895	43	40	7,239	8,217	
Xiong Youjun	—	1,084	43	95	8,214	9,436	
Non-executive Directors							
Xia Zuoquan	—	—	—	—	—	—	
Zhou Zhifeng	—	—	—	—	—	—	
Chen Qiang	—	—	—	—	—	—	
Independent Non-executive Directors							
Lv Shousheng	52	—	—	—	—	52	
Poon Fuk Chuen	10	—	—	—	—	10	
Zhao Jie	106	—	—	—	—	106	
Chen Danxia	54	—	—	—	—	54	
Xiong Chuxiong	106	—	—	—	—	106	
Supervisors							
Deng Feng	36	838	43	500	3,955	5,372	
Wang Xingru	36	439	—	49	237	761	
Ben Cangsang	36	612	40	68	769	1,525	
	436	5,218	378	888	29,862	36,782	

For the year ended December 31, 2023, no emoluments were paid by the Company to the directors and supervisors as an inducement to join the Company or as compensation for loss of office (2022: Nil).

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR 2023

(ALL AMOUNTS IN RMB' 000 UNLESS OTHERWISE STATED)

### 8 RELATED PARTIES RELATIONSHIP AND TRANSACTIONS *(continued)*

#### (4) Significant related party transactions *(continued)*

##### (f) Key management personnel compensation

	2023	2022
Key management personnel compensation	<u>73,769</u>	<u>69,562</u>

Key management includes Executive Directors, Non-executive Directors, Independent Non-executive Directors and senior management of the Company.

##### (g) Five highest paid individuals

	2023	2022
Salaries, wages, and bonuses	21,507	8,113
Contributions to pension scheme	136	285
Other social security costs, housing benefits and other employee benefits	269	191
Share-based compensation	<u>85,086</u>	<u>72,929</u>
Total	<u>106,998</u>	<u>81,518</u>

In 2023, the five highest paid individuals include one director (2022: one director), whose emoluments were reflected in the above table.

#### (5) Significant balances with related parties

##### (a) Accounts receivables

	December 31, 2023		December 31, 2022	
	Accounts balance	Provision for bad debts	Accounts balance	Provision for bad debts
Shenzhen Yiersan Technology Co., Ltd. (深圳市易二三科技有限公司)	8,376	8,376	8,376	8,376
MAE and its subsidiaries	<u>272,367</u>	<u>20,034</u>	<u>215,657</u>	<u>9,399</u>
	<u>280,743</u>	<u>28,410</u>	<u>224,033</u>	<u>17,775</u>

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR 2023  
(ALL AMOUNTS IN RMB' 000 UNLESS OTHERWISE STATED)8 RELATED PARTIES RELATIONSHIP AND TRANSACTIONS *(continued)*(5) Significant balances with related parties *(continued)**(b) Accounts payables*

	December 31, 2023 Accounts balance	December 31, 2022 Accounts balance
MAE and its subsidiaries	<u>13,774</u>	<u>14,478</u>

*(c) Contract liabilities*

	December 31, 2023 Accounts balance	December 31, 2022 Accounts balance
MAE and its subsidiaries	<u>4,229</u>	<u>11,073</u>

## 9 COMMITMENTS

## Capital expenditure commitments

	December 31, 2023	December 31, 2022
Construction in progress	<u>859,731</u>	<u>577,214</u>

## 10 EVENTS AFTER BALANCE SHEET DATE

On January 19, 2024, the Company's Hong Kong contractor exercised the over-allotment option, and the Company issued additional 292,150 ordinary shares in total and funded approximately HKD25,345,000.

## 11 FINANCIAL INSTRUMENT AND RELATED RISKS

The Group's operating activities expose it to a variety of financial risks: market risk (primarily interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR 2023

(ALL AMOUNTS IN RMB' 000 UNLESS OTHERWISE STATED)

### 11 FINANCIAL INSTRUMENT AND RELATED RISKS *(continued)*

#### (1) Interest rate risk

The Group's interest rate risk arises from long-term interest-bearing borrowings including long-term borrowings and lease liabilities. Financial liabilities issued at floating rates expose the Group to cash flow interest rate risk. Financial liabilities issued at fixed rates expose the Group to fair value interest rate risk. The Group determines the relative proportions of its fixed rate and floating rate contracts depending on the prevailing market conditions. As at December 31, 2023, the Group's interest-bearing borrowings with floating rates mainly represented floating rate borrowing contracts denominated in RMB, with the amounts of RMB676,311,000 (December 31, 2022: floating rate borrowing contracts with the amounts of RMB298,194,000) (note 4(27)).

The Group's finance department continuously monitors the interest rate position of the Group. Increases in interest rates will increase the cost of new interest-bearing borrowings and the interest expenses with respect to the Group's outstanding floating rate borrowings, and therefore could have a material adverse effect on the Group's financial performance. Management makes adjustments timely with reference to the latest market conditions and may enter into interest rate swap agreements to mitigate its exposure to interest rate risk. For the year 2022 and 2023, the Group did not enter into any significant interest rate swap agreements. As at December 31, 2023, if interest rates on the floating rate borrowings had risen or fallen by 50 basis points while all other variables had been held constant, the Group's net loss would have increased or decreased by approximately RMB2,659,000 (December 31, 2022: approximately RMB1,046,000).

#### (2) Other price risk

The Group's other price risk mainly arises from investments in other equity instruments. As at December 31, 2023, The Group's other price risk is insignificant.

#### (3) Credit risk

The Group's credit risk mainly arises from cash at bank and on hand, accounts receivables, notes receivable and other receivables. As at the balance sheet date, the carrying amount of the Group's financial assets represented the maximum credit exposure of the Group.

The Group expects that there is no significant credit risk associated with cash at bank and on hand since they are deposited at well-known state-owned banks and other medium or large size listed banks with high credit ratings. The Group does not expect that there will be any significant loss from non-performance by these banks.

The Group has policies to limit the credit exposure on notes receivable, accounts receivables and other receivables. The Group assesses the credit quality of and sets credit limits on its customers by taking into account their financial position, the availability of guarantee from third parties, their credit history and other factors such as current market conditions. The credit history of the customers is regularly monitored by the Group. In respect of customers with a poor credit history, the Group will use written payment reminders, or shorten or cancel credit periods, to ensure the overall credit risk of the Group is limited to a controllable extent. As at December 31, 2023, the Group didn't hold any significant collateral or other credit enhancements pledged by debtors (December 31, 2022: Nil).

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR 2023  
(ALL AMOUNTS IN RMB' 000 UNLESS OTHERWISE STATED)

## 11 FINANCIAL INSTRUMENT AND RELATED RISKS (continued)

## (4) Liquidity risk

Cash flow forecasting is performed by each subsidiary of the Group. The Group monitors rolling forecasts of the Group's short-term and long-term liquidity requirements to ensure it has sufficient cash reserve, while maintaining sufficient headroom on its undrawn committed borrowings facilities from major financial institutions to meet the short-term and long-term liquidity requirements based on the provisions in a borrowing agreement.

- (a) As at the balance sheet date, the undiscounted contractual cash flows of the Group's financial liabilities, analysed by their maturity dates, are as below:

	December 31, 2023				Total
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	
Short-term borrowings	797,063	—	—	—	797,063
Accounts payables	412,534	—	—	—	412,534
Other payables	382,829	—	—	—	382,829
Long-term borrowings	46,185	62,870	392,232	321,929	823,216
Lease liabilities	—	22,263	22,111	—	44,374
Non-current liabilities to be settled within one year	66,658	—	—	—	66,658
	<u>1,705,269</u>	<u>85,133</u>	<u>414,343</u>	<u>321,929</u>	<u>2,526,674</u>

	December 31, 2022				Total
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	
Short-term borrowings	331,116	—	—	—	331,116
Accounts payables	305,406	—	—	—	305,406
Other payables	337,893	—	—	—	337,893
Long-term borrowings	15,275	28,656	143,343	224,844	412,118
Lease liabilities	—	18,808	17,168	547	36,523
Non-current liabilities to be settled within one year	40,936	—	—	—	40,936
	<u>1,030,626</u>	<u>47,464</u>	<u>160,511</u>	<u>225,391</u>	<u>1,463,992</u>

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR 2023

(ALL AMOUNTS IN RMB' 000 UNLESS OTHERWISE STATED)

### 11 FINANCIAL INSTRUMENT AND RELATED RISKS *(continued)*

#### (4) Liquidity risk *(continued)*

- (b) As at the balance sheet date, there were no lease contracts that the Group had signed but not yet executed.
- (c) Bank borrowings are analysed by repayment terms as follows:

	<b>December 31, 2023 Bank borrowings</b>	December 31, 2022 Bank borrowings
Within 1 year	<b>804,545</b>	326,771
1-2 years	<b>30,186</b>	8,265
2-5 years	<b>316,948</b>	89,263
Over 5 years	<b>301,855</b>	198,363
	<b><u>1,453,534</u></b>	<u>622,662</u>

### 12 FAIR VALUE ESTIMATES

The level in which fair value measurement is categorised is determined by the level of the fair value hierarchy of the lowest level input that is significant to the entire fair value measurement:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

As at December 31, 2023, the Group's assets measured at fair value is only the investment in equity instrument (note 4(9)) that is categorised in level 3.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR 2023  
(ALL AMOUNTS IN RMB' 000 UNLESS OTHERWISE STATED)

### 13 CAPITAL MANAGEMENT

The Group's capital management policies aim to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, refund capital to shareholders, issue new shares or sell assets to reduce debts.

Total capital of the Group is shareholders' equity shown in the consolidated balance sheet. The Group is not subject to external mandatory capital requirements, and monitors capital on the basis of gearing ratio (total liabilities divided by total assets).

As at December 31, 2023 and December 31, 2022, the Group's gearing ratio was calculated as follows:

	December 31, 2023	December 31, 2022
Total assets	4,765,635	2,788,002
Total liabilities	2,676,752	1,734,078
Gearing ratio	56%	62%

### 14 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS

#### (1) Accounts receivables

	December 31, 2023	December 31, 2022
Accounts receivables due from third parties	186,875	151,795
Accounts receivables due from subsidiaries	310,232	228,812
	497,107	380,607
Less: provision for bad debts	(108,008)	(56,805)
	389,099	323,802

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR 2023

(ALL AMOUNTS IN RMB' 000 UNLESS OTHERWISE STATED)

### 14 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (continued)

#### (1) Accounts receivables (continued)

##### (a) The ageing of accounts receivables is analysed as follows:

	December 31, 2023	December 31, 2022
Within 6 months	227,554	69,738
6 months to 1 year	33,111	127,775
1-2 years	113,012	136,561
2-3 years	79,800	24,306
Over 3 years	43,630	22,227
	<u>497,107</u>	<u>380,607</u>

##### (b) Provision for bad debts

For the accounts receivables, regardless of whether there is a significant financing component, the Company calculates loss provisions in accordance with the expected credit loss throughout the lifetime.

The analysis of provision for bad debts for accounts receivables by category is as follows:

	December 31, 2023				December 31, 2022			
	Accounts balance		Provision for bad debts		Accounts balance		Provision for bad debts	
	Amount	% of total balance	Amount	% of provision	Amount	% of total balance	Amount	% of provision
Provision on an individual basis (i)	161,930	32.57%	100,726	62.20%	49,820	13.09%	49,820	100.00%
Provision on a collective basis (ii)	335,177	67.43%	7,282	2.17%	330,787	86.91%	6,985	2.11%
	<u>497,107</u>	<u>100.00%</u>	<u>108,008</u>	<u>21.73%</u>	<u>380,607</u>	<u>100%</u>	<u>56,805</u>	<u>14.92%</u>

- (i) Provision for bad debts made on an individual basis for accounts receivables is analysed as follows:

In 2023, the Company's accounts receivables overdue over one year was RMB124,419,000 (December 31, 2022: RMB49,785,000). The Company provided individual provision for such accounts receivables. The Company evaluated the cash flows that might be collected under different scenarios and recognised the difference of RMB100,726,000 (December 31, 2022: RMB49,820,000) between the present value of the cash flows that might be collected and the cash flows receivable according to the contract as provision for bad debts, of which RMB50,906,000 (2022: RMB33,747,000) was included in profit or loss for the current period.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR 2023  
(ALL AMOUNTS IN RMB' 000 UNLESS OTHERWISE STATED)

## 14 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (continued)

## (1) Accounts receivables (continued)

## (b) Provision for bad debts (continued)

- (ii) Provision for bad debts made on a collective basis for accounts receivables is analysed as follows:

Portfolio 1 Government and state-owned corporation customers:

	December 31, 2023		
	Accounts balance	Provision for bad debts	
	Amount	Lifetime ECL rate	Amount
Not overdue	1,726	0.29%	5

	December 31, 2022		
	Accounts balance	Provision for bad debts	
	Amount	Lifetime ECL rate	Amount
Not overdue	13,716	0.20%	28
Overdue within 1-90 days	3,556	1.12%	40
Overdue within 91-180 days	80,816	1.25%	1,014
Overdue within 181-360 days	255	5.10%	13
	<u>98,343</u>		<u>1,095</u>

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR 2023

(ALL AMOUNTS IN RMB' 000 UNLESS OTHERWISE STATED)

### 14 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (continued)

#### (1) Accounts receivables (continued)

##### (b) Provision for bad debts (continued)

- (ii) Provision for bad debts made on a collective basis for accounts receivables is analysed as follows (continued):

Portfolio 2 Non-government and non-state-owned enterprise customers:

	December 31, 2023		
	Accounts balance	Provision for bad debts	
	Amount	Lifetime ECL rate	Amount
Not overdue	9,118	8.94%	815
Overdue within 1-90 days	932	3.22%	30
Overdue within 91-180 days	10,860	11.35%	1,233
Overdue within 181-360 days	2,309	13.17%	304
	<u>23,219</u>		<u>2,382</u>

	December 31, 2022		
	Accounts balance	Provision for bad debts	
	Amount	Lifetime ECL rate	Amount
Not overdue	2,436	1.40%	34
Overdue within 91-180 days	352	1.42%	5
Overdue within 181-360 days	844	1.78%	15
	<u>3,632</u>		<u>54</u>

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR 2023  
(ALL AMOUNTS IN RMB' 000 UNLESS OTHERWISE STATED)

## 14 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (continued)

## (1) Accounts receivables (continued)

## (b) Provision for bad debts (continued)

- (ii) Provision for bad debts made on a collective basis for accounts receivables is analysed as follows (continued):

Portfolio 4 Internal related parties of the Group:

	December 31, 2023		
	Accounts balance	Provision for bad debts	
	Amount	Lifetime ECL rate	Amount
Not overdue	310,232	1.58%	4,895

	December 31, 2022		
	Accounts balance	Provision for bad debts	
	Amount	Lifetime ECL rate	Amount
Not overdue	228,812	2.55%	5,836

## (2) Prepayments

	December 31, 2023		December 31, 2022	
	Amount	% of total prepayments	Amount	% of total prepayments
Within one year	151,753	94.63%	153,393	95.64%
1–2 years	6,086	3.80%	5,754	3.59%
2–3 years	2,118	1.32%	479	0.30%
Above 3 years	394	0.25%	746	0.47%
	<u>160,351</u>	<u>100%</u>	<u>160,372</u>	<u>100%</u>

As at December 31, 2023, prepayments aged over a year amounted to RMB8,598,000 (December 31, 2022: RMB6,979,000), which were prepayments to suppliers. Since the suppliers have not yet fulfilled their delivery and service obligations, the payment has not been settled.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR 2023

(ALL AMOUNTS IN RMB' 000 UNLESS OTHERWISE STATED)

### 14 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (continued) (continued)

#### (3) Other receivables

	December 31, 2023	December 31, 2022
Receivables in respect of listing proceeds (note 4(5))	828,142	—
Receivables from the internal related parties of the Group	799,899	770,137
Deposits and guarantees receivables	24,891	25,047
Advances to employees	1,795	1,795
Others	6,181	5,299
	<u>1,660,908</u>	<u>802,278</u>
Less: loss allowance	<u>(23,361)</u>	<u>(18,816)</u>
	<u><u>1,637,547</u></u>	<u><u>783,462</u></u>

#### (a) The aging analysis of other receivables is as follows:

	December 31, 2023	December 31, 2022
Within 1 year	1,634,716	772,291
1 to 2 years	459	27,075
2 to 3 years	22,502	388
Over 3 years	3,231	2,524
	<u>1,660,908</u>	<u>802,278</u>

#### (b) Changes in loss allowance and its accounts balance

The analysis of provision for bad debts for other receivables by stages is as follows:

	December 31, 2023				December 31, 2022			
	Accounts balance		Provision for bad debts		Accounts balance		Provision for bad debts	
	Amount	% of total balance	Amount	% of provision	Amount	% of total balance	Amount	% of provision
Stage 1	1,655,540	99.68%	(17,993)	1.09%	797,055	99.35%	(13,593)	1.71%
Stage 3	5,368	0.32%	(5,368)	100%	5,223	0.65%	(5,223)	100%
	<u>1,660,908</u>	<u>100.00%</u>	<u>(23,361)</u>	<u>1.41%</u>	<u>802,278</u>	<u>100.00%</u>	<u>(18,816)</u>	<u>2.35%</u>

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR 2023  
(ALL AMOUNTS IN RMB' 000 UNLESS OTHERWISE STATED)

## 14 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (continued)

## (3) Other receivables (continued)

## (b) Changes in loss allowance and its accounts balance (continued)

	Stage 1		Stage 3		Total
	Accounts balance	Provision for bad debts	Accounts balance	Provision for bad debts	Provision for bad debts
December 31, 2022	797,055	(13,593)	5,223	(5,223)	(18,816)
Transfer to stage 3 in the year	(596)	16	596	(16)	—
Net change in the year	859,081	(4,416)	(451)	(129)	(4,545)
December 31, 2023	<u>1,655,540</u>	<u>(17,993)</u>	<u>5,368</u>	<u>(5,368)</u>	<u>(23,361)</u>

In 2023 and 2022, the changes in provision for bad debts caused by the conversion between the Stage 1 and Stage 3 are not significant, and the changes in provision for bad debts caused by changes in the parameter data used for expected credit loss are also not significant.

As at December 31, 2023 and December 31, 2022, the Group had no other receivables in the Stage 2. Other receivables in the Stage 1 and Stage 3 are analysed as follows:

- (i) As at December 31, 2023, the analysis of other receivables in the Stage 3 and provision for bad debts is as follows:

Stage 3	Accounts balance	Lifetime ECL rate	Provision for bad debts	Reasons
	Deposits and guarantees receivable	1,157	100%	(1,157)
Others	4,211	100%	(4,211)	Due over one year
	<u>5,368</u>		<u>(5,368)</u>	

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR 2023

(ALL AMOUNTS IN RMB' 000 UNLESS OTHERWISE STATED)

### 14 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (continued)

#### (3) Other receivables (continued)

##### (b) Changes in loss allowance and its accounts balance (continued)

- (ii) As at December 31, 2022, the analysis of other receivables for provision for bad debts in the Stage 3 is as follows:

Stage 3	Accounts balance	Lifetime ECL rate	Provision for bad debts	Reasons
Deposits and guarantees receivable	916	100%	(916)	Due over one year
Others	4,307	100%	(4,307)	Due over one year
	<u>5,223</u>		<u>(5,223)</u>	

- (iii) As at December 31, 2023 and December 31, 2022, the analysis of other receivables for provision for bad debts in the Stage 1 is as follows:

	December 31, 2023			December 31, 2022		
	Accounts balance	Provision for bad debts	% of	Accounts balance	Provision for bad debts	% of
	Amount	Amount	provision	Amount	Amount	provision
Deposits and guarantees receivables	23,735	(496)	2.09%	24,131	(210)	0.87%
Petty cash for employees receivable	1,795	(14)	0.78%	1,795	(13)	0.72%
Receivables in respect of listing proceeds	828,142	(4,728)	0.57%	—	—	—
Receivables from the internal related parties of the Group	799,899	(12,713)	1.59%	770,137	(13,363)	1.74%
Others	1,969	(42)	2.13%	992	(7)	0.71%
	<u>1,655,540</u>	<u>(17,993)</u>	<u>1.09%</u>	<u>797,055</u>	<u>(13,593)</u>	<u>1.71%</u>

- (c) In the year, the provision for bad debts amounted to RMB4,545,000, the collection and reversal of provision for bad debts is insignificant.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR 2023  
(ALL AMOUNTS IN RMB' 000 UNLESS OTHERWISE STATED)

## 14 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (continued)

## (4) Long-term equity investments

	December 31, 2023	December 31, 2022
Subsidiaries	4,037,102	2,835,343
Associates	58,444	58,444
	<b>4,095,546</b>	2,893,787
Less: Provision for impairment of long-term equity investments		
— Subsidiaries (a)	(898,193)	(748,067)
— Associates	(58,444)	(58,444)
	<b>3,138,909</b>	<b>2,087,276</b>

(a) Please refer to note 6 about the Company's subsidiaries list, the Company recognised asset impairment provision for some subsidiaries due to bad operation performance.

## (5) Capital surplus

	December 31, 2022	Increase in the current year	December 31, 2023
Share premium (note 4(31))	4,397,700	1,675,756	6,073,456
Share-based payment	537,238	293,531	830,769
Others	38,877	—	38,877
	<b>4,973,815</b>	<b>1,969,287</b>	<b>6,943,102</b>

	December 31, 2021	Increase in the year	December 31, 2022
Share premium (note 4(31))	3,456,456	941,244	4,397,700
Share-based payment	332,851	204,387	537,238
Others	38,877	—	38,877
	<b>3,828,184</b>	<b>1,145,631</b>	<b>4,973,815</b>

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR 2023

(ALL AMOUNTS IN RMB' 000 UNLESS OTHERWISE STATED)

### 14 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (continued)

#### (6) Revenue and cost of sales

	2023		2022	
	Revenue	Cost of sales	Revenue	Cost of sales
Sales of goods	592,363	555,517	471,943	444,546
Provision of services	10,563	6,637	60,336	32,857
	<u>602,926</u>	<u>562,154</u>	<u>532,279</u>	<u>477,403</u>

#### (7) Investment income

	2023	2022
Long-term equity investment under equity method	<u>—</u>	<u>5,521</u>