
FINANCIAL INFORMATION

The following discussion and analysis should be read in conjunction with the consolidated financial information and accompanying notes, as of and for the financial years ended December 31, 2022 and 2023 of our Group in Appendix IA and the consolidated financial information and the accompanying notes, as of and for the year ended December 31, 2021 of Shenzhen EDA and its subsidiaries (collectively “Shenzhen EDA Group”) in Appendix IB. The consolidated financial information included in the accountants’ report of our Group in Appendix IA and that of the Shenzhen EDA Group in Appendix IB have been prepared in accordance with accounting policies which conform with HKFRSs issued by the HKICPA.

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

The financial year begins on January 1 and ends on December 31. The references to “FY2021”, “FY2022” and “FY2023” mean the financial years ended December 31, 2021 and 2022 and 2023, respectively.

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

OVERVIEW

We are a one-stop end-to-end supply chain solutions provider for e-commerce vendors, empowering the fast-growing B2C export e-commerce industry in the PRC. With an unwavering commitment to delivering customer-centric, technology-driven and reliable solutions to our customers, we offer supply chain solutions which encompass cross-border logistics, overseas warehousing and fulfillment delivery services that are integrated into EDA Cloud, our self-developed cloud platform which houses a comprehensive range of digital supply management tools.

FINANCIAL INFORMATION

For FY2021, total revenue of Shenzhen EDA Group was RMB631.9 million, and total revenue of our Group for FY2022 and FY2023 was RMB708.7 million and RMB1,209.3 million, respectively, and Shenzhen EDA Group recorded profit for the year of RMB46.4 million in FY2021, and our Group recorded profit of RMB36.3 million and RMB69.4 million for the year of FY2022 and FY2023 respectively.

BASIS OF PRESENTATION AND PREPARATION

This prospectus includes two Accountants' Reports set forth as Appendices IA and IB, respectively.

- Appendix IA sets forth the Accountants' Report of our Group, which includes the consolidated financial statements of our Group for FY2021, FY2022 and FY2023; and
- Appendix IB sets forth the Accountants' Report of Shenzhen EDA Group, which includes the consolidated financial statements of Shenzhen EDA, the principal operating subsidiary of our Company, for FY2021.

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on September 17, 2020. During FY2021, main operations were conducted through Shenzhen EDA Group and its financial results of the business of FY2021 were disclosed in Accountants' Report in Appendix IB. During FY2021, our Group has included the operating results of Shenzhen EDA Group as "share of results of associates"; for details, see Note 17 of the Accountants' Report of our Group in Appendix IA to this prospectus. In 2021, Lesso carried out steps as set forth in the "History and Corporate Structure" to acquire control over Shenzhen EDA Group and pursuant to which, our Company became the holding company of our Group on December 24, 2021 and accounted for the acquisition of Shenzhen EDA using the acquisition method; other than the amortization of other intangible assets arising from business combination, there is no other material difference in the financial performance of Shenzhen EDA Group and our Group.

Since there was a change in Controlling Shareholders of Shenzhen EDA Group on December 24, 2021, the consolidated profit and loss account together with the cash flow information of Shenzhen EDA Group have not been included as operating subsidiaries in the same accountants' report of our Group for FY2021; and the consolidated statements of financial positions of our Group has included Shenzhen EDA Group as operating subsidiaries as of December 31, 2021 and 2022 and 2023. Details of the change of Controlling Shareholders of Shenzhen EDA Group on December 24, 2021 are set out in the section "History and Corporate Structure" in this prospectus.

FINANCIAL INFORMATION

Although the financial year end of our Group is on December 31 and there is a gap of seven days between December 24, 2021 and December 31, 2021, our Directors believe that the financial results of the Shenzhen EDA Group for FY2021 can represent the full year financial performance. After taking into consideration the facts that:

1. the profit or loss for the seven days ended December 31, 2021 was immaterial; and
2. the financial position of our Group as of December 24, 2021 and December 31, 2021 were not materially different.

We have included the historical year-on-year comparisons presented thereon provides a meaningful discussion and analysis of the business of the Shenzhen EDA Group and our Group during the Track Record Period.

The historical financial information has been prepared by our Directors based on accounting policies which conform with HKFRS issued by the HKICPA, on the basis of presentation and preparation as set out in Notes 2.1 and 2.2 set forth in the Accountants' Reports contained in Appendices IA and IB to this prospectus and no adjustments have been made in preparing the historical financial information.

KEY FACTORS AFFECTING RESULTS OF OPERATIONS

Our business, results of operations and financial condition are affected by general factors driving the global economy, the e-commerce industry and the integrated supply chain logistics services industry. These factors include levels of per capita disposable income, levels of consumer spending, rate of internet and mobile penetration, overall logistics spending and other general economic conditions around the world that affect consumption and business activities in general. Meanwhile, there are other factors such as changes in demographics and consumer tastes and preferences; the availability, reliability and security of e-commerce platforms, the selection, price and popularity of products offered on e-commerce platforms which may affect the growth of the e-commerce industry. During the Track Record Period, our Group/Shenzhen EDA Group have benefited from the rapid growth of the e-commerce industry; in particular, the B2C export e-commerce market in the PRC and the subsequent demand for more supply chain solutions. Our business and growth depend in part on and contribute to the prospects of the B2C export e-commerce industry; particularly, the B2C export e-commerce supply chain solutions market. We anticipate that the demand for B2C export e-commerce supply chain solutions will continue to grow in light of the aforementioned factors.

FINANCIAL INFORMATION

In addition, we are affected by government policies and regulations that address various aspects of our operations, including warehousing, transportation, delivery and labor management, among others. See “Risk Factors — Risks relating to conducting our business in the PRC — Possible changes in the economic, political and social conditions in the PRC and policies adopted by the PRC government could adversely affect our business, prospects, financial conditions and results of operations.” We have benefited from certain recent favorable regulatory and policy changes in the PRC, especially various policy initiatives that have promoted the development of logistics infrastructure.

In particular, we believe our results of operations are more directly affected by the following factors:

- Macroeconomic trends and demand for supply chain solutions
- Our ability to retain existing customers and attract new customers
- Our ability to improve strategic collaboration with our third-party supply chain services providers
- Our ability to manage costs and expenses
- Our technological capabilities

Macroeconomic trends and demand for supply chain solutions

Our growth and revenue are closely tied with the development of the B2C export e-commerce industry, which is impacted by the global economic environment, global consumer shopping habits and the overall e-commerce industry. These factors affecting the global economy, the e-commerce industry and the integrated supply chain logistics services industry include levels of per capita disposable income, levels of consumer spending, rate of internet and mobile penetration, overall logistics spending and other general economic conditions that affect consumption and business activities in general.

During the Track Record Period, our Group/Shenzhen EDA Group mainly generated revenue by providing one-stop end-to-end B2C export e-commerce supply chain solutions to customers in the PRC; in particular, e-commerce vendors. Our business is therefore subject to demand for B2C export e-commerce supply chain solutions from e-commerce vendors. According to Frost & Sullivan, the GMV of the PRC B2C export e-commerce market will increase from RMB3,850.3 billion in 2023 to RMB7,236.8 billion in 2028 at a CAGR of 13.5%. Such growth would give rise to the need for efficient and timely delivery services and in turn drive the demand for

FINANCIAL INFORMATION

comprehensive and reliable B2C export e-commerce supply chain solutions, including the emergence and adoption of pre-sale stocking model, which allows our e-commerce vendors to plan and ship their stocks in advance and provide better shopping experience for their end-consumers. In particular, during the outbreak of COVID-19, not only did end-consumers develop an online shopping habit, but also did many e-commerce vendors realize the advantages of the pre-sale stocking model as there were pandemic-caused ports congestion and prolonged cargo unloading cycles in 2021. According to Frost & Sullivan, we ranked sixth among all B2C export e-commerce supply chain solutions providers primarily utilizing pre-sale stocking model in the PRC, with a market share of approximately 0.5%. Our Group accounted for approximately 0.1% of the entire export e-commerce supply chain solutions market in the PRC in 2023. We believe that our pre-sale stocking model enables us to capture the growth of B2C export e-commerce industry and enlarges our market share.

Our ability to retain existing customers and attract new customers

During the Track Record Period, our Group's/Shenzhen EDA Group's revenue enjoyed remarkable growth. Such growth was partly driven by our ability to enhance our supply chain solutions capabilities to existing customers as well as our ability to attract new customers. We endeavor to broaden our customer base by serving e-commerce vendors that are mainly brand owners or manufacturers and we have provided supply chain solutions, with majority of trade lanes originating from the PRC reaching popular B2C e-commerce destinations around the world. During the Track Record Period, the number of the core customers, (with which we dedicate specialized sales effort owing to the fact that they are customers which contributed more than RMB3 million of the revenue for the respective years), increased from 40 in 2021 to 49 in 2022 and further to 58 in 2023. During the Track Record Period, our Group/Shenzhen EDA Group derived most of the revenue from e-commerce vendors that are brand-owners and manufacturers, which, according to Frost & Sullivan, are generally considered as high-quality customers due to their abilities of generating consistent income and their general propensity for sustainable growth. We believe that our customers' growth can translate to recurring revenue for B2C export e-commerce supply chain solutions providers like us.

In addition, we believe that our capability to deliver one-stop end-to-end solutions, established global network, well-recognized brand and continuously growing scale are effective ways to gain new customers. We intended to explore more business opportunities with new customers. According to Frost & Sullivan, the GMV of global e-commerce market is expected to reach US\$10.1 trillion in 2028 with a CAGR of 9.9% from 2023 to 2028, mainly driven by (i) the continued growth of the global economy; (ii) the increase in global consumer purchasing power and (iii) the further strengthening of international trade and economic cooperation between countries. We intend to leverage on our operational experience in popular B2C e-commerce delivery destinations to reach out to more emerging e-commerce vendors in order to grasp the

FINANCIAL INFORMATION

market potential in the global e-commerce market. We are confident that our experience in providing supply chain solutions to a wide range of and large volume of customers allows us to offer the existing customers as well as new customers with the most appropriate supply chain solutions which enable us to maintain our competitiveness to outperform other industry peers and eventually increase our market share.

Our ability to improve strategic collaboration with our third-party supply chain service providers

The growth of our business and our profitability depends on our ability to effectively invest in and manage our global logistics network, which is maintained through the engagement of and collaboration with third-party logistics service providers, to meet the increasingly complex demands from our new and existing customers. We strategically adopt an asset-light model through leveraging our extensive portfolio of third party logistics service providers which keeps us nimble in our decision-making process. We intend to further enhance our service through increasing portfolio of our third-party logistics service providers and number of overseas warehouses so that we are able to enlarge our service volume and global network to strengthen our brand name and capability. We also intend to develop our EDA Cloud platform with the goal of improving its customer facing features in order to improve our customers' experience.

As for our overseas warehouses, the adoption of partnered warehouse is the core of our asset-light strategy. We believed that improving strategic collaboration of our partnered warehouse is critical to our business development and expansion. As of the Latest Practicable Date, we contracted 57 overseas warehouses, of which 47 were partnered warehouses. We will enhance our collaboration with partnered warehouses through knowledge transfer and implementation of our EDA Cloud platform. With closer collaboration with us, we believed that with our increasing service volume from the customers, our partnered warehouses can receive more orders and generate more revenue in return.

Our ability to manage costs and expenses

Our ability to increase our profitability depends on whether we can manage our cost and expenses effectively through improving operational efficiency. Our cost of sales mainly included logistics costs, warehousing service fee and depreciation of right-of-use assets of warehouses, labor costs and warehouse operating costs and these costs are subject to various factors, such as, among other things, shipping demand and supply in the market, prices and availability of warehousing facilities and fluctuations in general wage level. We believed that our increasing service volume will bring us economies of scale and stronger bargaining power with our suppliers, which allow us to control our costs. As for our selling and distribution expenses and administrative expenses, they mainly consist of staff costs, amortization of other intangible assets arising from

FINANCIAL INFORMATION

business combination, depreciation of property, plant and equipment and right-of-use assets, local levies and surcharges and others. During the Track Record Period, without taking into consideration amortization of other intangible assets arising from business combination and Listing expenses, selling and distribution expenses and administrative expenses, amounted to 4.2% of Shenzhen EDA Group's sales for FY2021 and amounted to 3.9% and 3.5% of our Group's sales for FY2022 and FY2023, respectively. In the future, we expect to see continuous economies of scale whilst we grow our business and we believe that our past experience in effectively controlling expenses shall allow us to maintain our profitability during business expansion.

Our technological capabilities

Our technological capabilities are critical to the success of our business. During the Track Record Period, our Group/Shenzhen EDA Group have been continuously improving the EDA Cloud platform with IT and R&D team and as of December 31, 2023, we have completed API integration with 14 ERP systems of our customers and 11 e-commerce platforms on which our customers operate, which enables the exchange of data. We believe that we shall continue to invest significant resources on the development and application of technologies to improve our operational efficiency; particularly, artificial intelligence, machine learning and IoT technologies so as to upgrade our warehouse management system with the aim of improving the analytical abilities of our EDA Cloud platform. We aim to revamp our EDA Cloud platform by building an open SAAS platform so that it can connect various parties with each other and bridge information gaps. Eventually, we would be able to consolidate real-time comprehensive data from multiple angles and create data analysis models, reach out target market accurately and provide digitalised standard services with the revamped EDA Cloud platform. For further details, see “Business — Strategies on future growth — Optimizing operational efficiency through improving our intelligent systems” in this prospectus.

CRITICAL ACCOUNTING POLICIES, ESTIMATES AND JUDGMENTS

Our Directors have identified certain accounting policies which are significant to the preparation of the consolidated financial statements. The material accounting policies which are important for an understanding of the financial condition and results of operations are set forth in details in Note 2.4 to the Accountants' Reports in Appendices IA and IB to this prospectus. Some of the accounting policies involve subjective assumptions and estimates, as well as complex judgments relating to accounting items, the significant accounting estimates and judgments are set forth in details in Note 3 to the Accountants' Reports in Appendices IA and IB to this prospectus. The determination of these items requires management judgments based on best information and financial data that currently available but may subject to change in future periods.

FINANCIAL INFORMATION

MATERIAL ACCOUNTING POLICIES

Business combinations

For details of our accounting policies regarding business combinations, see “Accountants’ Report — Note 2.4 Material accounting policies — Business combinations” in Appendix IA to this prospectus.

Goodwill

For details of our accounting policies regarding goodwill, see “Accountants’ Report — Note 2.4 Material accounting policies — Goodwill” in Appendix IA to this prospectus.

Intangible assets

For details of our accounting policies regarding intangible assets, see “Accountants’ Report — Note 2.4 Material accounting policies — Intangible assets” in Appendix IA to this prospectus.

Revenue recognition

Revenue from contracts with customers is recognized when control of goods or services is transferred to the customers at an amount that reflects the consideration to which our Group/Shenzhen EDA Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which our Group/Shenzhen EDA Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognized will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between our Group/Shenzhen EDA Group and the customer at contract inception. When the contract contains a financing component which provides our Group/Shenzhen EDA Group with a significant financial benefit for more than one year, revenue recognized under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the

FINANCIAL INFORMATION

period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

(i) *“First-mile” international freight services*

Services included in the “first-mile” international freight services are mainly for transporting the customers’ goods from designated domestic locations to overseas designated locations, which includes other value-added services, such as IT services, customs declaration and clearance and etc.. Revenue from the provision of “first-mile” international freight services is recognized over time, using an output method to measure progress towards complete satisfaction of the service, which is to recognize revenue on the basis of direct measurements of the value of the services transferred to the customer to date relative to the remaining services promised under the contract, that best depict our Group’s/Shenzhen EDA Group’s performance in transferring control of services.

(ii) *“Last-mile” fulfillment services*

“Last-mile” fulfillment services include providing one-stop logistic service from the overseas port to the overseas destination designated by the end customers, which includes different steps such as overseas warehousing, other value-added services and deliveries. These services are requested by customers as needed and they are not dependent on other services that are provided by our Group/Shenzhen EDA Group. These services do not significantly affect each other and, therefore, are not highly interdependent or highly interrelated. Revenue generated from all these services would be measured and recognized with reference to the purchase order completion measurement, which are on the same basis as days consumed and over time.

Contract liabilities

A contract liability is recognized when a payment is received or a payment is due (whichever is earlier) from a customer before our Group/Shenzhen EDA Group transfers the related goods or services. Contract liabilities are recognized as revenue when our Group/Shenzhen EDA Group perform under the contract (i.e. transfers control of the related goods or services to the customer).

Leases

Our Group/Shenzhen EDA Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

FINANCIAL INFORMATION

Group as a lessee

Our Group/Shenzhen EDA Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. Our Group/Shenzhen EDA Group recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

Right-of-use assets are recognized at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Warehouses and offices	19 months to 10 years
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If ownership of the leased asset transfers to our Group/Shenzhen EDA Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(b) Lease liabilities

Lease liabilities are recognized at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by our Group/Shenzhen EDA Group and payments of penalties for termination of a lease, if the lease term reflects our Group/Shenzhen EDA Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognized as an expense in the period in which the event or condition that triggers the payment occurs.

FINANCIAL INFORMATION

In calculating the present value of lease payments, our Group/Shenzhen EDA Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

(c) Short-term leases

Our Group/Shenzhen EDA Group applies the short-term lease recognition exemption to its short-term leases of warehouses (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option).

Lease payments on short-term leases and leases of low-value assets are recognized as an expense on a straight-line basis over the lease term.

SIGNIFICANT ACCOUNTING ESTIMATES

Provision for expected credit losses on trade receivables and other receivables

Our Group/Shenzhen EDA Group uses a provision matrix to calculate expected credit losses (“ECLs”) for trade receivables and other receivables. The provision rates are based on invoice date for groupings of various customers/debtors segments that have similar loss patterns (i.e. by service type, customer type and rating).

The provision matrix is initially based on our Group’s/Shenzhen EDA Group’s historical observed default rates. Our Group/Shenzhen EDA Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions are expected to deteriorate over the next year which can lead to an increased number of defaults in the logistic and warehousing sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

FINANCIAL INFORMATION

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. Our Group's/Shenzhen EDA Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on our Group's/Shenzhen EDA Group's trade receivables and other receivables is disclosed in Note 19 to the Accountants' Report of our Group in Appendix IA and Note 17 to the Accountants' Report of Shenzhen EDA Group in Appendix IB to this prospectus.

Leases — Estimating the incremental borrowing rate

Our Group/Shenzhen EDA Group cannot readily determine the interest rate implicit in a lease, and therefore, our Group/Shenzhen EDA Group use an incremental borrowing rate (“**IBR**”) to measure lease liabilities. The IBR is the rate of interest that our Group/Shenzhen EDA Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what our Group/Shenzhen EDA Group “would have to pay”, which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). Our Group/Shenzhen EDA Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

FINANCIAL INFORMATION

SUMMARY OF THE CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

The following table summarizes the consolidated statement of profit or loss and other comprehensive income from the financial statements during the Track Record Period, details of which are set out in the Accountants' Reports in Appendices IA and IB to this prospectus.

	Shenzhen	Our Group	
	EDA Group		
	FY2021	FY2022	FY2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	631,882	708,665	1,209,304
Cost of sales	(525,027)	(602,171)	(1,012,200)
Gross profit	106,855	106,494	197,104
Selling and distribution expenses	(7,643)	(7,777)	(11,473)
Administrative expenses	(18,752)	(27,386)	(60,909)
Research and development expenses	(17,956)	(20,836)	(33,327)
Impairment losses on financial and contract assets, net . . .	(5,480)	(2,489)	(2,515)
Other income and gains	8,083	7,920	6,111
Other expenses	(2,751)	(3,840)	(3,883)
Finance costs	(10,651)	(11,044)	(10,452)
Share of results of an associate	(96)	(451)	(232)
Profit before tax	51,609	40,591	80,424
Income tax expenses	(5,198)	(4,299)	(11,021)
Profit for the year	<u>46,411</u>	<u>36,292</u>	<u>69,403</u>

Non-HKFRS measure

To supplement the consolidated statements of profit or loss which are presented in accordance with HKFRS, we also use adjusted net profit as a non-HKFRS measure, which is not required by, or presented in accordance with, HKFRS. We believe that the presentation of non-HKFRS measures when shown in conjunction with the corresponding HKFRS measures provides useful information to investors and management in facilitating a comparison of the operating performance from period to period. Such non-HKFRS measures allow investors to consider metrics used by the management in evaluating the performance.

FINANCIAL INFORMATION

Our Group/Shenzhen EDA Group excluded listing expenses in reviewing financial results for the following reasons:

1. Listing expenses were in relation to the Listing and the Global Offering.

The use of the non-HKFRS measures has limitations as an analytical tool and investors should not consider it in isolation from, or as a substitute for or superior to analysis of, the results of operations or financial condition as reported under HKFRS. In addition, the non-HKFRS financial measures may be defined differently from similar terms used by other companies and therefore may not be comparable to similar measures presented by other companies.

We define adjusted net profit (non-HKFRS measure) as profit for the year adjusted by adding back listing expenses. We define adjusted EBITDA (non-HKFRS measure) as profit for the year adjusted by adding back (i) Listing expenses, (ii) net finance costs, which represents finance costs less total interest income of the same year, (iii) income tax expenses, and (iv) depreciation of property, plant and equipment, depreciation of right-of-use assets and amortization of other intangible assets. The following table reconciles the adjusted net profit (non-HKFRS measure) presented in accordance with HKFRSs.

	Shenzhen	Our Group	
	EDA Group		
	FY2021	FY2022	FY2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Profit for the year	46,411	36,292	69,403
Add:			
Listing expenses	—	535	22,493
Adjusted net profit (non-HKFRS measure)	46,411	36,827	91,896
Add:			
Net finance costs	9,958	10,423	9,435
Income tax expenses	5,198	4,299	11,021
Depreciation of property, plant and equipment	2,503	3,480	3,590
Depreciation of right-of-use assets	31,811	33,159	33,971
Amortization of other intangible assets	—	7,330	7,330
Adjusted EBITDA (non-HKFRS measure)	95,881	95,518	157,243

FINANCIAL INFORMATION

DESCRIPTION OF CERTAIN CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME ITEMS

Revenue

During the Track Record Period, our Group/Shenzhen EDA Group derived revenue primarily from the provision of one-stop end-to-end supply chain solutions for e-commerce vendors in the PRC. For FY2021, total revenue of Shenzhen EDA Group amounted to RMB631.9 million and for FY2022 and FY2023, our Group's total revenue amounted to RMB708.7 million and RMB1,209.3 million, respectively.

By categories of services

The following tables set out a breakdown of the revenue by categories of service for the years indicated:

	Shenzhen EDA Group		Our Group			
	FY2021		FY2022		FY2023	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
"First-mile" international freight services	170,109	26.9	187,798	26.5	259,505	21.5
"Last-mile" fulfillment services	461,773	73.1	520,867	73.5	949,799	78.5
Total	<u>631,882</u>	<u>100.0</u>	<u>708,665</u>	<u>100.0</u>	<u>1,209,304</u>	<u>100.0</u>

The table below sets forth a breakdown of number of FEU/tonne/order and average price per FEU/tonne/order per service type during the Track Record Period, which was derived from dividing the revenue against the FEU/tonne/number of orders for the corresponding year:

	Shenzhen EDA Group		Our Group			
	FY2021		FY2022		FY2023	
	<i>RMB per FEU</i>	<i>No. of FEU</i>	<i>RMB per FEU</i>	<i>No. of FEU</i>	<i>RMB per FEU</i>	<i>No. of FEU</i>
"First-mile" ocean freight services	<u>82,515</u>	<u>2,052</u>	<u>68,358</u>	<u>2,663</u>	<u>23,174</u>	<u>4,589</u>
	<i>RMB per tonne</i>	<i>Tonne</i>	<i>RMB per tonne</i>	<i>Tonne</i>	<i>RMB per tonne</i>	<i>Tonne</i>
"First-mile" air freight services	<u>58,017</u>	<u>13</u>	<u>45,428</u>	<u>127</u>	<u>81,180</u>	<u>1,887</u>
	<i>RMB per order</i>	<i>No. of order (million)</i>	<i>RMB per order</i>	<i>No. of order (million)</i>	<i>RMB per order</i>	<i>No. of order (million)</i>
"Last-mile" fulfillment services	<u>156</u>	<u>3.0</u>	<u>170</u>	<u>3.1</u>	<u>158</u>	<u>6.0</u>

FINANCIAL INFORMATION

We primarily adopt and utilize a pre-sale stocking model which allows our e-commerce vendors to transport their products from the PRC to our overseas warehouses as pre-sale stock. As such, “last-mile” fulfillment services is the core of our solutions. We focus on attracting the customers to stock their inventories in advance at our overseas warehouses and have us arrange for their “last-mile” fulfillment. According to Frost & Sullivan, during the outbreak of the COVID-19 between 2019 and 2021, not only did end-consumers develop an online shopping habit, many e-commerce vendors also realized the advantages of the pre-sale stocking model due to the occurrence of pandemic-caused port congestions and prolonged unloading cycles in 2021, which led to growing popularity of pre-sale stocking model. Our Group/Shenzhen EDA Group was one of the first companies to offer one-stop end-to-end supply chain solutions using the pre-sale stocking model in the PRC. The Directors believed that with deep industry know-hows, extensive global logistics network with the use of partnered warehouses (that the Group has devoted much resources to enlarge during the Track Record Period and equip with advanced EDA Cloud platform, as evidenced by the Group’s significant increase in R&D expenses over the corresponding periods), the Group was able to actively reach out to enormous amount of customers with overseas shipping needs; particularly, core customers (with which we dedicate specialised sales effort owing to the fact that they are customers which contributed more than RMB3 million of our revenue for the respective years). Accordingly, our Group’s service volume for both “first-mile” international freight services and “last-mile” fulfillment services for FY2023 at least doubled as compared to those of Shenzhen EDA Group for FY2021.

“First-mile” international freight services

During FY2021, revenue from “first-mile” international freight services of Shenzhen EDA Group amounted to RMB170.1 million, and during FY2022 and FY2023, our revenue from “first-mile” international freight services amounted to RMB187.8 million and RMB259.5 million, respectively, through the provision of domestic collection, customs declaration and clearance and international shipping by ocean or air logistics, direct shipping and other value-added services including quality checks, digitalization services and such.

Our international shipping is mainly executed by ocean logistics. As these pre-sale stocks are not yet ordered by any end-consumer, our customers are not under any time constraints. As such, although delivery by air is quicker, they prefer ocean logistics considering that it is generally less costly than transportation by air.

Subsequent to FY2022, we have successfully developed a business relationship with one of the large scale e-commerce platforms in the PRC, namely Customer G, that requires direct shipping services which mostly utilize air logistics. To cater to the demands of such platform, our service volume from air logistics during FY2023 which amounted to 1,887 tonnes, has been significantly greater to that of FY2022 of 127 tonnes. Our Directors confirmed that we took on

FINANCIAL INFORMATION

such order to establish a good rapport with such e-commerce platform so as to fortify our reputation in our industry. Despite such increase, we plan to continue strategically position ourself as a supply chain solution providers primarily utilizing the pre-sale stocking model as our revenue from “first-mile” air freight services only accounted for approximately 12.7% of our total revenue in FY2023.

Revenue from our “first-mile” international freight services is primarily driven by the following factors:

- *Service volume*: Our service volume depends significantly on the market demand which is subject to various factors affecting the macroeconomic trends and the demand for supply chain solutions.

- *Average price per FEU and per tonne*: The price per FEU and per tonne is market driven. We adopt a market-based pricing model for our “first-mile” international freight services, taking into account factors such as (i) length of working relationship and future business opportunities; (ii) the transportation route and distance taking into account the customer goods collection point and drop off point; (iii) preferred international shipping method and schedule; (iv) product dimension and weight and its potential stocking time; (v) market rates taking into account of cost and market competition; and (vi) seasonality. Generally, the price per FEU and per tonne goes up when there is a significant shipping demand or limited supply in the market. In particular, in 2021, due to the spread of COVID-19 and related lockdown measures, the shipping capacity, operations and labor supply were severely affected; thus, the strong demand for ocean logistics and limited supply in the market had led to an increase in the average price of FEU and per tonne. As costs is one of the key factors in determining the price of our solutions, we have adjusted our pricing slightly upward with reference to relatively higher ocean freight rate from suppliers in FY2021 and accordingly, directors of Shenzhen EDA Group are not aware of any material adverse impact on Shenzhen EDA Group’s financial performance due to relatively higher ocean freight rate in FY2021. As for the ocean freight rate in FY2023, it resumed to a lower level, which was close to the level prior to the outbreak of COVID-19; accordingly, our pricing has been adjusted which may drag down the revenue from “first-mile” international freight services in the same period. Concerning our direct shipping services which mostly utilize air logistics, generally, air freight rate in the second half of the year increases as compared to that of first half of the year, primarily due to the peak season of e-commerce. Added to the above, the effects of extreme weather in the U.S. such as heavy rain and snow and the Israeli-Palestinian conflict have driven up the air freight rate for the second half of year.

FINANCIAL INFORMATION

“Last-mile” fulfillment services

During FY2021, revenue from “last-mile” fulfillment services of Shenzhen EDA Group amounted to RMB461.8 million and during FY2022 and FY2023, our revenue from “last-mile” fulfillment services amounted to RMB520.9 million and RMB949.8 million, respectively, primarily consists of delivery of pre-sale stocks from our overseas warehouses to end-consumers through local “last-mile” fulfillment service providers upon receiving end-consumers’ orders on e-commerce platform. We also charge our customers value-added service such as assisting on products return and repackaging.

Revenue from our “last-mile” fulfillment services is primarily driven by the following factors:

- *Service volume:* Our service volume depends significantly on the consumer behavior towards online shopping and the number of customers we served as well as their number of pre-sale stock orders to be fulfilled by us.
- *Average price per order delivered:* The average price per order delivered is driven by the market prices of local delivery services and affected by the product dimension and weight since each order may consist of different number, weight and size of items. As confirmed with Frost & Sullivan, since freight rate is not part of the consideration in determining the price per order in “last-mile” fulfillment services, the fluctuation in freight rate have no impact on our average price per order delivered and the financial performance of “last-mile” fulfillment services.

FINANCIAL INFORMATION

By country

The following table sets out revenue generated by the country of delivery destination for the years indicated:

	Shenzhen EDA Group		Our Group			
	FY2021		FY2022		FY2023	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
United States	506,107	80.1	566,279	79.9	1,008,445	83.4
Canada	55,933	8.9	75,085	10.6	97,587	8.1
United Kingdom	60,064	9.5	44,596	6.3	41,495	3.4
Germany	7,814	1.2	20,330	2.9	57,061	4.7
Australia	1,964	0.3	2,375	0.3	4,716	0.4
Total	631,882	100.0	708,665	100.0	1,209,304	100.0

During the Track Record Period, our Group's/Shenzhen EDA Group's revenue generally enjoyed remarkable growth in almost all of the regions that we have rendered services; particularly, the United States. As for the decrease in revenue from the United Kingdom in FY2022 and FY2023, to the best knowledge of our Directors, it was mainly due to shift of supply chain strategy by one of the core customers as it sets up its own overseas warehouses in the United Kingdom.

Cost of sales

Cost of sales by categories of services

The following table sets out, for the years indicated, a breakdown of the cost of sales of Shenzhen EDA Group and our Group by categories of services:

	Shenzhen EDA Group		Our Group			
	FY2021		FY2022		FY2023	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
“First-mile” international freight services	163,829	31.2	183,795	30.5	253,613	25.1
“Last-mile” fulfillment services	361,198	68.8	418,376	69.5	758,587	74.9
	525,027	100.0	602,171	100.0	1,012,200	100.0

FINANCIAL INFORMATION

Cost of sales by nature

The cost of sales primarily consists of logistic costs, warehouse operating costs and labor costs. The following table sets out, for the years indicated, a breakdown of the cost of sales of Shenzhen EDA Group and our Group by nature:

	Shenzhen EDA Group		Our Group			
	FY2021		FY2022		FY2023	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Logistics costs	404,150	77.0	437,914	72.7	751,941	74.3
Warehousing operating costs	67,764	12.9	101,495	16.9	134,603	13.3
— <i>The PRC</i>	617	0.1	1,450	0.2	2,124	0.2
— <i>Overseas</i>	67,147	12.8	100,045	16.7	132,479	13.1
Labor costs	53,113	10.1	62,762	10.4	125,656	12.4
	<u>525,027</u>	<u>100.0</u>	<u>602,171</u>	<u>100.0</u>	<u>1,012,200</u>	<u>100.0</u>

Our logistics costs primarily includes service fees paid to local “last-mile” fulfillment logistics service providers in the regions we operate for delivering the products to end-consumers in accomplishing our “last-mile” fulfillment services and international freight forwarding service providers, ocean carriers and air carriers for international freight services to deliver products from one region to another region.

Warehouse operating costs primarily consists of (i) warehousing service fee for our partnered warehouses, which was mainly charged based on the utilization of the warehouse on a pre-agreed fee scale or upon settlement between our Group/Shenzhen EDA Group and the service providers, (ii) depreciation expenses incurred of the properties leased and property, plant and equipment for our self-operated warehouses and (iii) other costs incurred in our self-operated warehouse in relation to scan and pack works performed, costs of packaging material, costs of trucking services provided, security charges, property management and utilities expenses.

Labor costs primarily represent remuneration paid to the personnel involved in warehouse management, sorting, picking, packaging, shipping and delivery, contributions made to the various benefit plans and other staff benefits.

FINANCIAL INFORMATION

Gross profit and gross profit margin

Gross profit and gross profit margin by categories of services

The following table sets out, for the years indicated, a breakdown of the gross profit and gross profit margin of Shenzhen EDA Group and our Group by categories of services:

	Shenzhen EDA Group		Our Group			
	FY2021		FY2022		FY2023	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	RMB'000	%	RMB'000	%	RMB'000	%
“First-mile” international freight services	6,280	3.7	4,003	2.1	5,892	2.3
“Last-mile” fulfillment services	100,575	21.8	102,491	19.7	191,212	20.1
	<u>106,855</u>	16.9	<u>106,494</u>	15.0	<u>197,104</u>	16.3

During FY2021, gross profit of Shenzhen EDA Group amounted to RMB106.9 million, whilst its overall gross profit margin was 16.9%. During FY2022 and FY2023, our Group’s gross profit amounted to RMB106.5 million and RMB197.1 million, respectively, whilst our overall gross profit margin was 15.0% and 16.3%, respectively.

According to Frost & Sullivan, the “first-mile” international freight services in the PRC is competitive and may entail relatively lower profitability. We generally recorded thin gross profit margin and may even record gross loss for the “first-mile” international freight services. During FY2021, gross profit from “first-mile” international freight services of Shenzhen EDA Group amounted to RMB6.3 million and its gross profit margin was 3.7%. During FY2022, our Group’s gross profit from “first-mile” international freight services amounted to RMB4.0 million and its gross profit margin was 2.1%. The decrease in the gross profit between FY2021 and FY2022 was primarily because the rate we charged our customers was decreasing, which is in line with the rate our international freight forwarding service providers charged us. During FY2023, our Group’s gross profit from “first-mile” international freight services amounted to RMB5.9 million and its gross profit margin was 2.3%. The increase in the gross profit between FY2022 and FY2023 was in line with our revenue growth from “first-mile” international freight services, whilst the gross profit margin for FY2023 was relatively stable as compared to that of FY2022.

As for the gross profit margin of our “last-mile” fulfillment services, since the core customers are mostly brand owners or manufacturers, who mostly engaged in the sale of relatively bulky items such as electrical appliance, homeware, auto parts, outdoor products, mechanical equipment and hardware, we may charge the customers relatively higher price per order. Furthermore, our

FINANCIAL INFORMATION

Directors are of the view that as a recognized partner with significant service volume, we are granted more favorable prices by our suppliers. Gross profit from “last-mile” fulfillment services of Shenzhen EDA Group amounted to RMB100.6 million for FY2021; whilst the gross profit margin was 21.8%. Our Group’s gross profit from “last-mile” fulfillment services amounted to RMB102.5 million and RMB191.2 million for FY2022 and FY2023, respectively; whilst the gross profit margin was 19.7% and 20.1% for FY2022 and FY2023, respectively. Going forward, we believe that we were able to achieve a general increasing trend of gross profit margin mainly due to the following reasons:

- (i) ***our adoption of asset-light model.*** We leverage on third-party service providers to provide our “last-mile” fulfillment services. As such, we incur relatively less operational and capital commitment as compared to our service providers, which allows us to maintain consistent profitability.

- (ii) ***value-adding supply chain partner for e-commerce vendors of varying scale.*** Our customers engage us for our expertise in the management of various stakeholders in the arena of supply chain and logistics market. Our customers’ business model generally do not cover supply chain management given that is more cost-effective for e-commerce vendors to leverage supply chain solutions providers’ supply chain infrastructure and logistics network and experience instead of engaging their own third-party service providers. Albeit our customers can maintain their own network of service providers and arrange supply chain solutions for themselves, up and coming e-commerce vendors generally prefer to focus their resources and efforts on their products and outsource the entire supply chain process to solutions providers like us who can act as a single contact point and eliminate set up costs. As a part of our solutions, we also offer value-added services to reduce the amount of processing work that needs to be done by our customers such as products return processing and disposal of stock. Unlike logistics service providers which cater to only one subset of our customers’ supply chain needs, we provide our customers with a wide array of service provider options during the course of providing our supply chain solutions. As we stay abreast with the various rates and services offered by solutions providers, whether it is ocean carriers or “last-mile” fulfillment service providers, our customers are presented with different options available to them without needing to collate such information on their own, which benefits their operational efficiency. Further, given that we are able to gain a more favorable price from these service providers due to the volume and frequency of orders with them, our customers will prefer engaging logistics services through us than to do it themselves. Distinguishing us from “last-mile” fulfillment delivery service providers, we also provide value-added services such as reverse logistics and inventory management.

FINANCIAL INFORMATION

Solutions providers like us are able to supplement e-commerce vendors which have their own supply chain infrastructure during peak season in terms of transportation and warehouse capacity.

- (iii) ***our integration capabilities.*** Our customers preferred engaging us instead of directly engaging third-party logistics service providers because within the “last-mile” fulfillment services, there are many components which involve different enterprise-level players. We are able to integrate the resources and information from different stakeholders and render a cohesive and customized solution for our customers. Unlike third-party service providers, the main responsibilities of which are to ensure delivery or warehousing, we position ourself as a solutions provider which links up different service providers so as to render a customized, cohesive and cost-effective supply solutions which fits our customers’ unique needs. We are the single contact point for our e-commerce vendor customers covering all aspects of the supply chain process. Such integration ability is a convincing aspect of our solutions driving our customers to seek out our solutions; in particular with regards to the “last-mile” fulfillment services.

- (iv) ***the size of products delivered.*** According to Frost & Sullivan, the size of products delivered have a direct impact on the profitability of “last-mile” fulfillment services. Given medium and large sized goods require more operational handling, providers which cater to the handling of medium and large sized goods usually enjoy higher customer loyalty and therefore can charge a relatively higher price with regards to such solutions. As it is more cumbersome to deliver medium and large sized goods, deliveries which involve medium and large sized goods can generally be priced higher. Our customers generally place orders with us that involve the fulfillment of several parcels, the size of which varies. According to Frost & Sullivan, small sized parcels are considered to be parcels that weigh less than 0.5kg, medium sized parcels are considered to be parcels that weigh between 0.5kg and 10kg and large parcels are considered to be parcels that weigh more than 10kg. For each year comprising the Track Record Period, more than 81.1%, 79.6% and 89.5% of the Group’s parcels fulfilled were medium and large sized parcels.

- (v) ***our extensive warehouse network.*** To ensure timely delivery arranged by our “last-mile” fulfillment services, it is important to ensure that our warehouse network is sufficiently extensive. We believe that our adoption of a mixed model of self-operated warehouses and partnered warehouses has allowed us to meet the customers’ ever-changing demands without straining our liquidity through the operation of self-operated warehouses. Our evolving network of warehouses is the result of our constant evaluation of our customers’ needs; we seek out potential new partnered or

FINANCIAL INFORMATION

self-operated warehouses depending on our customers' feedback on future e-commerce trends. This allows us to maintain our competitiveness among other supply chain solutions providers.

- (vi) **warehouse management.** Leveraging the WMS (Warehouse Management System) connected to each of our overseas warehouses, we offer inventory adjustment and replenishment services by allowing our customers to manage and track inventory with SKU-level accuracy across overseas warehouses on our EDA Cloud platform.

To the best knowledge of the Directors, due to the Group's significant commitment in expanding its warehouse networks to cater to enormous amount of customers' needs particularly in FY2021 and FY2022, there was a significant increase in warehouse operating costs and labor costs, resulting in additional time required to realize the economies of scale, which led to slight fluctuation of the Group's overall gross profit margin, decreasing from 16.9% in FY2021 to 15.0% in FY2022 and 16.3% in FY2023.

Gross profit and gross profit margin by destination of delivery

The following table sets out, for the years indicated, a breakdown of the gross profit and gross profit margin of Shenzhen EDA Group and our Group by destination of delivery:

	Shenzhen EDA Group		Our Group			
	FY2021		FY2022		FY2023	
	Gross profit	margin	Gross profit	margin	Gross profit	margin
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
United States	75,793	15.0	84,039	14.8	165,851	16.4
Canada	11,901	21.3	21,082	28.1	27,953	28.6
The United Kingdom	18,947	31.5	5,842	13.1	4,073	9.8
Germany	260	3.3	(2,981)	(14.7)	354	0.6
Australia	(46)	(2.3)	(1,488)	(62.7)	(1,127)	(23.9)
Overall	106,855	16.9	106,494	15.0	197,104	16.3

The overall gross profit margin decreased from 16.9% for FY2021 to 15.0% for FY2022, primarily due to the decrease in gross profit margin from "last-mile" fulfillment services, mainly because of the lead time between the investment for the warehouse expansion in FY2021 and the realization of profit. It increased to 16.3% for FY2023, primarily because of the economies of scale achieved and more favorable pricing were provided by our logistics suppliers.

FINANCIAL INFORMATION

During the Track Record Period, the overall gross profit generally enjoyed remarkable growth, which was largely in line with growth of revenue of respective years, in particularly, the United States, accordingly, the fluctuation of overall gross profit margin was largely in line with that of the gross profit margin from the United States.

The gross profit margin from Canada increased gradually from 21.3% in FY2021 to 28.1% in FY2022 and 28.6% in FY2023, which was in line with its revenue growth and increasing service volume of respective year, allowing Shenzhen EDA Group/our Group to enjoy a certain degree of economies of scale.

Concerning the fluctuation in gross profit and gross profit margin in United Kingdom, Shenzhen EDA Group recorded decreasing trend in gross profit and gross profit margin of the United Kingdom in FY2022 and FY2023 as compared to those in FY2021, to the best knowledge of our Directors, it was mainly due to decrease in revenue following the end of business relationship by a core customer.

Concerning the fluctuation in gross profit and gross profit margin in Germany, directors of Shenzhen EDA Group believed that it was in the beginning stage for Shenzhen EDA Group to acquire more customers in Germany in FY2021; hence, its relatively lower number of customer base and service volume may lead to certain degree of diseconomies of scale resulting in relatively thin gross profit margin in FY2021. To the best knowledge of our Directors, since FY2022, our Group has devoted much resources in expanding its warehouse and supplier network in Germany, resulting in growth in number of orders delivered in the same year; nevertheless, we have recorded gross loss from Germany in FY2022 primarily because of (a) relatively more costs were incurred in FY2022 to support our business expansion in Germany, including costs relation to warehouse networks and other costs and (b) relatively high inflation was recorded in the same period that our Group has yet been able to pass on the increase to the customers owing to relatively small scale that it has maintained in Germany. With gradual improvement from favorable pricing by our logistics suppliers, established warehouse networks and economies of scales that we enjoyed and the increasing service volume, our Group's gross profit margin in Germany has improved, which changed from gross loss in FY2022 to gross profit margin of 0.6% in FY2023.

FINANCIAL INFORMATION

As for Australia, it was still in the beginning stage for our Group to acquire more customers in the region; hence, our Group/Shenzhen EDA Group generally recorded gross loss during the Track Record Period. Even though we were still in a loss position in FY2023, our Group's performance in Australia has improved. The gross loss margin has been narrowed from 62.7% in FY2022 to 23.9% in FY2023.

Selling and distribution expenses

The following table sets out a breakdown of the selling and distribution expenses of Shenzhen EDA Group and our Group for the years indicated:

	Shenzhen EDA Group		Our Group			
	FY2021		FY2022		FY2023	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Staff costs.	7,425	97.1	7,049	90.6	10,166	88.6
Others	218	2.9	728	9.4	1,307	11.4
	7,643	100.0	7,777	100.0	11,473	100.0

Our selling and distribution expenses primarily consist of (i) staff costs which are for employees involved in sales and marketing activities and (ii) others including travel and entertainment, depreciation of property, plant and equipment, advertising and promotion fee, training and office expenses.

FINANCIAL INFORMATION

Administrative expenses

The following table sets out a breakdown of the administrative expenses of Shenzhen EDA Group and our Group for the years indicated:

	Shenzhen EDA Group		Our Group			
	FY2021		FY2022		FY2023	
	RMB'000	%	RMB'000	%	RMB'000	%
Staff costs	9,089	48.5	10,323	37.7	15,363	25.3
Amortization of other intangible assets	—	—	7,330	26.8	7,330	12.0
Depreciation	3,966	21.1	3,945	14.4	3,627	6.0
Bank charges, local levies and surcharges	1,672	8.9	1,824	6.7	1,353	2.2
Office supplies and property management fees	1,042	5.6	1,006	3.7	3,186	5.2
Professional fees	1,271	6.8	879	3.2	3,239	5.3
Listing expenses	—	—	535	2.0	22,493	36.9
Others	1,712	9.1	1,544	5.6	4,318	7.1
	<u>18,752</u>	<u>100.0</u>	<u>27,386</u>	<u>100.0</u>	<u>60,909</u>	<u>100.0</u>

Administrative expenses mainly include (i) staff cost which are for employees of general corporate functions, including legal, finance and human resources, (ii) amortization of other intangible assets arising from business combination, which was in relation to the acquisition of Shenzhen EDA Group; for details, see Note 16 to the Accountants' Report of our Group included in Appendix IA to this prospectus, (iii) depreciation of right-of-use assets of our offices and depreciation of property, plant and equipment and (iv) bank charges, local levies and surcharges, (v) office supplies and property management fees, (vi) professional fees, including auditors' remuneration, (vii) listing expenses which mainly comprised of professional fees and other expenses in relation to the Listing and (viii) others including repair and maintenance, travel and entertainment, telecommunication expenses and other general office expenses.

FINANCIAL INFORMATION

R&D expenses

The following table sets out a breakdown of the R&D expenses of Shenzhen EDA Group and our Group for the years indicated:

	Shenzhen EDA Group		Our Group			
	FY2021		FY2022		FY2023	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Staff cost	12,947	72.1	19,843	95.2	26,118	78.4
Professional fees.	4,600	25.6	656	3.1	6,663	20.0
Others	409	2.3	337	1.7	546	1.6
	17,956	100.0	20,836	100.0	33,327	100.0

During the Track Record Period, R&D expenses mainly include (i) salary of our R&D personnel (ii) professional fees including technical service fee for R&D projects, referring to part of the system development of EDA Cloud, as we aim to revamp our EDA Cloud platform. Since we were unable to identify suitable personnel in time, in view of tight schedule with limited internal resources available such as manpower with relevant experience, as a cost effective and temporary arrangement, we have outsourced certain implementation and testing parts of various systems to external independent third parties, mainly in FY2021 and FY2023, and (iii) others, mainly including depreciation of property, plant and equipment, travel and entertainment and general office expenses for our R&D personnel.

Impairment losses on financial and contract assets

Impairment losses on financial and contract assets primarily are provisions for losses arising from potential bad debts in respect of trade and other receivables in the ordinary course of business. For details, see Notes 19 and 20 to the Accountants' Report of our Group included in Appendix IA and Note 17 to the Accountants' Report of Shenzhen EDA Group in Appendix IB to this prospectus. During FY2021, Shenzhen EDA Group recorded net impairment losses on financial and contract assets of RMB5.5 million. During FY2022 and FY2023, our Group recorded net impairment losses on financial and contract assets of RMB2.5 million and RMB2.5 million, respectively. See paragraphs headed "Trade receivables" and "Contract assets" in this section.

FINANCIAL INFORMATION

Other income and gains

The following table sets out a breakdown of other income and gains of Shenzhen EDA Group and our Group for the years indicated:

	Shenzhen EDA Group		Our Group			
	FY2021		FY2022		FY2023	
	RMB'000	%	RMB'000	%	RMB'000	%
Foreign exchange gain, net	—	—	4,541	57.3	2,076	34.0
Government grants	4,027	49.8	1,204	15.2	172	2.8
Interest income	693	8.6	621	7.8	1,017	16.6
Gain on disposal of an associate	—	—	—	—	779	12.7
Surcharges from customers for overdue balances . . .	676	8.4	285	3.6	351	5.7
Others ^(Note)	2,687	33.2	1,269	16.1	1,716	28.2
	<u>8,083</u>	<u>100.0</u>	<u>7,920</u>	<u>100.0</u>	<u>6,111</u>	<u>100.0</u>

Note: Others mainly include fair value gains on financial assets at fair value through profit or loss (“FVPL”), COVID-19-related rent concessions from lessors, gain on early termination of leases, that mainly arising from remeasurement gain in relation to early termination of lease agreement for our warehouse, compensation received from landlord for early termination of lease agreement for one of our self-operated warehouses and refund of individual tax from local tax bureau.

Our other income and gains primarily consist of (i) net foreign exchange gain arising from our ordinary course of business, as our sales and majority of our payment to suppliers are settled in US\$ instead of RMB, for details of net foreign exchange losses, see the paragraphs headed “Other expenses” in this section, (ii) government grants and there were no unfulfilled conditions in relation to these grants; for example, financial support from the local government for our Group’s contribution to cross-border e-commerce enterprise market development, (iii) interest income which includes bank interest income and interest income from financial assets at FVPL, (iv) gain on disposal of an associate, which represents disposal of our equity interest in Hangzhou Yuehui in FY2023; for details, see paragraphs headed “Share of results of an associate” in this section, (v) surcharges from customers for overdue balances and (vi) others. Other income and gains of Shenzhen EDA Group amounted to RMB8.1 million for FY2021 and our Group’s other income and gains amounted to RMB7.9 million and RMB6.1 million for FY2022 and FY2023, respectively.

During the Track Record Period, despite the fact that most transactions were conducted in Renminbi and most of our assets and liabilities were denominated in Renminbi, certain financial assets and liabilities such as cash and cash equivalents, trade and other receivables and trade and other payables were denominated in currencies such as US\$, GBP and CAD, and our main operating subsidiary, Shenzhen EDA, has adopted RMB as its functional currency. As the exchange

FINANCIAL INFORMATION

rates for initial recognition of these financial assets and liabilities may be different from those at which they have been settled or translated during the year-end, the fluctuation of exchange rates between RMB against other currencies, particularly US\$, may lead to net foreign exchange gains/losses being recognized. As of December 31, 2021, these non-Renminbi denominated financial assets from Shenzhen EDA Group amounted to RMB65.5 million, which accounted for 17.0% of Shenzhen EDA Group's total assets and these non-Renminbi denominated financial liabilities amounted to RMB58.2 million, which accounted for 19.4% of Shenzhen EDA Group's total liabilities. As of December 31, 2022 and 2023, these non-Renminbi denominated financial assets amounted to RMB116.0 million and RMB249.0 million, respectively, which accounted for 20.6% and 36.7% of our total assets, respectively and these non-Renminbi denominated financial liabilities amounted to RMB70.7 million and RMB115.0 million, respectively, which accounted for 21.3% and 32.4% of our total liabilities, respectively. Our Directors confirmed that our finance personnel will check the transactions denominated in currencies other than Renminbi in month-end book closing every month and our accounting policies in related to the above including initial recognition, year-end translation and settlement of financial assets and financial liabilities were consistently adopted during the Track Record Period.

Other expenses

The following table sets out a breakdown of other expenses of Shenzhen EDA Group and our Group for the years indicated:

	Shenzhen EDA Group		Our Group			
	FY2021		FY2022		FY2023	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Net compensation paid	1,153	41.9	3,523	91.7	3,421	88.1
Foreign exchange losses, net	1,326	48.2	—	—	—	—
Others	272	9.9	317	8.3	462	11.9
	<u>2,751</u>	<u>100.0</u>	<u>3,840</u>	<u>100.0</u>	<u>3,883</u>	<u>100.0</u>

Our other expenses primarily represent (i) net compensation that we reimbursed customers mainly for delay in shipping and loss of products in our provision of “last-mile” fulfillment services, which may be partly reimbursed by our suppliers, (ii) net foreign exchange losses, arising from ordinary course of business as our sales and majority of our payment to suppliers are settled in US\$ instead of RMB; for details of net foreign exchange gains, see the paragraphs headed “Other income and gains” in this section and (iii) others.

FINANCIAL INFORMATION

Finance costs

The following table sets out a breakdown of the finance costs for the years indicated:

	Shenzhen EDA Group		Our Group			
	FY2021		FY2022		FY2023	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Interest expenses on borrowings	785	7.4	851	7.7	1,632	15.6
Interest expenses on lease liabilities	9,866	92.6	10,193	92.3	8,820	84.4
	<u>10,651</u>	<u>100.0</u>	<u>11,044</u>	<u>100.0</u>	<u>10,452</u>	<u>100.0</u>

Our finance costs mainly consist of (i) interest expenses on borrowings and (ii) interest expenses on lease liabilities, mainly arising from the adoption of HKFRS 16, in relation to properties that we leased. For details of the borrowings of Shenzhen EDA Group and our Group, see the paragraphs headed “Indebtedness” in this section and Note 26 of the Accountants’ Report of our Group in Appendix IA and Note 23 of the Accountants’ Report of Shenzhen EDA Group in Appendix IB to this prospectus.

Share of results of an associate

Our share of results of an associate represented our share of results from holding 16.13% of equity interest in Hangzhou Yuehui, the principal activity of which is capital investment in e-commerce related businesses. To focus on providing B2C export e-commerce supply chain solutions after Listing, our Group has disposed our equity interest held in Hangzhou Yuehui in June 2023 to Lesso Group at a consideration of RMB12.0 million, which represents the cost of capital investment that we had made. For details, see Note 17 of the Accountants’ Report of our Group in Appendix IA and Note 15 of the Accountants’ Report of Shenzhen EDA Group in Appendix IB to this prospectus.

Income tax expense

Our Group/Shenzhen EDA Group is subject to income tax on an entity basis on profits arising in or derived from the tax jurisdictions in which members of our Group/Shenzhen EDA Group are domiciled and operate.

FINANCIAL INFORMATION

Hong Kong profits tax

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong for the Track Record Period. In FY2021, one subsidiary of Shenzhen EDA Group is a qualifying entity under the two-tiered profits tax rates regime. In FY2022 and FY2023, one subsidiary of our Group is a qualifying entity under the two-tiered profits tax rates regime. The first HK\$2,000,000 of assessable profits of this subsidiary is taxed at 8.25% and the remaining assessable profits are taxed at 16.5%.

PRC corporate income tax

Our Group's/Shenzhen EDA Group's income tax provision in respect of its PRC operations has been calculated at the applicable tax rates on the taxable profits for the Track Record Period, based on the existing legislation, interpretations and practices in respect thereof.

Shenzhen EDA is qualified as a High and New Technology Enterprise and is entitled to a preferential corporate income tax rate of 15% for FY2021, FY2022 and FY2023. Shenzhen Haolian is entitled to a preferential corporate income tax rate of 15% in Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone since August 1, 2023.

Further, according to Notice on the Increase in the Proportion of Additional Pre-tax Deduction of Research and Development Expenses 《關於提高研究開發費用稅前加計扣除比例的通知》 and Announcement of the Ministry of Finance, the State Taxation Administration and the Ministry of Science and Technology on Increasing Efforts for Pre-tax Deduction to Support Scientific and Technological Innovation 《關於加大支持科技創新稅前扣除力度的公告》, China tax resident enterprises are allowed to claim a 175% super deduction from 1 January 2018 to 30 September 2022 and a 200% super deduction since 1 October 2022 on eligible R&D expenses incurred, regardless of whether they are qualified as a High and New Technology Enterprise. During the Track Record Period, the Group has applied and obtained such super deductions.

Income tax for other jurisdictions

Our Group's/Shenzhen EDA Group's tax provision in respect of other jurisdictions has been calculated at the applicable tax rates in accordance with the prevailing practices of the jurisdictions in which our Group/Shenzhen EDA Group operates.

FINANCIAL INFORMATION

Our Company's/Shenzhen EDA's subsidiaries incorporated in the United States were subject to the federal tax rate of 21% and the state tax rate ranging from 8.8% to 11.5% on the estimated assessable profit for FY2021, FY2022 and FY2023. The United Kingdom profits taxes have been provided at the rate of 19% on the estimated assessable profit during FY2021, FY2022 and FY2023. Canada profits tax has been provided at the rate of 26.5% on the estimated assessable profits arising in the respective jurisdictions for FY2021, FY2022 and FY2023. Australia profits tax has been provided at the rate of 30% on the estimated assessable profits arising in the respective jurisdictions during FY2021, FY2022 and FY2023.

Income tax comprises current tax and movements in deferred tax assets and liabilities. Current tax represents the estimated tax payable on the taxable income for the reporting period, using tax rates enacted at the end of such reporting period, plus any adjustment to tax payable in respect of previous reporting periods. For more information on the deferred tax assets and liabilities, see Note 10 of the Accountants' Reports in Appendices IA and IB to this prospectus.

	Shenzhen EDA Group	Our Group	
	FY2021	FY2022	FY2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Current	6,127	7,262	11,591
Deferred	(929)	(2,963)	(570)
Total tax charge	5,198	4,299	11,021

Shenzhen EDA Group recorded income tax expenses of RMB5.2 million for FY2021, and the effective income tax rates amounted to 10.1% for the corresponding year. Our Group recorded income tax expenses of RMB4.3 million for FY2022 and our effective income tax rates amounted to 10.6% for the corresponding year. During the Track Record Period, despite some of our revenue were derived from jurisdictions other than Hong Kong and PRC, the contracting party with our customers were generally our main operating subsidiary, Shenzhen EDA, which is qualified as a High and New Technology Enterprise in the PRC, entitled to a preferential corporate income tax rate of 15% and enjoyed super deduction on its eligible R&D expenses. Meanwhile, subsidiaries operating in jurisdictions other than Hong Kong and PRC were mainly responsible for procurement of warehousing and logistics services to our customers and have relatively insignificant amount of tax exposure; for details, see paragraphs headed "Risk factors — Our operations may be subject to transfer pricing adjustment." As such, despite the fact that majority of the end consumers were located in the United States as well as other jurisdictions, Shenzhen EDA Group/our Group was able to enjoy relatively lower effective tax rate as a whole in FY2021 and FY2022.

FINANCIAL INFORMATION

For FY2023, our income tax expenses were RMB11.0 million, and our effective tax rate for the same period was 13.7%. We recorded relatively higher effective tax rate in FY2023, primarily due to (i) Listing expenses of RMB22.5 million being recorded for the same period, which was partially not tax deductible, (ii) increase in profit in our Hong Kong and PRC subsidiaries as our business grow, whose applicable tax rates were 16.5% and 25.0%, respectively and (iii) the impact of tax incentive on eligible expenses of RMB4.9 million in FY2023 as compared to RMB2.5 million in FY2022.

During the Track Record Period and up to the Latest Practicable Date, we had fulfilled all our income tax obligations and have not had any unresolved income tax issues or disputes with the relevant tax authorities.

REVIEW OF HISTORICAL RESULTS OF OPERATION

FY2023 compared to FY2022

Revenue

Our revenue increased by RMB500.6 million, or 70.6%, from RMB708.7 million for FY2022 to RMB1,209.3 million for FY2023, primarily due to increase in revenue from “last-mile” fulfillment services.

Revenue from “first-mile” international freight services

Our revenue from “first-mile” international freight services increased by RMB71.7 million or 38.2% from RMB187.8 million in FY2022 to RMB259.5 million in FY2023; primarily attributable to the increase in the revenue from air logistics by RMB147.4 million, being partially offset by the decrease in revenue from ocean logistics by RMB75.7 million. Specifically:

- (i) *the increase in revenue from air logistics*, which was mainly driven by the combined effect of the following:
 - (a) *the increase in service volume in air logistics*; subsequent to FY2022, we have successfully developed a business relationship with one of the large scale e-commerce platforms in the PRC, Customer G. To cater to the demands of such platform, our service volume from air logistics during FY2023 which amounted to 1,887 tonnes, has been significantly greater to that of FY2022 of 127 tonnes. Our Directors confirmed that we took on such order to establish a good rapport with such e-commerce platform so as to fortify our reputation in our industry. and

FINANCIAL INFORMATION

- (b) *the increase in average price per tonne for air logistics*; which increased by 78.7% from RMB45,428 per tonne in FY2022 to RMB81,180 per tonne in FY2023 as a result of the effects of extreme weather in the U.S. such as heavy rain and snow from October 2023 and the Israeli-Palestinian conflict which took place in the second half of FY2023 that eventually reduced supply of the air logistics available in the market and drove up the average price per tonne.

Such increase was partially offset by

- (ii) *the decrease in revenue from ocean freight services*, which was mainly driven by the following:

- (a) *the decrease in average price per FEU for ocean logistics*; which decreased by 66.1% from RMB68,358 per FEU in FY2022 to RMB23,174 per FEU in FY2023 mainly because the rate charged by international freight forwarding service providers has come down with increasing number of logistics suppliers and less restriction on shipping given COVID-19 restrictions have been widely lifted globally;

being partially offset by

- (b) *the increase in service volume in ocean logistics*; Apart from the increasing demand of consumers to ship overseas and increasing trend of Chinese brands expanding their business footprint overseas, to the best knowledge of our Directors, leveraging our established market position, our enlarged business scale with extensive warehouse network, our broad and high-quality customer base and our advanced technology capabilities, with the help of our sales and promotion effort, our Group was able to actively reach out to customers to enhance our visibility in the market and secure an increasing service volume in the market, resulting in an increase in service volume in ocean logistics from 2,663 FEUs in FY2022 to 4,589 FEUs in FY2023.

FINANCIAL INFORMATION

Revenue from “last-mile” fulfillment services

Our revenue from “last-mile” fulfillment services increased by RMB428.9 million or 82.3% from RMB520.9 million in FY2022 to RMB949.8 million in FY2023, primarily attributable to:

- (i) *the increase in the service volume*; Driven by the increasing number of customers, our service volume in both ocean logistics and air logistics in the “first-mile” international freight services have grown significantly. Given we focus on providing end-to-end services, the increasing volume from “first-mile” international freight services has directly translate to the service volume of our “last-mile” fulfillment services, which increased from 3.1 million orders in FY2022 to 6.0 million orders in FY2023; being partially offset by
- (ii) *a decrease in the average price per order delivered*; mainly because we are able to negotiate for better pricing with “last-mile” fulfillment service providers with our economics of scale under our continuously growing business scale. Furthermore, our Directors believed that the increasing post-COVID-19 logistics services and our stable relationship with the “last-mile” fulfillment service providers allowed us to bargain with these service providers for more reasonable prices, leading to the average price per order resuming to a lower level, which was close to that prior to the outbreak of COVID-19.

Cost of sales

Our cost of sales increased by RMB410.0 million, or 68.1%, from RMB602.2 million for FY2022 to RMB1,012.2 million for FY2023, which was in line with increase in revenue.

Cost of sales by categories of services

“First-mile” international freight services

Cost of sales from “first-mile” international freight services increased by RMB69.8 million, or 38.0%, from RMB183.8 million for FY2022 to RMB253.6 million for FY2023, primarily due to increase in logistic costs, in line with our increasing service volume of ocean logistics services and the expansion of our direct shipping needs for air logistics services has, to a certain extent, drove up the logistic costs.

FINANCIAL INFORMATION

“Last-mile” fulfillment services

Cost of sales from “last-mile” fulfillment services increased by RMB340.2 million, or 81.3%, from RMB418.4 million for FY2022 to RMB758.6 million for FY2023, primarily due to (i) increase in logistics costs, mainly driven by increasing volume of orders, which nearly doubled from 3.1 million orders in FY2022 to 6.0 million orders in FY2023 and (ii) increase in warehouse operating costs for our expanded warehouse network.

Cost of sales by nature

The increase of cost of sales was primarily due to the following:

- (i) increase in logistic costs of RMB314.0 million, or 71.7%, mainly driven by the increase in number of orders that we delivered to end consumers in our “last-mile” fulfillment services, our direct shipping needs for air logistics in our “first-mile” international freight services as well as our increasing service volume of ocean logistics services in our “first-mile” international freight services;
- (ii) the increase in warehouse operating costs of RMB33.1 million, or 32.6%, which were mainly due to the impact being reflected in FY2023 for our newly added warehouses in FY2022, which we believed can handle the increase in service orders; and
- (iii) the increase in labor cost of RMB62.9 million, or 100.2%.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit increased by RMB90.6 million, or 85.1%, RMB106.5 million for FY2022 and RMB197.1 million for FY2023, whilst our gross profit margin increased from 15.0% for FY2022 to 16.3% FY2023.

Gross profit and gross profit margin from “first-mile” international freight services

Our gross profit increased by RMB1.9 million, or 47.2%, from RMB4.0 million for FY2022 and gross profit of RMB5.9 million for FY2023, which was in line with our revenue growth from “first-mile” international freight services. Our gross profit margin slightly increased from 2.1% for FY2022 to 2.3% for FY2023 primarily driven by (i) the improvement of gross profit margin from ocean logistics, that our Directors believed was mainly due to our expanded business scale, being partially offset by (ii) the relatively thin gross profit margin from the contribution of direct shipping services.

FINANCIAL INFORMATION

Gross profit and gross profit margin from “last-mile” fulfillment services

Our gross profit increased by RMB88.7 million, or 86.6%, from RMB102.5 million for FY2022 to RMB191.2 million for FY2023, reflecting our increased revenue from “last-mile” fulfillment services in FY2023. Our gross profit margin increased from 19.7% for FY2022 to 20.1% for FY2023, primarily due to the economies of scale achieved and more favorable pricing were provided by our logistics suppliers.

Selling and distribution expenses

Our selling and distribution expenses increased by RMB3.7 million, or 47.5%, from RMB7.8 million for FY2022 to RMB11.5 million for FY2023, primarily attributable to (i) the increase in staff cost of RMB3.1 million, mainly driven by overall salary increment and (ii) increase in others of RMB0.6 million, mainly because of our increasing effort in promotion. Our Directors believed that attending more events and conferences after the pandemic may allow us to be more visible in the market, which may be conducive in attracting new customers as well as solidify our market position.

Administrative expenses

Our administrative expenses increased by RMB33.5 million, or 122.4%, from RMB27.4 million for FY2022 to RMB60.9 million for FY2023, primarily due to (i) listing expense of RMB22.5 million recorded in FY2023 as compared to RMB0.5 million in FY2022, (ii) the increase in staff cost of RMB5.0 million, as a result of overall salary increment and headcount increase and (iii) the increase in items such as bank charges, local levies and surcharges and others for our enlarged scale.

R&D expenses

Our R&D expenses increased by RMB12.5 million, or 59.9%, from RMB20.8 million for FY2022 to RMB33.3 million for FY2023, primarily due to (i) the increase in staff cost of RMB6.3 million, as a result of headcount increase, whereby our number of IT and R&D staff increased from 44 as of December 31, 2022 to 51 as of December 31, 2023; for details of our achievement in R&D initiatives, see “Business — R&D — Research project and expenses” and (ii) increase in professional fees of RMB6.0 million, particularly for the system development of EDA Cloud including upgrade of its order management system, customer services system as well as cloud solutions that were outsourced to various independent third party external institutions for cost efficiency sake.

FINANCIAL INFORMATION

Other income and gains

Our other income and gains decreased by RMB1.8 million, or 22.8%, from RMB7.9 million for FY2022 to RMB6.1 million for FY2023, primarily attributable to (i) the decrease in net foreign exchange gain of RMB2.5 million, arising from our daily operation as a result of exchange rate fluctuation; and (ii) the decrease in government grants of RMB1.0 million, being partially offset by (iii) one-off gain on disposal of an associate of RMB0.8 million; for details, see paragraphs headed “Share of results of an associate” in this section.

Other expenses

Other expenses remained relatively stable at RMB3.8 million for FY2022 and RMB3.9 million for FY2023.

Finance costs

Our finance costs remained relatively stable at RMB11.0 million for FY2022 and RMB10.5 million for FY2023 primarily attributable to (i) decrease in interest expenses on lease liabilities of RMB1.4 million, being partially offset by (ii) increase in interest expenses on borrowings of RMB0.8 million, mainly because of our increase in use of borrowings starting from the second half of FY2022.

Income tax expense

Our income tax expense increased by RMB6.7 million, or 156.4%, from RMB4.3 million for FY2022 to RMB11.0 million for FY2023, which was primarily attributable to our increase in profit before tax. Our effective tax rate increased from 10.6% for FY2022 to 13.7% for FY2023, primarily attributable to (i) lower base for FY2022 as it recorded relatively lower amount of profit before tax which has therefore limited the contribution by the eligible R&D expenses, that are entitled to super deduction for tax purpose and (ii) Listing expenses of RMB22.5 million being recorded for FY2023 as compared to RMB0.5 million in FY2022, which was partially not tax deductible and (iii) increase in profit in our Hong Kong and PRC subsidiaries in FY2023 as our business grow, whose applicable tax rates were 16.5% and 25.0%, respectively.

FINANCIAL INFORMATION

Profit for the year

As a result of the foregoing, our profit for the year increased by RMB33.1 million, or 91.2%, from RMB36.3 million for FY2022 to RMB69.4 million for FY2023. Our net profit margin increased from 5.1% for FY2022 to 5.7% for FY2023, primarily due to (i) the increase in our gross profit margin from 15.0% for FY2022 to 16.3% for FY2023, being partially offset by (ii) the increase in listing expense of RMB22.0 million, which has been included in our administrative expenses in FY2023, as compared to RMB0.5 million in FY2022.

FY2022 compared to FY2021

Revenue

Shenzhen EDA Group recorded revenue of RMB631.9 million for FY2021 as compared to RMB708.7 million for FY2022 recorded by our Group, which represented an increase of RMB76.8 million, or 12.2%, primarily due to increase in revenue from both categories of services.

Revenue from “first-mile” international freight services

Shenzhen EDA Group recorded revenue from “first-mile” international freight services of RMB170.1 million in FY2021 as compared to RMB187.8 million in FY2022 recorded by our Group, which represented an increase of RMB17.7 million or 10.4%; among which, a significant portion of our revenue from “first-mile” international freight services in respective year are generated by ocean logistics. The rising revenue is mainly due to:

- (i) the *increase in service volume in ocean logistics*; to the best knowledge of the Directors, such increase in service volume might be attributable to growing popularity of pre-sale stocking model. According to Frost & Sullivan, during the outbreak of the COVID-19 between 2019 and 2021, not only did end-consumers develop an online shopping habit, many e-commerce vendors also realized the advantages of the pre-sale stocking model due to the occurrence of pandemic-caused port congestions and prolonged unloading cycles in 2021, which led to growing popularity of pre-sale stocking model. Furthermore, Shenzhen EDA Group was one of the first companies to offer one-stop end-to-end supply chain solutions using the pre-sale stocking model in the PRC. With deep industry know-hows, extensive global logistics network (that our Group has devoted much resources to enlarge in FY2022 including warehouse network with the help of partnered warehouse, and equipped with timely information that were visible in our EDA Cloud platform), we were able to cover various major trade lanes originating from the PRC reaching popular B2C e-commerce destinations around the world so that

FINANCIAL INFORMATION

we can capture the business opportunities of significant number of customers' needs to ship overseas, leading to growing customer base. As a result, the number of service volume in ocean logistics increased from 2,052 FEUs in FY2021 to 2,663 FEUs in FY2022;

being partially offset by

- (ii) *the decrease in average price per FEU*; mainly because the rate charged by international freight forwarding services providers has come down with increasing number of logistics suppliers and less restriction on shipping given COVID-19 restrictions have been widely lifted globally especially in the second half of 2022.

Revenue from “last-mile” fulfillment services

Shenzhen EDA Group recorded revenue from “last-mile” fulfillment services of RMB461.8 million in FY2021 as compared to RMB520.9 million in FY2022 recorded by our Group, which represented an increase of RMB59.1 million or 12.8%, primarily attributable to:

- (i) *the increase in the service volume*; as our Group/Shenzhen EDA Group are end-to-end supply chain solutions provider, our increasing service volume in the “first-mile” international freight service between FY2021 and FY2022 has directly led to an increase in the number of orders of “last-mile” fulfillment services, which increased slightly from 3.0 million orders in FY2021 to 3.1 million orders in FY2022; and
- (ii) *a moderate increase in the average price per order delivered*; mainly due to change in mix of products we delivered as the Directors believed that we have delivered increasing number of bulky items. According to Frost & Sullivan, medium and large sized parcels entailed relatively higher prices and higher profitability. In order to derive more profitability, our Directors believed that we should have made more effort to attract customers, especially customers who were engaged in the sale of bulky items.

Cost of sales

Shenzhen EDA Group recorded cost of sales of RMB525.0 million for FY2021 as compared to RMB602.2 million for FY2022 recorded by our Group, which represented an increase of RMB77.1 million, or 14.7%, which was in line with increase in revenue.

FINANCIAL INFORMATION

Cost of sales by categories of services

“First-mile” international freight services

Shenzhen EDA Group recorded cost of sales from “first-mile” international freight services of RMB163.8 million for FY2021 as compared to RMB183.8 million for FY2022 recorded by our Group, which represented an increase of RMB20.0 million, or 12.2%, primarily due to increase in shipping volume.

“Last-mile” fulfillment services

Shenzhen EDA Group recorded cost of sales from “last-mile” fulfillment services of RMB361.2 million for FY2021 as compared to RMB418.4 million for FY2022 recorded by our Group, which represented an increase of RMB57.2 million, or 15.8%, primarily due to (i) increase in warehouse operating costs for the operation needs of the expanded warehouse networks in FY2021, that our Directors believed was partly related to the increasing orders that the Group has handled, and partly as part of its expansion plan to capture more upcoming business opportunities and (ii) increase in logistics costs related to the increasing number of orders that the Group has handled.

Cost of sales by nature

The increase of cost of sales was primarily due to the following:

- (i) increase in logistic costs of RMB33.8 million, or 8.4%, which was in line with service volume growth of the “first-mile” international freight services and increase in number of orders that our Group/Shenzhen EDA Group delivered to end-consumers, given the business scale has expanded between FY2021 and FY2022;
- (ii) the increase in warehouse operating costs of RMB33.7 million, or 49.8%, which were mainly due to full year impact being reflected in FY2022 for the newly added warehouses in FY2021 and the continuous increase of number of warehouses to support the expanding business; and
- (iii) the increase in labor cost of RMB9.6 million, or 18.2% was in line with the warehouse expansions.

FINANCIAL INFORMATION

Gross profit and gross profit margin

As a result of the foregoing, Shenzhen EDA Group's gross profit remained relatively stable at RMB106.9 million for FY2021 as compared to our Group's gross profit of RMB106.5 million for FY2022, whilst the gross profit margin decreased from 16.9% for FY2021 to 15.0% FY2022.

Gross profit and gross profit margin from "first-mile" international freight services

Shenzhen EDA Group recorded gross profit of RMB6.3 million for FY2021 as compared to RMB4.0 million for FY2022 recorded by our Group, which represented a decrease of RMB2.3 million, or 36.3%, primarily because the rate our Group/Shenzhen EDA Group charged the customers was decreasing, which is in line with the rate the international freight forwarding service providers charged our Group/Shenzhen EDA Group. The gross profit margin slightly decreased from 3.7% for FY2021 to 2.1% for FY2022, primarily because we slightly lowered the price to maintain our competitiveness, which the Directors believed could develop relationship with new customers as well as maintain relationships with existing customers, which eventually allow us to build up our business scale to a relatively higher level.

Gross profit and gross profit margin from "last-mile" fulfillment services

Shenzhen EDA Group recorded gross profit of RMB100.6 million for FY2021 as compared to RMB102.5 million for FY2022 recorded by our Group, which represented an increase of RMB1.9 million, or 1.9%, reflecting our increased revenue from "last-mile" fulfillment services in FY2022 and decreased gross profit margin. The gross profit margin decreased from 21.8% for FY2021 to 19.7% for FY2022, primarily due to the lead time between the investment for the warehouse expansion in FY2021 and the realization of profit. Throughout the two years, to the best knowledge of the Directors, our Group/Shenzhen EDA Group has devoted much resources to ensure the warehouse coverage would be extensive enough to cater significant amount of customers' needs to ship overseas, which led to significant increase in its warehouse operating costs and labor costs across the corresponding periods. Despite the aforesaid, the Directors believed that such enlarged business scale takes time to realize the economies of scale, resulting in slight decrease of gross profit margin between FY2021 and FY2022.

Selling and distribution expenses

Shenzhen EDA Group recorded selling and distribution expenses remained relative stable at RMB7.6 million for FY2021 as compared to our Group's selling and distribution expenses of RMB7.8 million for FY2022.

FINANCIAL INFORMATION

Administrative expenses

Shenzhen EDA Group recorded administrative expenses of RMB18.8 million for FY2021 as compared to RMB27.4 million for FY2022 recorded by our Group, which represented an increase of RMB8.6 million, or 46.0%, primarily due to (i) amortization of intangible assets of RMB7.3 million recorded in FY2022 as compared to nil in FY2021, which was in relation to the acquisition of Shenzhen EDA Group; for details, see Note 16 to the Accountants' Report of our Group included in Appendix IA to this prospectus, (ii) the increase in staff cost of RMB1.2 million, as a result of overall salary increment and headcount increase and (iii) listing expense of RMB0.5 million recorded in FY2022 as compared to nil in FY2021.

R&D expenses

Shenzhen EDA Group recorded R&D expenses of RMB18.0 million for FY2021 as compared to RMB20.8 million for FY2022 recorded by our Group, which represented an increase of RMB2.9 million, or 16.0%, primarily because of (i) increase in staff cost of RMB6.9 million, mainly because of the increase in headcount for the operation needs, whereby the number of IT and R&D staff increased from 36 as of December 31, 2021 to 44 as of December 31, 2022, being partially offset by (ii) decrease in professional fees of RMB3.9 million as a one-off technical service fee for part of the system development of EDA Cloud including certain implementation and testing parts that was outsourced to an independent third party external institution, which was a cost effective and temporary arrangement when our Group/Shenzhen EDA Group were unable to identify suitable personnel in time and were facing tight schedule with limited internal resources available, the expenses of which recorded RMB4.6 million in FY2021.

Other income and gains

Shenzhen EDA Group's other income and gains remained relatively stable at RMB8.1 million for FY2021 as compared to our Group's other income and gains of RMB7.9 million for FY2022, primarily attributable to (i) the net foreign exchange gain, arising from the daily operation being recorded of RMB4.5 million in FY2022 as a result of exchange rate fluctuation; whilst Shenzhen EDA Group recorded net foreign exchange loss in FY2021, which was included in "Other expenses"; being partially offset by (ii) the decrease of government grants of RMB2.8 million and (iii) decrease in others of RMB1.4 million.

FINANCIAL INFORMATION

Other expenses

Shenzhen EDA Group recorded other expenses of RMB2.8 million for FY2021 as compared to RMB3.8 million for FY2022 recorded by our Group, which represented an increase of RMB1.0 million, or 39.6%, primarily because of (i) the increase in compensation paid to customers for delay in shipping of RMB2.4 million, being partially offset by (ii) the decrease of net foreign exchange loss of RMB1.3 million as we recorded net foreign exchange gain in FY2022, which has been included in “Other income and gains”.

Finance costs

Shenzhen EDA Group recorded finance costs of RMB10.7 million for FY2021 as compared to RMB11.0 million for FY2022 of our Group, which represented an increase of RMB0.3 million, primarily due to the increase in interest expenses on lease liabilities of RMB0.3 million because of the full year impact being reflected in FY2022 after Shenzhen EDA Group have entered into new lease agreement for the office and entered into more lease agreements for self-operated warehouses in FY2021.

Income tax expense

Shenzhen EDA Group recorded income tax expense of RMB5.2 million for FY2021 as compared to RMB4.3 million for FY2022 of our Group, which represented a decrease of RMB0.9 million, or 17.3% and was primarily attributable to the decrease in profit before tax. Shenzhen EDA Group’s effective tax rate remained relatively stable at 10.1% for FY2021 as compared to our Group’s effective tax rate of 10.6% for FY2022.

Profit for the year

As a result of the foregoing, Shenzhen EDA Group recorded profit for the year of RMB46.4 million for FY2021 as compared to RMB36.3 million for FY2022 recorded by our Group, which represented a decrease of RMB10.1 million, or 21.8%. The net profit margin decreased from 7.3% for FY2021 to 5.1% for FY2022, primarily due to (i) the decrease in the gross profit margin from 16.9% for FY2021 to 15.0% for FY2022 and (ii) the increase in administrative expenses; particularly, amortization of intangible assets of RMB7.3 million in relation to the acquisition of Shenzhen EDA Group recorded in FY2022.

FINANCIAL INFORMATION

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The table below sets forth the consolidated statements of financial position of Shenzhen EDA Group and our Group as of the dates indicated:

	Shenzhen EDA Group	Our Group		
	As of December 31,			
	2021	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Property, plant and equipment	9,150	9,150	7,476	5,382
Right-of-use assets	162,172	162,172	139,425	107,743
Goodwill	—	76,443	76,443	76,443
Other intangible assets	—	73,300	65,970	58,640
Investments in an associate	2,904	2,904	11,453	—
Deferred tax asset	6,373	6,373	8,446	8,013
Other non-current assets	500	500	—	—
Non-current assets	181,099	330,842	309,213	256,221
Trade receivables	44,206	44,206	70,401	142,431
Contract assets	—	—	—	268
Prepayments, deposits and other receivables	75,054	75,060	68,990	58,652
Financial assets at fair value through profit or loss	30,165	30,165	3,061	—
Cash and cash equivalents	54,549	54,640	112,745	221,427
Current assets	203,974	204,071	255,197	422,778
Trade payables	83,932	83,932	61,809	127,875
Other payables and accruals	23,253	120,809	57,233	35,614
Borrowings	18,049	18,049	41,823	52,324
Lease liabilities	27,586	27,586	31,351	34,724
Tax payable	2,962	2,962	7,269	5,849
Current liabilities	155,782	253,338	199,485	256,386
Net current assets/(liabilities)	48,192	(49,267)	55,712	166,392
Lease liabilities	143,437	143,437	122,440	89,675
Borrowings	291	291	196	98
Deferred tax liabilities	33	11,028	9,896	8,796
Non-current liabilities	143,761	154,756	132,532	98,569
Share capital	56,311	15	15	15
Reserves	29,219	126,804	232,378	324,029
Total equity	85,530	126,819	232,393	324,044

FINANCIAL INFORMATION

The table presented the financial position of Shenzhen EDA Group as of December 31, 2021 and our Group as of December 31, 2021 and 2022 and 2023. In light of simplicity, we will compare the consolidated statements of financial position of Shenzhen EDA Group as of December 31, 2021 to that of our Group as of December 31, 2021.

The major difference between consolidated statements of financial position of Shenzhen EDA Group as of December 31, 2021 and our Group as of December 31, 2021 are (i) other payables and accruals of RMB97.5 million, which primarily consists of (a) the acquisition consideration payable to the immediate holding company as it has settled in advance of RMB70.0 million, which has been capitalized as part of our capital reserve in FY2022; for details, see “History and Corporate Structure — History of Our Business — Acquisition by Lesso”, (b) the initial investment consideration payable to a shareholder, of RMB25.0 million arising from initial investment in Shenzhen EDA Group by Lesso and for details, see “History and Corporate Structure — History of Our Business — Initial investment by Lesso”, (ii) goodwill of RMB76.4 million and other intangible assets of RMB73.3 million arising from the acquisition of Shenzhen EDA Group and (iii) deferred tax liabilities of RMB11.0 million arising from acquisition of Shenzhen EDA Group.

Save for the aforesaid differences which are all related to initial investment in and acquisition of Shenzhen EDA Group, our Directors believe that the consolidated statements of financial position of Shenzhen EDA Group as of December 31, 2021 and our Group as of December 31, 2021 do not have material difference. Our Directors believe that the financial position as of the respective date are comparable.

FINANCIAL INFORMATION

NET CURRENT ASSETS/(LIABILITIES)

The table below sets out selected information for the current assets and current liabilities of Shenzhen EDA Group and our Group as of the dates indicated, respectively:

	Shenzhen EDA Group	Our Group			
	As of December 31, 2021 <i>RMB'000</i>	As of December 31,			As of March 31, 2024 <i>RMB'000</i> (Unaudited)
	<u>2021</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables	44,206	44,206	70,401	142,431	120,369
Contract assets	—	—	—	268	—
Prepayments, deposits and other receivables	75,054	75,060	68,990	58,652	55,786
Financial assets at fair value through profit or loss	30,165	30,165	3,061	—	—
Cash and cash equivalents	<u>54,549</u>	<u>54,640</u>	<u>112,745</u>	<u>221,427</u>	<u>229,394</u>
Current assets	203,974	204,071	255,197	422,778	405,549
Trade payables	83,932	83,932	61,809	127,875	94,885
Other payables and accruals	23,253	120,809	57,233	35,614	17,188
Borrowings	18,049	18,049	41,823	52,324	58,872
Lease liabilities	27,586	27,586	31,351	34,724	35,392
Tax payable	<u>2,962</u>	<u>2,962</u>	<u>7,269</u>	<u>5,849</u>	<u>6,175</u>
Current liabilities	155,782	253,338	199,485	256,386	212,512
Net current assets/(liabilities)	<u>48,192</u>	<u>(49,267)</u>	<u>55,712</u>	<u>166,392</u>	<u>193,037</u>

As aforementioned, there were differences between the statements of financial positions of the Shenzhen EDA Group and our Group as of December 31, 2021; for details, see “Consolidated Statements of Financial Position” in this section. Our Group recorded net current liabilities of RMB49.3 million as of December 31, 2021, which was primarily attributable to the balances of amounts due to the immediate holding company and a shareholder, in aggregate, of RMB95.0 million in relation to initial investment in and acquisition of Shenzhen EDA Group by Lesso; among which, RMB70.0 million of our amount due to immediate holding company has been capitalized as deemed capital contribution by way of discharge the liability due to the immediate holding company in FY2022; resulting in net current asset position as of December 31, 2022. Our Group recorded net current assets of RMB166.4 million as of December 31, 2023, primarily attributable to (i) the increase in trade receivables of RMB72.0 million, which is in line with our business growth, (ii) the increase in cash and cash equivalents of RMB108.7 million, (iii) the

FINANCIAL INFORMATION

decrease in other payables and accruals of RMB21.6 million since the amount due to a shareholder as of December 31, 2022 of RMB25.0 million has been capitalized during FY2023; for details, see Note 30(b) in the Accountants' Report in Appendix IA to this prospectus, being partially offset by (iv) the decrease in prepayments, deposits and other receivables of RMB10.3 million and (v) the increase in trade payables of RMB66.1 million, which were in line with the expansion of our business scale.

Our Group's net current asset increased slightly from RMB166.4 million as of December 31, 2023 to RMB193.0 million as of March 31, 2024, primarily attributable to (i) decrease of trade payables of RMB33.0 million, (ii) decrease of other payables and accruals of RMB18.4 million, (iii) increase of cash and cash equivalent of RMB8.0 million; which was partially offset by (iv) decrease in trade receivables of RMB22.1 million, and (v) decrease of prepayments, deposits and other receivables of RMB2.9 million and (vi) increase of current portion of borrowings of RMB6.5 million.

Working capital

Despite the Group recorded net current liabilities as of December 31, 2021, our Directors are of the view that we have sufficient working capital required for our operations at present for at least 12 months from the date of this prospectus as described below:

- we had unutilized banking facilities of RMB84.0 million as of March 31, 2024, which can be utilized for working capital requirements;
- the Group has been improving its performance during the Track Record Period, resulting in profits for the years been recorded for FY2021 and FY2022 and FY2023;
- the primary reason of arriving at the net current liabilities as of December 31, 2021 was due to other payables of RMB95.0 million arising from initial investment in and acquisition of Shenzhen EDA Group, which was one-off in nature and not expected to be occurred again in the future. Besides, among the aforesaid balance, RMB70.0 million has been capitalized as deemed capital contribution by way of discharge of the liability in FY2022 and we were in net current asset position as of December 31, 2022 and 2023.

Taking into account our cash generating capabilities, financial resources available to us as well as the net proceeds from the Global Offering, our Directors are of the opinion and the Sole Sponsor concurs that we have sufficient working capital required for our operation at present and for at least next 12 months from the date of this prospectus.

FINANCIAL INFORMATION

DESCRIPTION OF CERTAIN ITEMS OF CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Current assets

Our current assets mainly consists of trade receivables, contract assets, prepayment, deposits and other receivables, financial assets at fair value through profit or loss and cash and cash equivalents.

Trade receivables

Our trade receivables primarily consist of receivables from provision of our solutions to our customers.

The following table sets out the breakdown of the trade receivables of Shenzhen EDA Group and our Group as of the dates indicated:

	Shenzhen EDA Group	Our Group	
	As of December 31,		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Related parties	2,524	458	—
Third parties	67,035	87,850	151,459
	69,599	88,308	151,459
Less: allowance for impairment of trade receivables.	(25,353)	(17,907)	(9,028)
Trade receivables — net	44,206	70,401	142,431

Trade receivables of Shenzhen EDA Group amounted to RMB44.2 million as of December 31, 2021 and our Group's trade receivables further increased to RMB70.4 million as of December 31, 2022 and RMB142.4 million as of December 31, 2023, in line with our business growth.

During the Track Record Period, the credit period Shenzhen EDA Group/our Group granted to the customers is generally due by the tenth day of billing, extending up to two months for some of the major customers. Our Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimize credit risk. Our overdue balances and credit limits attributed to customers are reviewed regularly by senior management. In view of the

FINANCIAL INFORMATION

aforementioned and the fact that our Group's trade receivables relate to a large number of e-commerce vendors, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

The following table sets out the aging analysis, based on the invoice date, the trade receivables of Shenzhen EDA Group and our Group as of the dates indicated:

	Shenzhen EDA Group	Our Group	
	As of December 31,		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within 3 months	43,108	69,524	141,771
3 to 6 months	398	302	333
Over 6 months	700	575	327
Trade receivables — net	44,206	70,401	142,431

Our Group applies the HKFRS 9 simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance for all trade receivables. An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on groupings of various customer types with similar loss patterns (i.e., by customer type and service type). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

During the Track Record Period, Shenzhen EDA Group recorded impairment loss, being recorded in the profit and loss account, of RMB5.5 million for FY2021 and our Group recorded impairment loss, being recorded in our profit and loss account, of RMB2.5 million and RMB2.5 million for FY2022 and FY2023, respectively. In FY2022 and FY2023, we have taken follow-up actions as appropriate, including making phone calls, issuing demand letters and initiating legal proceedings or actions when necessary for certain fully impaired outstanding trade receivables but our efforts were made in vain. Therefore, we had decided to write off these fully impaired outstanding trade receivables of RMB10.5 million and RMB11.4 million in FY2022 and in FY2023, respectively. The fully impaired trade receivables, which have been written off in FY2022, were from more than hundred of customers, and each of these customers contributed to less than 1.0% of our trade receivable as of December 31, 2022, except for Debtor A and Debtor B, which contributed to RMB1.1 million and \$1.0 million of trade receivables prior to the Track Record Period and our Group/Shenzhen EDA Group did not derived any revenue from these customers during the Track Record Period. Debtor A was incorporated in China with registered

FINANCIAL INFORMATION

share capital of RMB500,000 and its principal business activities included technology development, wholesale and retail of electronic products, digital products, auto parts; yet, Debtor A has been wound up during FY2022. As for Debtor B, it was incorporated in China with registered share capital of RMB500,000 and its principal business activities included import and export of furniture; yet, Debtor B has been wound up during FY2022. The fully impaired trade receivables, which have been written off in FY2023, were from more than hundred of customers and each of these customers contributed to less than 1.0% of our trade receivables as of December 31, 2023. During the FY2023, we have made repeated efforts in following up our trade receivables with them but in vain. Our Directors confirmed the possibility for us to collect receivables from them or conduct business with them again is remote. For details of the credit risk exposure of our Group's trade receivables using a provision matrix, see Note 19 of the Accountants' Report of our Group in Appendix IA and Note 17 of the Accountants' Report of Shenzhen EDA Group in Appendix IB to this prospectus.

The table below sets out a summary of average turnover days of trade receivables for the years indicated:

	Shenzhen EDA Group	Our Group	
	FY2021	FY2022	FY2023
Average turnover days of trade receivables ^{Note}	24	30	32

Note: Average turnover days of trade receivables is derived by dividing the arithmetic mean of the opening and closing balances of trade receivables for the relevant period by revenue and multiplying by number of days in the relevant period.

Shenzhen EDA Group's average turnover days of trade receivables was 24 days for FY2021, and our Group's average turnover days of trade receivables was 30 days and 32 days during FY2022 and FY2023, respectively. Shenzhen EDA Group recorded average turnover days of trade receivables of 24 days for FY2021 as compared to our Group of 30 days for FY2022, such increase was primarily because slightly longer credit term were offered to certain customers to maintain good customer relationship. Our average turnover days of trade receivables remained relatively stable at 32 days for FY2023.

As of March 31, 2024, RMB144.8 million or 95.6% of our trade receivables outstanding as of December 31, 2023 had been settled.

FINANCIAL INFORMATION

Contract assets

Contract assets are initially recognized for revenue earned from the provision of cross-border direct shipping services as the receipt of consideration is conditional on successful completion of delivering to the overseas destination designated by the end consumers. Upon completion and acceptance by the end consumers, the amounts recognized as contract assets are reclassified to trade receivables. As of December 31, 2023, our Group recorded contract assets (net of ECL) of RMB0.3 million, arising from business development with a new customer that has different billing arrangement during FY2023 and all of which are expected to be recovered within one year. For details of credit risk exposure and ECLs for contract assets using a provision matrix, see Note 20 of the Accountants' Report of our Group in Appendix IA.

Prepayments, deposits and other receivables

The following table sets out the breakdown of the prepayments, deposits and other receivables of Shenzhen EDA Group and our Group as of the dates indicated:

	Shenzhen EDA Group	Our Group	
	As of December 31,		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Prepayments	50,475	10,084	21,317
Deposits (<i>Note</i>)	10,065	13,801	21,754
Value-added tax recoverable	4,997	8,039	7,550
Advances to employees (<i>Note</i>)	1,168	1,389	32
Loans to Directors and employees (<i>Note</i>) . .	5,200	19,836	—
Loan receivables (<i>Note</i>)	2,391	10,856	—
Payment on behalf of customers for custom duties (<i>Note</i>)	595	4,852	4,787
Tax recoverable	—	—	766
Amount due from the immediate holding company (<i>Note</i>)	—	—	605
Other receivables (<i>Note</i>)	663	133	1,841
Prepayments, deposits and other receivables	75,554	68,990	58,652

FINANCIAL INFORMATION

Note:

The following table reconciles the Group's prepayments, deposits and other receivables with related parties with the amount shown in Note 31(c) to the Accountants' Report of our Group in Appendix IA and Note 27(c) to the Accountants' Report of Shenzhen EDA Group set forth in Appendix IB to this prospectus.

	As of December 31,		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Deposits in related parties for leasing warehouses in overseas	270	275	280
Loans and advancement to the Directors	1,123	11,359	—
Amount due from the immediate holding company	—	—	605
Loan receivables	—	2,438	—
Payment on behalf of customers for custom duties	—	2,190	—
Other receivables	420	26	38
Total	1,813	16,288	923
Outstanding prepayments and other receivables with related parties as shown in Appendices IA and IB	1,813	16,288	923

Our prepayments, deposits and other receivables consist of:

To our employees and Directors

- (i) advances to employees, mainly including advancement of certain operating expenses for our employees for daily work. After the Listing, we do not intend to provide any financing to any employees of our Group,

- (ii) loans to Directors and employees, which mainly represents non-trade balances from our Directors, Mr. Liu Yong and Ms. Li Qin and other staff, these non-trade balances with related parties will be settled before Listing. As of December 31, 2021, Shenzhen EDA Group's loans to Directors and employees were unsecured, non-interest bearing and with maturity of three months and two years, respectively. As of December 31, 2022, our loans to Directors and employees were unsecured, had an interest rate ranging from 0% to 5% and had a maturity term ranging from one month to two years. Our loans to Directors and employees have been fully settled as of August 31, 2023. After the Listing, we do not intend to provide any financing to any Director or employees of our Group,

FINANCIAL INFORMATION

Other amounts arising from our day-to-day operations

- (i) amount due from the immediate holding company, which is non-trade in nature and had been fully settled in January 2024,
- (ii) prepayments to our logistic suppliers and other operating expenses,
- (iii) deposits, mainly in relation to rental deposits for self-operated warehouses and offices and guarantee deposits for suppliers, as of December 31, 2021 and 2022 and 2023, RMB0.3 million of the deposits, represents deposits in related parties for leasing warehouses in overseas, which is trade in nature,
- (iv) value-added tax recoverables, mainly for our operation in the United Kingdom, Australia and Canada,
- (v) loans receivables from certain third parties, including customers and suppliers, who are independent third parties, and a related party for their short-term liquidity needs to reinforce our collaboration. During the Track Record Period, such third parties had repaid on time regularly, and as of December 31, 2023, all of the loans to such third parties had been fully settled. The non-trade balances with a related party will be settled before Listing. During the Track Record Period, we considered these borrowers' year of business relationship developed with us, potential business opportunities, their operating scales, relevant loan amounts as well as purpose of the funds that they need and duration of the borrowing arrangements when considering whether we will provide loans to these third parties. Most of the time, these loans were interest-bearing of which the interest rate was higher than the effective interest rate of bank loans that we have entered in the corresponding period to compensate us. Such balances as of December 31, 2021 were unsecured, interest-free and with a maturity term of six months. Such balances as of December 31, 2022 were unsecured, had an interest rate ranging from 0% to 8% and with maturity ranging from six months to one year. Such balances as of December 31, 2023, were either (i) unsecured, interest-free and with a maturity term of six months or (ii) unsecured, had an interest rate ranging from 0% to 8% and with maturity ranging from six months to one year. Our Directors believed that those short-term borrowings to these third parties were occasional incidents and these kinds of borrowings might leave a good impression to the others which might help our business development later. As of the Latest Practicable Date, our Directors are not aware of any loans to be granted to third parties and related parties in the foreseeable future. After the Listing, we intend to continue granting loans to our customers and suppliers to support their liquidity needs in the ordinary course of our business. Any loans granted to third parties and related parties in the ordinary course of our business will need to comply with our internal control measures, any applicable laws and regulations (including but not limited to the General Lending Provisions (貸款通則)) and the

FINANCIAL INFORMATION

Listing Rules. We have adopted the following internal control measures to ensure the recoverability of the loans and that all loans granted by us are conducted on normal commercial terms and in the interest of our Group:

- All loans with third parties must be in writing, interest-bearing and granted with a fixed-term (where necessary, the management shall consider whether it is necessary for the loan to third party be guaranteed by a related party of such third party);
- All loans with third parties shall only be granted to third parties with which we had business relationship with or is reasonably expected to be in a business relationship with us in the immediate future;
- We have implemented internal procedures whereby any proposed loans with customers or suppliers shall be submitted to a relevant employee from the finance department (the “**Designated Employee**”) for preliminary review;
- The Designated Employee shall consult with external legal advisers to confirm that the terms of such proposed loan do not contravene any relevant applicable laws and regulations;
- The Designated Employee shall preliminarily review any proposed loans with customers and suppliers and set out in a report details relating to the third party (including business relationship, potential business opportunities, operating scale), relevant loan amounts and intended use of proceeds of such loans for the further review of our Directors; and
- The report relating to each proposed loan prepared by the Designated Employee shall be submitted to Mr. Cheung Man Yu, our executive Director and chief financial officer, which will evaluate the credit-worthiness of such third parties and recoverability of such proposed loans. Thereafter, loans which are considered financially viable are submitted to Mr. Liu Yong, our executive Director for final approval.

(vi) payment on behalf of customers for custom duties,

(vii) tax recoverable which mainly arising from the timing difference between our estimated profit and actual profit recorded, and

(viii) other receivables.

FINANCIAL INFORMATION

Shenzhen EDA Group recorded prepayments, deposits and other receivables of RMB75.6 million as of December 31, 2021 as compared to RMB69.0 million as of December 31, 2022 recorded by our Group, which represented a decrease of RMB6.6 million and was primarily attributable to (i) the decrease in prepayments of RMB40.4 million, mainly because a higher base of prepayment was recorded as of December 31, 2021 for securing shipping capacity due to the capacity shortage during COVID-19, being partially offset by (ii) the increase in loans to employees of RMB14.6 million, mainly for their short-term financial needs; as of August 31, 2023, the loans to Directors and employees have been fully settled; (iii) increase in loan receivables of RMB8.5 million, in relation to our borrowings to one of our independent logistics supplier, which will be fully settled before Listing, (iv) the increase in deposits of RMB3.7 million and the increase in prepayment on behalf of customers for custom duties, mainly in line with our expanded scale.

Our prepayments, deposits and other receivables decreased by RMB10.3 million from RMB69.0 million as of December 31, 2022 to RMB58.7 million as of December 31, 2023, which was primarily attributable to (i) the decrease in loans to Directors and employees and third parties, in aggregate, of RMB30.7 million as they have been fully settled, being partially offset by (ii) the increase in prepayments of RMB11.2 million and increase in deposits of RMB8.0 million, mainly because of our enlarged business scale, including our cross-border direct shipping business, certain operating expenses and Listing expenses.

Subsequent settlement

As of March 31, 2024, RMB15.2 million or 25.9% of our prepayments, deposits, payments on behalf of customers for custom duties and other receivables, excluding value-added tax recoverable and advances to employees, outstanding as of December 31, 2023 had been settled/utilized.

PRC legal opinion regarding our loans to Directors and employees

According to the “Provisions of the Supreme People’s Court on Several Issues Concerning the Application of Law in the Trial of Private Lending Cases (Second Amendment of 2020)” (《最高人民法院關於審理民間借貸案件適用法律若干問題的規定（2020第二次修正）》) (“Provisions”) promulgated by the Supreme People’s Court on December 29, 2020 and implemented on January 1, 2021, private lending refers to the act of financing between natural persons, legal persons and unincorporated organizations. According to Article 13 of the Provisions, a private lending contract is invalid if it falls into one of the following circumstances: (1) extorting loans from financial institutions for re-lending; (2) borrowing from other profit-making legal persons, collecting funds from employees of the unit, or transferring funds illegally obtained from the public; (3) a lender who has not obtained the loan qualification in accordance with the law provides loans to a third party for the purpose of profit; (4) a loan is provided for illegal and criminal activities; (5)

FINANCIAL INFORMATION

violating the mandatory provisions of laws and administrative regulations; (6) violating public order. According to Article 25 of the Provisions, a loan agreement is valid as long as the interest rate does not exceed four times the quoted interest rate of the one-year loan market at the time of the establishment of the contract.

As advised by our PRC Legal Adviser, the provision of loans by our Group to Directors and employees does not fall under any of the aforementioned circumstances, and the interest rate of the loan receivable does not exceed four times the quoted market interest rate of the one-year loan at the time of the establishment of the contract. Therefore, our PRC Legal Adviser is of the view that the loans provided by our Group to Directors and employees comply with relevant PRC laws and regulations.

Financial assets at fair value through profit or loss

Our financial assets at fair value through profit or loss mainly included wealth management products we purchased from commercial banks to better utilize our surplus cash. The fair value of wealth management products is determined based on discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. Shenzhen EDA Group recorded financial assets at fair value through profit or loss of RMB30.2 million as of December 31, 2021, and our Group recorded financial assets at fair value through profit or loss of RMB3.1 million as of December 31, 2022.

In relation to the valuation of our financial assets categorized within the level 2 of fair value hierarchy, we adopted multiple procedures. We have established capital and investment policies to monitor and control the risks relating to the purchase of wealth management products. Our Directors typically review the terms of the relevant wealth management products and prudently consider all information available and apply various applicable valuation in determining whether to purchase the relevant wealth management products. We purchase wealth management products only when our unused cash and bank balances exceed a certain amount. We typically purchase short-term low-risk wealth management products with no fixed maturity term and are redeemable at will.

Our investment strategy related to wealth management products focuses on minimizing the financial risks by reasonably and conservatively matching the maturities of the portfolio to anticipated operating cash needs, while maximizing the value of our surplus cash through investments at low risk. We make investment decisions related to wealth management products on a case-by-case basis after thoroughly considering a number of factors, including but not limited to macro-economic environment, general market conditions, risk control and credit of issuing banks, our own working capital conditions, and the expected profit or potential loss of the investment. During the Track Record Period, our finance department was led by our financial controller, who

FINANCIAL INFORMATION

has approximately 18 years of experience in financial management and has held senior positions in certain renowned companies in the PRC. In addition, we have a professional and efficient financial management team. The team members have professional certifications, and strong financial and cash management capabilities with prior working experience in renowned enterprises. During the Track Record Period, for investment in any other individual or equity for less than or equal to RMB2.0 million, which include the accumulative amounts that we have hold, we require the approval from our management; as for the investment in any other individual or equity for more than RMB2.0 million but less than RMB5.0 million, which include the accumulative amounts that we have hold, we require the approval from designated representatives of the Shareholders; for investment in any other individual or equity for more than RMB5.0 million, which include the accumulative amounts that we have hold, we require the Directors' approval. After the Listing, our investments in financial assets at fair value through profit or loss will be subject to compliance with Chapter 14 of the Listing Rules.

For details of the fair value measurement of the level 2 financial assets, particularly the fair value hierarchy, discounted cash flow approach and significant observable inputs, see Note 33 to the Accountants' Report of our Group in Appendix IA and Note 30 to the Accountants' Report of Shenzhen EDA Group set forth in Appendix IB to this prospectus.

Non-current assets

Our non-current assets mainly consists of property, plant and equipment, right-of-use assets, goodwill, other intangible assets, investments in an associate and deferred tax asset.

Property, plant and equipment

Our property, plant and equipment comprised leasehold improvement, plant and machinery, motor vehicles, furniture and office equipment. As of December 31, 2021, 2022 and 2023, the carrying amounts of our property, plant and equipment amounted to RMB9.2 million, RMB7.5 million and RMB5.4 million, respectively.

FINANCIAL INFORMATION

The following table sets forth the carrying amounts of our property, plant and equipment as of the dates indicated:

	Our Group		
	As of December 31,		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Leasehold improvement	2,306	1,958	1,338
Plant and machinery	2,759	2,207	1,048
Motor vehicles	2,909	2,058	1,975
Furniture and office equipment	1,176	1,253	1,021
	9,150	7,476	5,382

Our property, plant and equipment decreased to RMB7.5 million as of December 31, 2022, primarily attributable to addition of RMB1.7 million, mainly in relation to leasehold improvement of RMB0.3 million, plant and machinery of RMB0.6 million and furniture and office equipment of RMB0.6 million, being partially offset by the depreciation of RMB3.5 million in FY2022.

Our property, plant and equipment decreased from RMB7.5 million as of December 31, 2022 to RMB5.4 million as of December 31, 2023, primarily attributable to the depreciation of RMB3.6 million in FY2023, being partially offset by addition of RMB1.5 million, mainly in relation to plant and machinery of RMB0.2 million, motor vehicles of RMB0.8 million and furniture and office equipment of RMB0.5 million.

Right-of-use assets

Our right-of-use assets mainly represented the leases that we entered in order to be used as our warehouses and office. The carrying amount of these right-of-use assets was RMB162.2 million, RMB139.4 million and RMB107.7 million as of December 31, 2021 and 2022 and 2023, respectively. See Note 14 of the Accountants' Reports in Appendices IA and IB and the section headed "Business — Properties" in this prospectus for further details.

Goodwill

Goodwill represents the excess of the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of our Group's previously held equity interest in the acquiree over the fair value of the identifiable assets and liabilities measured as of the acquisition date.

FINANCIAL INFORMATION

Where the fair value of identifiable assets and liabilities exceed the aggregate of the fair value of consideration paid, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of the acquirer's previously held equity interest in the acquiree, the excess is recognized in profit or loss on the acquisition date, after re-assessment.

Goodwill is measured at cost less impairment losses. For the purpose of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash generating units ("CGUs") that are expected to benefit from the synergies of the acquisition.

A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. A CGU to which goodwill has been allocated is tested for impairment annually, by comparing its carrying amount with its recoverable amount and whenever there is an indication that the unit may be impaired.

For goodwill arising on an acquisition in a financial year, the CGU to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the CGU is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first and then to the other assets of the unit pro-rata on the basis of the carrying amount to each asset in the unit. However, the loss allocated to each asset will not reduce the individual asset's carrying amount to below its fair value less cost of disposal ("FVLCD") (if measurable) or its value in use ("VIU") (if determinable), whichever is the higher. Any impairment loss for goodwill is recognized in profit or loss and is not reversed in subsequent periods.

Impairment testing of goodwill

Goodwill acquired through business combination is allocated to Shenzhen EDA which was regarded as a cash-generating unit (the "**Shenzhen EDA CGU**").

During the Track Record Period, our Group has engaged PG Advisory, an independent third party valuer, to perform valuations for the purpose of assessing the recoverable amounts of Shenzhen EDA CGU for FY2021.

FINANCIAL INFORMATION

The recoverable amount of Shenzhen EDA CGU is determined based on a VIU calculation which uses cash flow projections based on financial budgets approved by senior management covering a 5 years period, followed by an extrapolation of expected cash flow projection at 3.0%, 3.0% and 2.3%, terminal growth rate which do not exceed the long-term growth rate for the business in which the CGU operates for FY2021, FY2022 and FY2023, respectively and a pre-tax discount rate of 21.1%, 21.0% and 21.7% per annum for FY2021, FY2022 and FY2023, respectively. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Annual revenue growth rate — The predicted annual revenue growth rate for the five years subsequent to the date of assessment is one of the assumptions used in the value in use calculations. The annual revenue growth rate is based on the historical performance and market outlook perceived by management.

Terminal growth rate — The terminal growth rate was estimated to be 3% as of December 31, 2021 and 2022 and 2.3% as of December 31, 2023 which has taken into consideration the prevailing industry practice.

Budgeted gross margins — The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the budget year, increased for expected efficiency improvements, and expected market development.

Discount rate — The discount rate used is pre-tax and reflect specific risks relating to the CGU.

Details of each key assumptions used are set out below:

	<u>Annual revenue growth rate</u>	<u>Terminal growth rate</u>	<u>Budgeted gross margins</u>	<u>Pre-tax discount rate</u>
	(%)	(%)	(%)	(%)
December 31, 2021	6.8	3.0	15.5–16.9	21.1
December 31, 2022	8.0	3.0	15.5–16.0	21.0
December 31, 2023	6.3	2.3	15.0–15.1	21.7

Sensitivity analysis

Based on the assessment result, headroom measured by the excess of the recoverable amounts over the carrying amounts are RMB3.8 million, RMB13.5 million and RMB186.0 million as of December 31, 2021, 2022 and 2023, respectively.

FINANCIAL INFORMATION

Our management has undertaken sensitivity analysis on the impairment test of goodwill. The assumptions used in the impairment review in the table below would have, in isolation, led to the Shenzhen EDA CGU's recoverable amount to be equal to its carrying value as of December 31, 2021, 2022 and 2023:

	Change required for carrying value to equal recoverable amount		
	FY2021	FY2022	FY2023
Annual revenue growth rates (during the five-year period)	(5.4%)	(10.8%)	(51.1%)
Gross profit margin	(5.1%)	(1.8%)	(12.3%)
Pre-tax discount rate	1.2%	4.0%	19.9%

Our management believe that there was no reasonably possible changes in the key assumptions that would cause the carrying amount of the Shenzhen EDA CGU to exceed its recoverable amount. Our management determined that there was no impairment of the Shenzhen EDA CGU for FY2021, FY2022 and FY2023. For further details, see Note 15 to the Accountants' Report of our Group in Appendix IA.

Other intangible assets

Other intangible assets mainly include technology and customer relationship, which are stated at cost less accumulated amortization and accumulated impairment losses. Our Group recorded other intangible assets of RMB73.3 million as of December 31, 2021, primarily due to acquisitions of technology and customer relationship through our acquisition of Shenzhen EDA Group in December 2021. It decreased to RMB66.0 million and RMB58.6 million as of December 31, 2022 and 2023, respectively, primarily due to amortization charges provided during the year.

During the Track Record Period, our Group's intangible assets mainly consisted of technology and customer relationship. Technology refers to the online platform and systems used for Shenzhen EDA Group's daily operations, including customer service management, customer relationship management, order management, "first-mile" international freight services and last-mile fulfillment services management and other functions. Our Directors believed that such systems are the core infrastructure supporting our business, sharpening the competitiveness of the Shenzhen EDA Group as it attracts new customers and maintains the satisfaction of our existing customer relationships. Further, having considered the useful lives of technology adopted by the industry peers, most of which ranged between five to 10 years, our Directors believed that useful life of 10 years of the technology is appropriate. As for customer relationship, it represents the present value of future cash flows to be generated from Shenzhen EDA Group's customers as of the date when it was valued. Many of the underlying customers of Shenzhen EDA Group are

FINANCIAL INFORMATION

cross-border e-commerce enterprises. Our Directors considered that the useful life of 10 years adopted is appropriate considering that (i) the amount of revenue generated from these recurring customers that have transactions with our Group/Shenzhen EDA Group throughout the whole Track Record Period has been a large portion of our Group/Shenzhen EDA Group's total revenue and such amount has also exhibited an increasing trend and (ii) our Group/Shenzhen EDA Group's relatively high retention rate of core customers (with which we dedicate specialized sales effort owing to the fact that they are customers which contribute more than RMB3 million of revenue for each year of the Track Record Period). The useful lives of customer relationship adopted by certain industry peers may be more than 10 years. For further details, see Note 16 to the Accountants' Report of our Group in Appendix IA.

Investment in an associate

Prior to our disposal of Hangzhou Yuehui in June 2023, we held 16.13% of equity interest in Hangzhou Yuehui, the principal activity of which was capital investment in e-commerce related businesses. To the best knowledge of our Directors, the losses of Hangzhou Yuehui during FY2021 and FY2022 were primarily due to (i) lack of returns generated from the investment made by Hangzhou Yuehui, as the underlying investments were mainly start-up companies, which were in their initial stage of business and (ii) certain administrative expenses incurred for the daily operations of Hangzhou Yuehui. As the losses generated by Hangzhou Yuehui is already reflected in Hangzhou Yuehui's accounts, the losses generated by Hangzhou Yuehui has already historically affected our balance sheet through our recognition of investment in associate. As such, although Hangzhou Yuehui had incurred losses for FY2021 and FY2022, there is no impairment loss recognized for investment in associates. Furthermore, in order to focus on our core business, our Group has already disposed our equity interest held in Hangzhou Yuehui in June 2023 at a consideration of RMB12.0 million. For details, see Note 17 of the Accountants' Report of our Group in Appendix IA to this prospectus.

Current liabilities

Our current liabilities mainly consists of trade payables, other payables and accruals, borrowings, lease liabilities and tax liabilities.

Trade payables

Our trade payables are obligations to pay for services that have been acquired in the ordinary course of business from suppliers.

FINANCIAL INFORMATION

The following table sets out the breakdown of our trade payables as of the dates indicated:

	Our Group		
	As of December 31,		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Related parties	539	154	166
Third parties	83,393	61,655	127,709
Trade payables	83,932	61,809	127,875

Our trade payables decreased to RMB61.8 million as of December 31, 2022 as compared to RMB83.9 million as of December 31, 2021, as we have strategically purchased from overseas third-party logistics services providers directly instead of the agent for more stable service. These overseas third-party logistics services providers typically offered relatively shorter credit period. Our trade payables increased to RMB127.9 million as of December 31, 2023, primarily because of our expanded business scale.

Our trade payables are interest-free and normally settled on terms of 30 to 60 days. The table below sets out the aging analysis of our trade payables based on the invoice date as of the dates indicated:

	Our Group		
	As of December 31,		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 year	83,226	60,862	127,272
1 to 2 years	307	375	84
2 to 3 years	399	240	35
Over 3 years	—	332	484
	83,932	61,809	127,875

The table below sets out a summary of average turnover days of trade payables for the years indicated:

	Our Group		
	FY2021	FY2022	FY2023
Average turnover days of trade payables ^{Note}	58	44	34

FINANCIAL INFORMATION

Note: Average turnover days of trade payables is derived by dividing the arithmetic mean of the opening and closing balances of trade payables for the relevant period by cost of sales and multiplying by number of days in the relevant period.

Average turnover days of trade payables was 58 days, 44 days and 34 days during FY2021, FY2022 and FY2023, respectively, which were within credit period granted by suppliers. The decrease in average turnover days of trade payables between FY2021 and FY2022 was mainly due to decrease in trade payable balances as explained above as we have strategically purchased from overseas third-party logistics services providers directly instead of the agent for more stable service. As for the decrease in FY2023, it was primarily because we have settled more promptly to maintain better relationship with suppliers.

As of March 31, 2024, RMB119.9 million or 93.7% of trade payables outstanding as of December 31, 2023 had been fully settled.

Other payables and accruals

The following table sets out the breakdown of other payables, deposits and accruals of Shenzhen EDA Group and our Group as of the dates indicated.

	Shenzhen EDA Group	Our Group		
	As of December 31,			
	2021	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Contract liabilities	10,393	10,393	13,801	10,698
Payroll and welfare payables	9,884	9,884	13,135	19,876
Other tax payables	245	245	355	775
Accruals	271	271	1,122	1,634
Amount due to the immediate holding company (<i>Note</i>)	—	70,144	2,454	—
Amount due to the intermediate holding company (<i>Note</i>)	—	—	33	—
Amount due to a shareholder (<i>Note</i>) . .	—	25,132	25,134	—
Other payables (<i>Note</i>)	2,460	4,740	1,199	2,631
Other payables and accruals	23,253	120,809	57,233	35,614

FINANCIAL INFORMATION

Note:

The following table reconciles our Group's other payables with related parties with the amount shown in Note 31(c) to the Accountants' Report of our Group in Appendix IA to this prospectus.

	As of December 31,		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Amount due to the immediate holding company	70,144	2,454	—
Amount due to the intermediate holding company . . .	—	33	—
Amount due to a shareholder	25,132	25,134	—
Other payables	578	—	—
Total	95,854	27,621	—
Outstanding other payables with related parties as shown in Appendix IA	95,854	27,621	—

Other payables and accruals primarily consist of (i) contract liabilities, which mainly includes short-term advances received to render international freight services and fulfillment services, (ii) payroll and welfare payables, (iii) other tax payables, (iv) accruals, (v) amounts due to the immediate holding company and a shareholder, as explained below in relation to initial investment in and acquisition of Shenzhen EDA Group, which are non-trade in nature and will be fully settled before Listing and (vi) other payables.

The major difference other payables and accruals as of December 31, 2021 between our Group and Shenzhen EDA Group was mainly due to the balances of amounts due to the immediate holding company and a shareholder as explained below.

FINANCIAL INFORMATION

Amounts due to the immediate holding company and a shareholder

In February 2020, as part of initial investment by Lesso, Lesso acquired an equity interest of 15.9% of Shenzhen EDA at a consideration of RMB20.0 million via capital injection by EDAHK. In the same month, EDAHK acquired further equity interest of approximately 5.0% in Shenzhen EDA from an independent third party at a consideration of RMB5.0 million. EDAHK has thus recorded, in aggregate, RMB25.0 million for aforesaid initial investment consideration payable. As these initial investment consideration had been settled by LS DiDi, a shareholder, in advance for EDAHK, our Group recorded amount due to a shareholder, LS DiDi, for the same amount as of December 31, 2021 and 2022. Since EDAHK was not part of Shenzhen EDA Group, no such outstanding balance to be payable to LS DiDi was included in Shenzhen EDA Group as of December 31, 2021. For further details, see “History and Corporate Structure — History of Our Business — Initial investment by Lesso”. The outstanding balance of RMB25.0 million as of December 31, 2022, which is non-trade in nature, has been settled in January 2023 through novation agreement entered between LS Didi, our Company and EDAHK; for details, see Note 30(b) in the Accountants’ Report in Appendix IA to this prospectus.

In September 2020, our Company, EDA Cayman, was set up by Samanea, a wholly-owned subsidiary of Lesso. EDA Cayman has also set up a wholly-owned subsidiary, Global Logistics. As part of the acquisition by Lesso, in 2021, Global Logistics acquired an equity interest of 88.8% in Shenzhen EDA at a consideration of RMB50.0 million. Save for EDAHK, each of the other Shareholders of Shenzhen EDA transferred their equity interest in Shenzhen EDA to Global Logistics at an aggregate consideration of RMB22.2 million. Global Logistics recorded, in aggregate, RMB72.2 million for aforesaid acquisition consideration payable to Samanea. Subsequently, in December 2021, LS DiDi transferred its 100% shareholding interest in EDAHK to EDA Cayman. Immediately upon the completion of the issuance pursuant to the 2021 Warrant Plan and the completion of the LS DiDi Allotment as set out in “History and Corporate Structure”, (1) Lesso acquired control over 51.9% interest in our Company and the financial information of our Company was consolidated into the financial information of Lesso; and (2) Shenzhen EDA became indirectly wholly-owned by our Company. Afterwards, EDAHK become part of our Group. For further details, see “History and corporate structure — History of Our Business — Acquisition by Lesso”. As the aforesaid acquisition consideration and certain operating expenses had been settled by Samanea, our immediate holding company, in advance for Global Logistics, our Group recorded amounts due to the immediate holding company of RMB70.1 million as of December 31, 2021 and during FY2022, RMB70.0 million of the balance has been capitalized as deemed capital contribution by way of discharge of liability due to the immediate holding company. The outstanding balance of RMB2.5 million as of December 31, 2022, which is non-trade in nature, has already been settled in FY2023, resulting in nil balance as of December 31, 2023.

FINANCIAL INFORMATION

Other payables and accruals of our Group decreased to RMB57.2 million as of December 31, 2022, which was primarily attributable to (i) the decrease in amount due to the immediate holding company as RMB70.0 million of the outstanding balance as of December 31, 2021 has already capitalized as deemed capital contribution by way of discharge of liability due to the immediate holding company during FY2022, (ii) the increase in payroll and welfare payables of RMB3.3 million for our increased headcounts and (iii) the increase in contract liabilities of RMB3.4 million, in line with our expanded scale.

Other payables and accruals of our Group decreased by RMB21.6 million from RMB57.2 million as of December 31, 2022 to RMB35.6 million as of December 31, 2023, which was primarily attributable to (i) the decrease in amount due to a shareholder of RMB25.1 million, including RMB25.0 million as explained above, which has been capitalized during FY2023; for details, see Note 30(b) in the Accountants' Report in Appendix IA to this prospectus; as for the remaining balance of amount due to a shareholder, which amounted to RMB0.1 million as of December 31, 2022, it was non-trade in nature and had been fully settled during FY2023, (ii) the decrease in contract liabilities of RMB3.1 million, mainly due to significant increase in orders and consumption of advance payment and being partially offset by (iii) the increase in payroll and welfare payables of RMB6.7 million for our increased headcount.

Subsequent settlement

As of March 31, 2024, RMB6.0 million or 56.1% of our contract liabilities outstanding as of December 31, 2023 had been recognized as revenue.

LIQUIDITY AND CAPITAL RESOURCES

We have historically funded our liquidity and capital requirements primarily through a combination of internally generated funds from our operating activities and bank borrowings. As of December 31, 2021, Shenzhen EDA Group had cash and cash equivalents of RMB54.5 million. As of December 31, 2022 and 2023, our Group had cash and cash equivalents of RMB112.7 million and RMB221.4 million, respectively.

We require cash primarily for our operation and general working capital needs. Going forward, we expect to fund our working capital requirements with a combination of various sources, including but not limited to cash generated from our operations, the net proceeds from the Global Offering, bank balances and other possible equity and debt financing as and when appropriate.

FINANCIAL INFORMATION

Cash flow

The following table sets forth the selected cash flow data from the consolidated statements of cash flows for the years indicated:

	Shenzhen EDA	Our Group	
	Group		
	FY2021	FY2022	FY2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
— <i>Operating cash flow before changes in working capital</i>	100,433	97,832	136,677
— <i>Changes in working capital</i>	(25,895)	(15,105)	(17,895)
— <i>Interest received</i>	590	351	781
— <i>Income tax paid</i>	(3,793)	(2,955)	(13,774)
Net cash generated from operating activities	71,335	80,123	105,789
Net cash (used in)/from investing activities	(37,471)	(8,442)	39,639
Net cash from/(used in) financing activities	6,827	(9,014)	(37,463)
Net increase in cash and cash equivalents	40,691	62,667	107,965
Cash and cash equivalents at beginning of year	8,093	48,741	112,056
Effect of foreign exchange rate changes	(134)	648	988
Cash and cash equivalents at end of year	<u>48,650</u>	<u>112,056</u>	<u>221,009</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	44,549	102,745	211,427
Time deposit	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>
Cash and cash equivalents as stated in the consolidated statements of financial position	54,549	112,745	221,427
Bank overdrafts	(5,899)	(689)	(418)
Cash and cash equivalents as stated in the consolidated statements of cash flows	<u>48,650</u>	<u>112,056</u>	<u>221,009</u>

FINANCIAL INFORMATION

Operating activities

During our Track Record Period, our cash inflow from operating activities was principally from the receipt of payments for our services provided to our customers. Our cash outflow used in operating activities was principally for payment of various operating expenses such as logistic costs, labor cost, staff costs, warehouse operating expenses and other expenses.

For FY2023, we had net cash generated from operating activities of RMB105.8 million. This amount represents profit before income tax of RMB80.4 million, adjusted for (i) certain gains and expense, mainly included depreciation of property, plant and equipment of RMB3.6 million, depreciation of right-of-use assets of RMB34.0 million, impairment of trade receivables, net of RMB2.5 million, amortization of other intangible assets arising from business combination of RMB7.3 million and finance costs of RMB10.5 million, (ii) changes in certain working capital items that positively affected operating cash flow, mainly included changes in trade payables of RMB71.8 million and changes in other payables and accruals of RMB7.3 million, which was partially offset by (iii) changes in certain working capital items that negatively affected operating cash flow, mainly included changes in trade receivables of RMB74.8 million, changes in contract assets of RMB0.3 million, changes in prepayments, deposits and other receivables of RMB21.9 million and (iv) income tax paid of RMB13.8 million.

For FY2022, we had net cash generated from operating activities of RMB80.1 million. This amount represents profit before income tax of RMB40.6 million, adjusted for (i) certain gains and expense, mainly included depreciation of property, plant and equipment of RMB3.5 million, depreciation of right-of-use assets of RMB33.2 million, impairment of trade receivables, net of RMB2.5 million, amortization of other intangible assets arising from business combination of RMB7.3 million and finance costs of RMB11.0 million, (ii) changes in certain working capital items that negatively affected operating cash flow, mainly included changes in trade receivables of RMB28.6 million and changes in trade payables of RMB22.5 million, which was partially offset by (iii) changes in certain working capital items that positively affected operating cash flow, mainly included changes in prepayments, deposits and other receivables of RMB30.4 million and changes in other payables and accruals of RMB5.7 million and (iv) income tax paid of RMB3.0 million.

FINANCIAL INFORMATION

For FY2021, Shenzhen EDA Group had net cash generated from operating activities of RMB71.3 million. This amount represents profit before income tax of RMB51.6 million, adjusted for (i) certain gains and expense, mainly included depreciation of property, plant and equipment of RMB2.5 million, depreciation of right-of-use assets of RMB31.8 million, impairment of trade receivables, net of RMB5.5 million and finance costs of RMB10.7 million, (ii) changes in certain working capital items that negatively affected operating cash flow, mainly included changes in trade receivables of RMB9.6 million and changes in prepayments, deposits and other receivables of RMB24.2 million, which was partially offset by (iii) changes in certain working capital items that positively affected operating cash flow, mainly included changes in trade payables of RMB1.3 million and changes in other payables and accruals of RMB6.6 million and (iv) income tax paid of RMB3.8 million.

Investing activities

During the Track Record Period, our cash inflow from investing activities was principally proceeds from disposal of financial assets at fair value through profit and loss and property, plant and equipment and repayment of loans to directors, employees, related parties and third parties. Our cash outflow used in investing activities was principally for purchases of financial assets at fair value through profit and loss and property, plant and equipment, capital injection to an associate and increase in loans to directors, employees and third parties.

For FY2023, we had net cash from investing activities of RMB39.6 million, primarily attributable to (i) net proceeds from disposal of financial assets at fair value through profit or loss of RMB3.0 million, (ii) proceeds from disposal of an associate of RMB12.0 million, (iii) net decrease in loans to directors, employees, related parties and third parties of RMB26.0 million, being partially offset by (iv) purchase of items of property, plant and equipment of RMB1.5 million.

For FY2022, we had net cash used in investing activities of RMB8.4 million, primarily attributable to (i) purchase of items of property, plant and equipment of RMB1.7 million, (ii) acquisition of a subsidiary of Shenzhen EDA of RMB2.2 million, (iii) capital injection to an associate of RMB9.0 million, (iv) net increase in loans to directors, employees, related parties and third parties of RMB23.1 million being partially offset by (v) net proceeds from disposal of financial assets at fair value through profit or loss of RMB27.0 million.

FINANCIAL INFORMATION

For FY2021, Shenzhen EDA Group had net cash used in investing activities of RMB37.5 million, primarily attributable to (i) net proceeds used for purchase of financial assets at fair value through profit or loss of RMB19.8 million, (ii) purchase of property, plant and equipment of RMB9.4 million, (iii) capital injection to an associate, Hangzhou Yuehui of RMB3.0 million and (iv) net increase in loans to directors, employees, related parties and third parties of RMB5.6 million.

Financing activities

During the Track Record Period, our cash inflow from financing activities was principally from proceeds from interest-bearing bank borrowings, capital contribution from Shareholders and increase in amount due to related parties. Our cash outflow used in financing activities was principally for repayment of interest-bearing bank borrowings, interest paid, principal elements of lease payments, repayments of amount due to related parties.

For FY2023, we had net cash used in financing activities of RMB37.5 million, primarily attributable to (i) net new borrowings of RMB10.5 million, (ii) dividends paid to the Shareholders of RMB23.0 million, (iii) decrease in amounts due to related parties of RMB2.6 million, (iv) other interest paid of RMB1.6 million, (v) repayment of lease liabilities of RMB40.7 million, being partially offset by (vi) capital injection of RMB20.0 million.

For FY2022, we had net cash used in financing activities of RMB9.0 million, primarily attributable to (i) repayment of lease liabilities of RMB38.6 million and (ii) other interest paid of RMB1.4 million, which was partially offset by (iii) net new borrowing raised of RMB28.7 million and (iv) increase in amount due to related parties of RMB2.3 million.

For FY2021, Shenzhen EDA Group had net cash generated from financing activities of RMB6.8 million, primarily attributable to (i) proceeds from capital inject of RMB50.0 million, which was partially offset by (ii) repayment of lease payments of RMB34.4 million and (iii) net repayment of borrowings of RMB8.3 million.

FINANCIAL INFORMATION

INDEBTEDNESS

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

	Our Group			
	December 31,			As of March 31,
	2021	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				(Unaudited)
Borrowings	18,340	42,019	52,422	58,942
Lease liabilities	171,023	153,791	124,399	116,258
Total	189,363	195,810	176,821	175,200

Save as disclosed below, we did not have any bank and other loan, or any loan capital issued and outstanding or agreed to be issued, bank overdraft, borrowing or similar indebtedness, liabilities under acceptance (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, hire purchases or finance lease commitments, guarantees or other material contingent liabilities as of the Latest Practicable Date for our indebtedness statement. Our Directors confirm that there has not been any material change in our indebtedness since the Latest Practicable Date up to the date of this prospectus.

Borrowings

The following table sets out our borrowings as of the dates indicated:

	Our Group		
	December 31, 2021		
	<i>Effective interest</i> <i>rate (%)</i>	<i>Maturity</i>	<i>RMB'000</i>
Current			
Bank overdrafts — secured	3.3%-19.9%	On demand	5,899
Bank loans — unsecured	3.85%-5.8%	2022	11,850
Current portion of long term bank loans — unsecured	2.8%	2022	300
			18,049
Non-current			
Bank loans — unsecured	2.8%	2023-2025	291
			18,340

FINANCIAL INFORMATION

As of December 31, 2021, certain of our Group's bank loans are secured by the property owned by a shareholder of our Group and guaranteed by: (i) a personal guarantee provided by a Shareholder and his spouse of Shenzhen EDA; (ii) a personal guarantee provided by the legal representative of a Shenzhen EDA subsidiary; and (iii) a guarantee provided by third-party financing guarantee corporations.

As of December 31, 2022 and 2023 and March 31, 2024, certain of our Group's bank loans are guaranteed by: (i) a personal guarantee provided by a Shareholder of our Company; (ii) a personal guarantee provided by the legal representative of our Company's subsidiary; and (iii) guarantee provided by a third-party financing guarantee corporations. Those personal guarantee provided by related parties shall be released/replaced by corporate guarantee before Listing.

During the Track Record Period, one of the criteria for the bank loans granted to us is that the security needs to be provided by a Shareholder or his close associate, which our Directors believe is a common lending arrangement with reputable financial institutions. Our Directors confirmed that there will not be any material difference to our finance costs even if no guarantee is provided to our bank loans, as based on our Directors' best knowledge, the interest rate granted to us is determined by the following factors:

1. *The lender's credit rating:* The higher the lender's credit rating, the more willing the banks are able to provide more favorable interest rates.
2. *The purpose of the funds needed and the duration of borrowing arrangement:* The use of loan proceeds and the duration of borrowing arrangement may affect the interest rate. For example, a bank may require a higher interest rate if the loan is used by the lender for a relatively risky project. Also, typically, the banks may provide higher interest rates for loans with longer terms.
3. *The policies of the banks:* Different banks have different policies which may lead to different loan interest rates.
4. *The market interest rate:* The market interest rate will affect the loan interest rates. If market interest rate is high, the bank may require a higher interest rate for the loan to compensate its risk taking.
5. *The economic environment:* Changes in the economic environment will also affect the bank loan interest rates. For example, during a recession, banks may offer more favorable lending rates to support the economy.

FINANCIAL INFORMATION

6. *The size of the lender's business and its financial status:* The size and financial status of the lender may affect the loan interest rates, including whether it can generate consistent income, its cash flow status and its liability status, etc.
7. *The industry risk:* The industry that the lender belongs to may also affect the bank's loan interest rate. For example, if the industry is more risky, the banks may require higher interest rates to compensate the risk.

Furthermore, on the basis that the finance cost from borrowings only accounted for 0.1% of Shenzhen EDA Group's revenue for FY2021, and 0.1% and 0.1% of our Group's revenue for FY2022 and FY2023, respectively. Our Directors believe that we do not rely on only bank loans to finance our operations and our Group/Shenzhen EDA Group would be able to obtain alternative financing method to operate even without the bank loans. As such, the finance costs of our Group will not be materially affected if our Group/Shenzhen EDA Group did not obtain these guaranteed bank loans.

During FY2022, our Group had entered into loan agreements with fellow subsidiary with principal amounts of CAD0.1 million, US\$0.1 million and US\$1.0 million, respectively, to meet the short-term funding needs. The aforesaid loans were unsecured, interest-free, with one year maturity and had been fully settled in March 2023. Despite these loan from fellow subsidiaries were interest-free with maturity of one year, our Group has settled these loans with relatively short duration, which at most last for four months. For illustrative purpose, if the weighted average interest rate of bank borrowings as of December 31, 2023 is used, the imputed interest for FY2022 and FY2023 would be RMB0.1 million and RMB0.3 million, respectively, which accounted for 0.014% and 0.025% of our Group's revenue for respective year. As such, our Directors believed that if our Group had to pay interests for the loan from fellow subsidiaries there will not be any material impact on our finance costs.

As of December 31, 2023, our Group's other borrowings are loan from a third party, *Payoneer*, which is one of the online payment platform operators which we utilized to process our customers' payment and prepayment during the Track Record Period. The loan is unsecured, bear interest at 7.2% and are repayable in one month. Other than collecting payment from our customers through its online payment platform, this platform started to extend its business relationship with us by providing us interest-bearing loan in April 2023. Our Group was able to settle balances with the suppliers in advance through such loan, which was subsequently repaid by remittance that collected by such online payment platform operator through its platform. Such revolving loan has been fully settled by us in August 2023.

As of March 31, 2024, being the latest practicable date for the purpose of indebtedness statement, we had aggregate banking facilities of RMB84.0 million remain unutilized.

FINANCIAL INFORMATION

During the Track Record Period, the bank borrowing agreements were entered into with the lenders under normal standard terms and conditions and do not contain any special restrictive covenants. During the Track Record Period and as of the Latest Practicable Date, none of our lenders had claimed default against us under any of the terms in the bank borrowing agreements.

Our Directors confirm that our Group had not experienced any difficulty in obtaining bank borrowings, default in payment on bank borrowings or breach of finance covenants during the Track Record Period and up to the Latest Practicable Date and that they do not foresee any difficulty in obtaining bank borrowing after the Latest Practicable Date.

Lease liabilities

As of December 31, 2021, our Group recorded lease liabilities, including current and non-current portion, of RMB171.0 million. As of December 31, 2022 and 2023 and March 31, 2024, our Group recorded lease liabilities, including current and non-current portion, of RMB153.8 million, RMB124.4 million and RMB116.3 million, respectively. We recognize a right-of-use asset and a lease liability at the lease commencement date. The relatively higher balance in FY2021 was in line with the balance of right-of-use assets resulting from renewal of and entering into new lease agreements for the warehouses and offices.

Contingent Liabilities

As of the Latest Practicable Date, we were not involved in any legal proceedings pending or, to our knowledge, threatened against our Group which could have a material adverse effect on our business or operations. Our Directors confirm that as of the Latest Practicable Date, we did not have any significant contingent liabilities.

Apart from intra-group liabilities, as of the Latest Practicable Date, our Group did not have any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptable credits, debentures, mortgages, charges, finance leases or hire purchases commitments, guarantees, material covenants, or other material contingent liabilities.

FINANCIAL INFORMATION

CAPITAL EXPENDITURES AND COMMITMENTS

Capital expenditures

Our Group's/Shenzhen EDA Group's capital expenditures principally consist of expenditures on purchase of property, plant and equipment. Shenzhen EDA Group incurred capital expenditures of RMB9.4 million for FY2021. Our Group incurred capital expenditures of RMB1.7 million and RMB1.5 million for FY2022 and FY2023, respectively.

Our Group's projected capital expenditures are subject to revision based upon any future changes in our business plan, market conditions and economic and regulatory environment. See "Future Plans and Use of Proceeds" in this prospectus for further details.

We expect to fund our capital expenditures principally through the net proceeds we receive from the Global Offering and cash generated from our operating activities. We believe that these sources of funding will be sufficient to finance our capital expenditure needs for the next 12 months.

Capital commitments

There is no significant capital commitments outstanding not provided for as of December 31, 2021 and 2022 and 2023.

PROPERTY INTERESTS

Our Directors confirm that, as of the Latest Practicable Date, there were no circumstances that would give rise to a disclosure requirement under Rules 5.01 to 5.10 of the Listing Rules. As of the Latest Practicable Date, our property interests did not form part of our property activities and no single property interest that forms part of our non-property activities has a carrying amount of 15% or more of our total assets.

RELATED PARTY TRANSACTIONS

With respect to the related party transactions set forth in the Accountants' Reports in Appendices IA and IB to this prospectus, our Directors confirm that these transactions were conducted on normal commercial terms or such terms that were no less favorable to our Group than those available to Independent Third Parties and were fair and reasonable and in the interest of our Shareholders as a whole.

FINANCIAL INFORMATION

Certain related party transactions entered into by our Group/Shenzhen EDA Group during the Track Record Period and the balances with Lesso and its subsidiaries and other related parties at the end of each reporting period are set out below. See Note 31 to the Accountants' Report of our Group in Appendix IA and Note 27 to the Accountants' Report of Shenzhen EDA Group in Appendix IB to this prospectus for further details.

(a) Provision of services

During the Track Record Period, our Group/Shenzhen EDA Group generated revenue from the provision of the services set out below which in aggregate amounted to RMB2.7 million, RMB0.2 million and RMB2.5 million, respectively. The following table sets forth a breakdown of revenue derived from related parties by nature of services for the periods indicated:

	Shenzhen EDA Group	Our Group	
	FY2021	FY2022	FY2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Cross-border logistics and warehousing services to			
— Guangzhou LS DiDi Technology Co., Ltd (廣州領尚嘀嗒跨境電商有限公司)	183	—	—
— Liansu Group Company Limited	—	—	2,330
— Foshan Liansu Building Material Trading Co., Ltd.	236	—	214
Technical services in relation to a warehousing management system to			
— Lesso Home Logistics Services L.L.C.	1,255	—	—
— LS DiDi Network Technology Limited.	1,014	—	—
— Sea Lark Technology Co., Ltd. (雀橋科技(深圳)有限公司)	—	189	—
Total	2,688	189	2,544

FINANCIAL INFORMATION

(b) Payment to supplier on behalf of our Group/Shenzhen EDA Group

From October 2021 to January 2023, our Group/Shenzhen EDA Group engaged an independent third party supplier to provide local “last-mile” fulfillment services in the UK through Sea Lark Solution Limited (東南雲雀科技有限公司) (“**Sea Lark Solution**”), a subsidiary of Lesso. Under such arrangement, the contract with the local supplier was entered into between Sea Lark Solution on behalf of our Group/Shenzhen EDA Group and the local supplier.

In March 2021, to cater to our business needs, it had leased a new self-operated warehouse in Blackpool, the United Kingdom (the “**Blackpool Warehouse**”). In October 2021, as the Blackpool Warehouse commenced operations, we sought to engage the said supplier to transport goods from the Blackpool Warehouse to nearby areas. However, under said supplier’s customer management system, to register a new address would require a new customer entity name. As such, due to pressing business needs and for convenience, we devised such temporary arrangement. Payment for such services was made to the supplier from our Group/Shenzhen EDA Group via Sea Lark Solution on a back-to-back basis, and Sea Lark Solution did not derive any profit therefrom. The arrangement has ceased in January 2023. During FY2021 and FY2022, such back-to-back arrangements involved amounts of RMB0.2 million and RMB1.5 million, respectively.

(c) Self-operated warehouse leases

During the Track Record Period, our Group/Shenzhen EDA Group has leased certain self-operated overseas warehouses from Lesso Mall Development (Auburn) Pty Ltd and Lesso Mall Development (Long Island), Inc. for the “last-mile” fulfillment services, in aggregate, amounted to RMB1.5 million, RMB1.9 million and RMB2.0 million, respectively.

(d) Loans from Director

Prior to the Track Record Period, Shenzhen EDA Group has recorded certain amount of accumulated losses and deficiency in assets; for details, please refer to paragraphs headed “Accumulated losses” in this section. Furthermore, it might not be easy for Shenzhen EDA Group to obtain bank loans without much property as securities or personal guarantee provided by Shareholders. In view of the above, our Director, Mr. Liu Young, entered into interest bearing loan agreements with banks and subsequently lend to Shenzhen EDA Group, which was unsecured and with an effective interest rate of 10% per annum. During FY2021, Shenzhen EDA Group has incurred interest expense of RMB0.2 million. As we improved our financial performance gradually, the balance from Mr. Liu Yong has been fully settled in May 2021.

FINANCIAL INFORMATION

(e) Loans to Directors and advance to a Director

During the Track Record Period, our Group/Shenzhen EDA Group has provided loans and advancement to employees, including Directors. Close to end of FY2021, after Shenzhen EDA Group has repaid all of the loans from Directors and the financial performance of Shenzhen EDA Group has improved, it has started to provide loans to employees, including Directors. The following table sets out the breakdown of our balances for the loans and advances to Directors as of the dates indicated:

	Shenzhen EDA Group	Our Group	
	As of December 31,		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Loans and advancement to Directors			
— Mr. Liu Yong	500	9,936	—
— Ms. Li Qin	623	1,423	—
	1,123	11,359	—

All of the loans to Directors have been fully settled as of August 31, 2023; for details of loans to Directors and advance to a Director, see paragraphs headed “Prepayments, deposits and other receivables” to this prospectus.

(f) Short-term borrowings

During FY2022, our Group has entered into loan agreements with Flextrade Holdings Limited, a fellow subsidiary of our Company, pursuant to which we borrowed the principal amounts of CAD0.1 million, US\$0.1 million and US\$1.0 million, respectively, for our short term funding needs. As of December 31, 2022, the loan balance, in aggregate, amounted to RMB6.8 million, which was part of our “other borrowings” as of respective date; for details, please refer to paragraphs headed “Borrowings” in this section. During FY2023, our Group has borrowed from Flextrade Holdings Limited of US\$1.0 million, for our short term funding needs. The aforesaid loans were unsecured, interest-free, with one year maturity and all of them had been fully settled on or before April 2023.

FINANCIAL INFORMATION

(g) Amount due to the immediate holding company and a Shareholder

As of December 31, 2021, 2022 and 2023, our Group has recorded amounts due to the immediate holding company and amount due to a shareholder. The following table sets out the balances of our amounts due to the immediate holding company and amount due to a shareholder as of the dates indicated:

	Shenzhen EDA Group	Our Group		
	As of December 31,			
	2021	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Amount due to the immediate holding company	—	70,144	2,454	—
Amount due to a shareholder.	—	25,132	25,134	—
	—	95,276	27,588	—

These balances were arising from initial investment in and acquisition of Shenzhen EDA Group Lesso; for details, see “History and Corporate Structure — History of Our Business — Initial investment by Lesso” and “History and Corporate Structure — History of Our Business — Acquisition by Lesso”. During FY2022, RMB70.0 million of the amount due to the immediate holding company has been capitalized as deemed capital contribution by way of discharge of liability due to the immediate holding company. The outstanding balance of RMB2.5 million as of December 31, 2022 will be settled before Listing. As for the amount due to a shareholder, RMB25.0 million of the balance has been settled in January 2023 through novation agreement entered between LS Didi, our Company and EDAHK. All of the outstanding balance as of December 31, 2023 has been fully settled. For details, see Note 30(b) in the Accountants’ Report in Appendix IA to this prospectus and the paragraphs headed “Other payables and accruals — Amounts due to the immediate holding company and a shareholder” in this section.

(h) Loan receivables

During FY2022, our Group has provided loan of US\$350,000 to a company, YESY International Limited, which is controlled by Ms. Tang Jiajia, a director of our Group’s subsidiary, at an interest rate of 8.0% and with a maturity of six months. As of December 31, 2022, the loan receivable amounted to RMB2.5 million and the balance was fully settled in January 2023. See paragraphs headed “Prepayments deposits and other receivables” in this section for details.

FINANCIAL INFORMATION

(i) Loan to a fellow subsidiary

In FY2023, a fellow subsidiary, Flextrade Holdings Limited, borrowed two loans from our Group with a carrying amount of US\$1.5 million and US\$1.0 million, respectively. The loans were unsecured, interest-free and had maturity of one year. Both of the loans have been fully settled as of December 31, 2023.

OFF-BALANCE SHEET ARRANGEMENT

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

FINANCIAL RISK MANAGEMENT

See Note 34 to the Accountants' Report of our Group in Appendix IA and Note 31 to the Accountants' Report of Shenzhen EDA Group in Appendix IB to this prospectus for details of financial risk management.

KEY FINANCIAL RATIOS

The following table sets out the key financial ratios of Shenzhen EDA Group and our Group for the years ended or as of each of the dates indicated:

	Shenzhen	Our Group	
	EDA Group	FY2022	FY2023
Gross profit margin (%) ⁽¹⁾	16.9	15.0	16.3
Net profit margin (%) ⁽²⁾	7.3	5.1	5.7
Adjusted net profit margin (Non-HKFRS measure) (%) ⁽³⁾	7.3	5.2	7.6
Adjusted EBITDA margin (Non-HKFRS measure) (%) ⁽⁴⁾	15.2	13.5	13.0

Notes:

- (1) Gross profit margin was calculated on gross profit divided by revenue for the respective year. See “— Review of Historical Results of Operation” in this section for further details on the gross profit margins.
- (2) Net profit margin was calculated on profit for the year divided by revenue for the respective year. See the section headed “— Review of Historical Results of Operation” for further details on the net profit margins.
- (3) Adjusted net profit margin (non-HKFRS measure) was calculated based on adjusted net profit (non-HKFRS measure) divided by revenue for the respective year and multiplied by 100%. See “— Non-HKFRS measure” in this section for further details on the adjusted net profit (non-HKFRS measure).

FINANCIAL INFORMATION

- (4) Adjusted EBITDA margin (non-HKFRS measure) was calculated based on adjusted EBITDA (non-HKFRS measure) divided by revenue for the respective year and multiplied by 100%. See “— Non-HKFRS measure” in this section for further details on the adjusted EBITDA (non-HKFRS measure).

DISCLOSURE REQUIRED UNDER THE LISTING RULES

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

LISTING EXPENSES

Based on the mid-point Offer Price of HK\$2.67 per share, the total estimated listing expenses in relation to the Global Offering is approximately HK\$57.7 million (equivalent to RMB52.4 million), assuming the Over-allotment Option is not exercised. Excluding the listing expense of HK\$0.6 million (equivalent to RMB0.5 million) and HK\$24.8 million (equivalent to RMB22.5 million) already expensed in 2022 and FY2023, the total listing expense of HK\$32.3 million (equivalent to RMB29.4 million) is to be deducted from gross proceeds from Global Offering of approximately HK\$260.7 million (equivalent to RMB236.9 million), accounting for approximately 12.4% of our gross proceeds from the Global Offering. Out of the listing expense to be charged in 2024, we estimate approximately HK\$8.6 million (equivalent to RMB7.8 million) will be charged to our consolidated statement of profit or loss for full year of 2024. The remaining balance of approximately HK\$23.7 million (equivalent to RMB21.5 million) is expected to be accounted for as a deduction from equity upon the completion of the Global Offering.

DIVIDENDS AND DIVIDEND POLICY

In March 2023, we declared a dividend in the aggregate amount of RMB23.0 million, all of which was settled in cash by April 2023.

Declaration of dividends is subject to the discretion of our Directors, depending on our results of operations, cash flows, financial position, statutory and regulatory restrictions on the dividends paid by us, future prospects, as well as any other factors which our Directors may consider relevant. We have no policy for future dividend payments. Our Board has absolute discretion as to whether to declare any dividend for any year, and in what amount. We are a holding company incorporated under the laws of the Cayman Islands. As a result, the payment and amount of any future dividend will also depend on the availability of dividends received from our subsidiaries.

FINANCIAL INFORMATION

The amounts of distributions that we have declared and made in the past do not indicate the dividends that we may pay in the future. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and applicable laws and regulations.

DISTRIBUTABLE RESERVES

Our Company was incorporated in the Cayman Islands on September 17, 2020. There were no reserves available for distribution to the Shareholders as of December 31, 2023.

ACCUMULATED LOSSES

Since its incorporation 10 years ago, Shenzhen EDA Group has undergone various business development stages to establish itself as a profitable supply chain solutions service provider. Prior to the Track Record Period, Shenzhen EDA Group mainly adopted the direct-shipping model in its solutions and was in a loss position for several years. Since 2016, Shenzhen EDA Group started to explore more business opportunities by utilizing the pre-sale stocking model, and thus, it incurred initial costs to establish its logistics network, which includes engaging various warehouses and service providers at a higher cost, including the commencement of operations in Europe in 2016 and Australia in 2019. In 2019, Shenzhen EDA Group also began to utilize the asset-light model, pursuant to which it began to engage more partnered warehouses instead of leasing its own warehouses in order to keep the fixed costs low, which contributed to the significant improvement in profitability in the years after. Further, as Shenzhen EDA Group aim to position itself as a supply chain solutions provider with digitalized operations, it invested significant resources on the development and application of technologies which has yet generated sufficient immediate revenue to cover its then R&D expenses. Further, its initial smaller business scale contributed to a diseconomies of scale and the efforts dedicated to expand the logistics network led to its accumulated losses prior to the Track Record Period. As such, throughout these few years, Shenzhen EDA Group has developed certain good reputation through the word-of-mouth in the market through its customer base; as of January 1, 2021, Shenzhen EDA Group had recorded accumulated losses of RMB77.6 million and deficiency in assets of RMB10.5 million, respectively.

Following the outbreak of COVID-19, there was increasing demand for online shopping, which drove the demand for B2C export e-commerce supply chain solutions to rise significantly. To the best knowledge of our Directors, our Group/Shenzhen EDA Group was able to capture the growth of B2C export e-commerce industry primarily due to the word-of-mouth that it has developed as well as the extensive warehouse network equipped with advanced technology so that the customers can ensure supply chain visibility through the EDA Cloud platform, that was highly appreciated when the relevant shipping information was relatively less transparent. Afterwards, Shenzhen EDA Group has recorded significant increase in service volume in ocean logistics and number of orders for “last-mile” fulfillment services in 2020 as compared to those of 2019 and

FINANCIAL INFORMATION

eventually, enabled it to improve its financial performance. As for the service charges per FEU and tonne, it is market driven and goes up when there a significant shipping demand or limited supply in the market. As confirmed with Frost & Sullivan, the outbreak of COVID-19 since 2020 may drive up the freight rate from suppliers as compared to that of FY2019, hence, the service charges per FEU and tonne increased from 2019 to 2020. Concerning the service charges per order delivered, it is driven by the market prices of local delivery services and affected by the product dimension and weight. As confirmed with Frost & Sullivan and our Directors, the outbreak of COVID-19 in 2020 has led to change of consumer behaviors towards online shopping, which drove up the demand of local delivery services. As the service charges have taken market prices of local delivery services into consideration, the service charges per order delivered increased from 2019 to 2020.

Shenzhen EDA Group began to make profit since 2020 owing to (i) the growth of customer base, especially core customers (i.e. customers with which we dedicate specialized sales effort owing to the fact that they are customers which contribute more than RMB3 million to the revenue for the year), which increased from 40 in FY2021 to 49 in FY2022 and further to 58 in 2023; for details on how our Group/Shenzhen EDA Group procured its new core customers, please refer to “Business — Competitive Strength — A broad and high-quality customer base with long-term relationships” and (ii) the growth in the number of orders delivered to end consumers, leading to the number increased from 3.0 million for FY2021 to 3.1 million for FY2022. As a result, net profits recognized by Shenzhen EDA Group in FY2020 and FY2021 together with capital injection as well as capital contributions from equity holders would offset the accumulated losses brought forward in prior years and resulted in the retained earnings of RMB85.5 million as of December 31, 2021.

UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

See “Unaudited Pro Forma Financial Information” in Appendix II to this prospectus for our unaudited pro forma adjusted consolidated net tangible assets.

RECENT DEVELOPMENT AND NO MATERIAL ADVERSE CHANGE

After due and careful consideration, our Directors confirm that, up to the date of this prospectus, there has been no material adverse change in our financial or trading position or prospects since December 31, 2023 (being the date to which our Company’s latest consolidated audited financial results were prepared) and there have been no events since December 31, 2023 which would materially affect the information shown in the Accountants’ Report of our Group, the text of which is set out in Appendix IA to this prospectus.