

The following is the text of a report set out on pages [I-1] to [I-61] received from the Company’s reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this Document.



ACCOUNTANTS’ REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF DIDA INC., CHINA INTERNATIONAL CAPITAL CORPORATION HONG KONG SECURITIES LIMITED, HAITONG INTERNATIONAL CAPITAL LIMITED AND NOMURA INTERNATIONAL (HONG KONG) LIMITED

Introduction

We report on the historical financial information of Dida Inc. (the “Company”) and its subsidiaries (together, the “Group”) set out on pages [I-3] to [I-61], which comprises the consolidated statements of financial position of the Group as at 31 December 2021, 2022 and 2023, the statements of financial position of the Company as at 31 December 2021, 2022 and 2023 and the consolidated statements of profit or loss and other comprehensive expense, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the three years ended 31 December 2023 (the “Track Record Period”) and a summary of material accounting policy information and other explanatory information (together, the “Historical Financial Information”). The Historical Financial Information set out on pages [I-3] to [I-61] forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [date] (the “Document”) in connection with the initial [REDACTED] of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

Directors’ responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants’ responsibility

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

APPENDIX I

ACCOUNTANTS’ REPORT

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants’ judgment, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity’s preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Company, as well as evaluating the overall presentation of the Historical Financial Information.

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

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants’ report, a true and fair view of the Group’s financial position as at 31 December 2021, 2022 and 2023, of the Company’s financial position as at 31 December 2021, 2022 and 2023, and of the Group’s financial performance and cash flows for the Track Record Period in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

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

Dividends

We refer to Note 16 to the Historical Financial Information which contains information about the dividends declared and paid by the Company in respect of the Track Record Period and states that no dividend has been declared or paid by the Company in respect of the Track Record Period.

[Deloitte Touche Tohmatsu]

Certified Public Accountants

Hong Kong

[DATE]

APPENDIX I

ACCOUNTANTS’ REPORT

HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Preparation of Historical Financial Information

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

The consolidated financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, have been prepared in accordance with the accounting policies which conform with International Financial Reporting Standards (“IFRSs”) issued by International Accounting Standards Board (the “IASB”) and were audited by us in accordance with International Standards on Auditing issued by International Auditing and Assurance Standards Board (the “Underlying Financial Statements”).

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

APPENDIX I

ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE (EXPENSE) INCOME

	Notes	Year ended 31 December		
		2021	2022	2023
		RMB’000	RMB’000	RMB’000
Revenue	6	780,583	569,078	815,085
Cost of services		(149,319)	(141,515)	(209,714)
Gross profit		631,264	427,563	605,371
Other income	7	8,351	15,570	19,551
Other gains and losses	8	2,423	4,379	6,670
Impairment losses under expected credit loss model, net of reversal	10	(670)	(1,161)	1,441
Selling and marketing expenses		(255,867)	(234,941)	(233,647)
Administrative expenses		(26,842)	(35,330)	(31,980)
Research and development expenses		(60,071)	(88,995)	(121,699)
Change in fair value of preferred shares	25	1,521,173	(234,138)	209,282
Share-based payment expenses	28	(22,725)	(29,804)	(110,351)
Finance costs	9	(274)	(230)	(285)
[REDACTED]		(5,484)	(8,397)	(24,102)
Profit (loss) before taxation		1,791,278	(185,484)	320,251
Income tax expense	11	(60,272)	(2,147)	(19,867)
Profit (loss) for the year	12	1,731,006	(187,631)	300,384
Other comprehensive (expense) income				
Item that will not be reclassified to profit or loss				
Fair value change on preferred shares attributable to changes in credit risk		(637)	(3,224)	163
Total comprehensive income (expense) for the year		1,730,369	(190,855)	300,547
Earnings (loss) per share				
– Basic (RMB)	15	5.26	(0.59)	0.93
– Diluted (RMB)	15	0.22	(0.59)	0.10

APPENDIX I

ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	At 31 December		
		2021	2022	2023
		RMB’000	RMB’000	RMB’000
Non-current assets				
Property and equipment	17	16,470	10,351	8,022
Right-of-use assets	18	1,244	5,466	5,184
Deferred tax assets	27	106,649	104,502	84,635
Other non-current assets		53	1,193	516
		<u>124,416</u>	<u>121,512</u>	<u>98,357</u>
Current assets				
Trade receivables	20	34,714	20,096	11,890
Prepayments, deposits and other receivables	21	46,736	28,443	38,124
Financial assets at fair value through profit or loss	19	220,308	150,740	352,834
Restricted cash	22	289,144	277,775	386,632
Bank balances and cash	22	486,299	663,230	685,522
		<u>1,077,201</u>	<u>1,140,284</u>	<u>1,475,002</u>
Current liabilities				
Trade and other payables	23	531,670	511,349	622,225
Lease liabilities	24	563	4,548	2,565
Contract liabilities		136	96	–
Convertible redeemable preferred shares	25	2,342,487	4,465,607	4,256,162
		<u>2,874,856</u>	<u>4,981,600</u>	<u>4,880,952</u>
Net current liabilities		<u>(1,797,655)</u>	<u>(3,841,316)</u>	<u>(3,405,950)</u>
Total assets less current liabilities		<u>(1,673,239)</u>	<u>(3,719,804)</u>	<u>(3,307,593)</u>
Non-current liabilities				
Lease liabilities	24	342	586	1,899
Convertible redeemable preferred shares	25	1,885,758	–	–
		<u>1,886,100</u>	<u>586</u>	<u>1,899</u>
Net liabilities		<u>(3,559,339)</u>	<u>(3,720,390)</u>	<u>(3,309,492)</u>
Capital and reserves				
Share capital	26	224	224	212
Reserves		<u>(3,559,563)</u>	<u>(3,720,614)</u>	<u>(3,309,704)</u>
Total equity		<u>(3,559,339)</u>	<u>(3,720,390)</u>	<u>(3,309,492)</u>

APPENDIX I

ACCOUNTANTS’ REPORT

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

	Notes	At 31 December		
		2021	2022	2023
		RMB’000	RMB’000	RMB’000
Non-current assets				
Interest in a subsidiary	37	1,689,752	1,719,556	1,829,907
Amount due from a subsidiary	36	19,634	176,220	181,964
		<u>1,709,386</u>	<u>1,895,776</u>	<u>2,011,871</u>
Current assets				
Prepayments, deposits and other receivables .	21	–	1,453	4,838
Bank balances and cash		2,524	2,067	174
		<u>2,524</u>	<u>3,520</u>	<u>5,012</u>
Current liabilities				
Trade and other payables	23	1,945	10,799	10,488
Convertible redeemable preferred shares . . .	25	2,342,487	4,465,607	4,256,162
		<u>2,344,432</u>	<u>4,476,406</u>	<u>4,266,650</u>
Net current liabilities		<u>(2,341,908)</u>	<u>(4,472,886)</u>	<u>(4,261,638)</u>
Total assets less current liabilities		<u>(632,522)</u>	<u>(2,577,110)</u>	<u>(2,249,767)</u>
Non-current liability				
Convertible redeemable preferred shares . . .	25	1,885,758	–	–
		<u>1,885,758</u>	<u>–</u>	<u>–</u>
Net liabilities		<u>(2,518,280)</u>	<u>(2,577,110)</u>	<u>(2,249,767)</u>
Capital and reserves				
Share capital	26	224	224	212
Reserves	35	(2,518,504)	(2,577,334)	(2,249,979)
Total equity		<u>(2,518,280)</u>	<u>(2,577,110)</u>	<u>(2,249,767)</u>

APPENDIX I

ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company							
	Share capital	Treasury stock	Share premium	Other reserves (Note i)	Share-based payment reserves	Fair value through other comprehensive income reserve	Accumulated losses	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
At 1 January 2021	224	(13)	210,053	(15,901)	13,316	(184,505)	(5,273,987)	(5,250,813)
Profit for the year	-	-	-	-	-	-	1,731,006	1,731,006
Other comprehensive expense for the year	-	-	-	-	-	(637)	-	(637)
Total comprehensive (expense) income for the year	-	-	-	-	-	(637)	1,731,006	1,730,369
Share-based payment expenses	-	-	-	-	22,725	-	-	22,725
Repurchase of ordinary shares and transfer to treasury stock (Note ii)	-	(144,165)	-	82,545	-	-	-	(61,620)
Vest of restricted shares and exercise of share options	-	1	6,844	-	(6,845)	-	-	-
At 31 December 2021	224	(144,177)	216,897	66,644	29,196	(185,142)	(3,542,981)	(3,559,339)
Loss for the year	-	-	-	-	-	-	(187,631)	(187,631)
Other comprehensive expense for the year	-	-	-	-	-	(3,224)	-	(3,224)
Total comprehensive expense for the year	-	-	-	-	-	(3,224)	(187,631)	(190,855)
Share-based payment expenses	-	-	-	-	29,804	-	-	29,804
Vest of restricted shares and exercise of share options	-	1	11,011	-	(11,012)	-	-	-
At 31 December 2022	224	(144,176)	227,908	66,644	47,988	(188,366)	(3,730,612)	(3,720,390)

APPENDIX I

ACCOUNTANTS’ REPORT

	Attributable to owners of the Company							
	Share capital	Treasury stock	Share premium	Other reserves (Note i)	Share-based payment reserves	Fair value through other comprehensive income reserve	Accumulated losses	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Profit for the year	-	-	-	-	-	-	300,384	300,384
Other comprehensive income for the year	-	-	-	-	-	163	-	163
Total comprehensive income for the year	-	-	-	-	-	163	300,384	300,547
Share-based payment expenses	-	-	-	-	110,351	-	-	110,351
Cancellation of shares (Note ii)	(12)	144,165	(61,608)	(82,545)	-	-	-	-
Transfer out of treasury stock (Note iii)	-	3	-	(3)	-	-	-	-
Vest of restricted shares and exercise of share options (Note iv)	-	1	34,448	60,340	(94,789)	-	-	-
At 31 December 2023	<u>212</u>	<u>(7)</u>	<u>200,748</u>	<u>44,436</u>	<u>63,550</u>	<u>(188,203)</u>	<u>(3,430,228)</u>	<u>(3,309,492)</u>

Note i: Other reserves as at 1 January 2021 mainly represent repurchase of ordinary shares and the issuance of ordinary shares with nil consideration before the Track Record Period.

Note ii: On 24 August 2021, the Company repurchased 19,174,874 ordinary shares from 5brothers Limited at the price of US\$0.50 per share (the aggregate consideration of US\$9,500,000 in total, approximately RMB61,620,000) and reserved as treasury stock for share incentive. This transaction is accounted for as an equity transaction, with difference between consideration paid and the fair value of ordinary shares at the transaction date (US\$0.66 per share) recorded in other reserves. On 31 March 2023, the Company cancelled all repurchased shares of 19,174,874 shares.

Note iii: On 31 March 2023, as approved by the shareholders of the Company, 4,347,500 shares originally contributed and donated by 5brothers Limited (a company owned by five executive directors of the Company, including Mr. Song, the founder and chief executive officer of the Company) for share incentive schemes were returned and transferred back to Mr. Song through 5brothers Limited. The transaction is accounted for as share-based compensation to Mr. Song.

Note iv: The amount recorded in other reserves represents shares to be issued in relation to the 2023 Grants as details disclosed in Note 28.

APPENDIX I

ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended 31 December		
	2021	2022	2023
	RMB’000	RMB’000	RMB’000
OPERATING ACTIVITIES			
Profit (loss) before taxation	1,791,278	(185,484)	320,251
Adjustments for:			
Depreciation of property and equipment	9,230	7,320	5,109
Depreciation of right-of-use assets	3,577	4,324	6,154
(Gain) loss on disposal of property and equipment	(31)	16	(26)
Impairment losses under expected credit loss model, net of reversal	670	1,161	(1,441)
Provision for litigation loss	1,100	186	–
Finance costs	274	230	285
Change in fair value of preferred shares	(1,521,173)	234,138	(209,282)
Interest income from bank balances and restricted cash	(5,350)	(13,299)	(16,313)
Gain on fair value changes of financial assets at fair value through profit or loss	(5,052)	(5,002)	(7,094)
Share-based payment expenses	22,725	29,804	110,351
Foreign exchange loss (gain)	1,867	(393)	(29)
Operating cash flows before movement of working capital	299,115	73,001	207,965
(Increase) decrease in restricted cash	(51,176)	11,369	(108,857)
(Increase) decrease in trade receivables	(4,792)	13,377	9,626
Decrease (increase) in prepayments, deposits and other receivables	1,609	18,524	(6,151)
Decrease (increase) in other non-current assets . . .	1,043	(1,591)	1,174
(Decrease) increase in trade payables	(322)	(2,074)	14,567
(Decrease) increase in other payables and accrued expenses	(114,900)	(18,474)	95,679
Decrease in contract liabilities	(515)	(40)	(96)
Cash generated from operations	130,062	94,092	213,907
Interest received	5,350	13,299	16,313
NET CASH FROM OPERATING ACTIVITIES	135,412	107,391	230,220

APPENDIX I

ACCOUNTANTS’ REPORT

	Year ended 31 December		
	2021	2022	2023
	RMB’000	RMB’000	RMB’000
INVESTING ACTIVITIES			
Purchase of property and equipment	(5,900)	(1,194)	(2,168)
Proceeds from disposal of property and equipment	53	18	44
Proceed from disposal of financial assets at fair value through profit or loss	545,571	874,570	–
Purchase of financial assets at fair value through profit or loss	(640,000)	(800,000)	(195,000)
Payments for rental deposits	(70)	(48)	(568)
Proceeds from rental deposits	–	410	–
Payments for right-of-use assets	–	(1,094)	(15)
NET CASH (USED IN) FROM INVESTING ACTIVITIES	(100,346)	72,662	(197,707)
FINANCING ACTIVITIES			
Interest paid	(274)	(230)	(285)
Repayments of lease liabilities	(4,211)	(3,134)	(6,456)
Payments of issue costs	(1,104)	(151)	(3,509)
Repurchase of ordinary shares	(61,620)	–	–
NET CASH USED IN FINANCING ACTIVITIES	(67,209)	(3,515)	(10,250)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(32,143)	176,538	22,263
Effects of foreign exchange rate changes	(1,867)	393	29
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	520,309	486,299	663,230
CASH AND CASH EQUIVALENTS AT END OF THE YEAR			
represented by bank balances and cash	486,299	663,230	685,522

APPENDIX I

ACCOUNTANTS’ REPORT

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. GENERAL INFORMATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 11 July 2014 under the Companies Act of the Cayman Islands. The addresses of the registered office and the principal place of business are disclosed in the section headed “Corporate Information” in the Document. 5brothers Limited is the ultimate controlling shareholder of the Company as of the date of this report.

The Company is an investment holding company. The Company and its subsidiaries (the “Group”) are principally engaged in the provision of carpooling marketplace services and taxi related services in the People’s Republic of China (the “PRC”).

The Historical Financial Information is presented in RMB, which is also the functional currency of the Company and its subsidiaries in the PRC.

No statutory financial statements of the Company have been prepared since its date of incorporation as it is incorporated in a jurisdiction where there is no statutory audit requirement.

2. BASIS OF PREPARATION OF HISTORICAL FINANCIAL INFORMATION

The Historical Financial Information have been prepared based on the accounting policies which conform with International Financial Reporting Standards (“IFRSs”) issued by the International Accounting Standards Board (the “IASB”). In addition, the Historical Financial Information include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “Listing Rules”) and by the Hong Kong Companies Ordinance (the “Companies Ordinance”).

As at 31 December 2023, the Group had net current liabilities of RMB3,405,950,000 and net liabilities of RMB3,309,492,000. The net current liabilities and net liabilities primarily arise from the convertible redeemable preferred shares (the “Preferred Shares”) amounting RMB4,256,162,000 as at 31 December 2023, which were classified as current liability. As disclosed in Note 25, the Preferred Shares shall automatically be converted into ordinary shares upon the [REDACTED], and in February 2024, the Company and the holders of the Preferred Shares have entered into a supplemental agreement, pursuant to which the holders of the Preferred Shares could request for redemption before 1 January 2025 only under certain circumstances. The directors of the Company have determined that these certain circumstances are not probably to be triggered and there will be no cash outflow from redemption of these Preferred Shares within 12 months since 31 December 2023. In addition, the Group has performed a working capital forecast for the next twelve months. Taking into account the financial resources available to the Group, including cash and cash equivalents on hand, and the supplementary agreement on the Preferred Shares and the automatic conversion of the Preferred Shares upon the [REDACTED] as above, the directors of the Company believe that the Group will have sufficient cash resources to satisfy its future working capital in the next twelve months from 31 December 2023. Accordingly, the directors of the Company consider that it is appropriate that the Historical Financial Information is prepared on a going concern basis.

Contractual Arrangements

Due to the restrictions imposed by the relevant laws and regulatory regime of the PRC on foreign ownership of companies engaged in the travel platform provision services, the Group conducts a substantial portion of the business through Beijing Changxing Information Technology Co., Ltd. (北京暢行信息技術有限公司 or “Changxing”) in the PRC. On 4 December 2014, the wholly-owned subsidiary of the Company, Pintu (Beijing) Information Technology Co., Ltd. (拼途(北京)信息技術有限公司 or “Pintu”), has entered into a series of contractual arrangements (the “Contractual Arrangement” as amended in September 2020), with Changxing and its respective equity holders, including exclusive business cooperation agreement, exclusive option agreement, exclusive asset acquisition agreement, equity pledge agreement, power of attorney and loan agreement. The Contractual Arrangements enable Pintu and the Company to:

- expose, or has rights, to variable returns from its involvement with the investee and has ability to affect those returns through its power over Changxing;
- exercise effective financial and operational control over of Changxing;
- irrevocably exercise equity holders’ controlling voting rights of Changxing;
- receive substantially all of the economic interest returns generated by Changxing in consideration for the business support, technical and consulting services provided by Pintu. Pintu has obligation to grant interest-free loans to the respective equity holders of Changxing with the sole purpose of providing funds necessary for the capital contribution to Changxing;

APPENDIX I

ACCOUNTANTS’ REPORT

- obtain an irrevocable and exclusive right to purchase all or part of equity interests in Changxing from the respective equity holders at a minimum purchase price permitted under PRC Laws. Pintu may exercise such options at any time until it has acquired all equity interests and/or all assets of the Changxing. In addition, Changxing are not allowed to sell, transfer, or dispose any assets, or make any distributions to their equity holders without prior consent of Pintu; and
- obtain a pledge over the entire equity interests of Changxing from their equity holders as collateral security for all of Changxing’s payments due to Pintu and to secure performance of Changxing’s obligations under the Contractual Arrangements.

The Group does not have any equity interest in Changxing. However, as a result of the Contractual Arrangements, the Group has power over Changxing, has rights to variable returns from its involvement with Changxing and has the ability to affect those returns through its power over Changxing and is therefore considered to have control over Changxing. Consequently, the Company regards Changxing as an indirect subsidiary for accounting purpose. The Company consolidated the financial position and the results of operation of Changxing during the Track Record Period.

Total assets of Changxing were RMB1,036,717,000, RMB1,123,158,000 and RMB830,330,000 as of 31 December 2021, 2022 and 2023 respectively, and these balances have been reflected in the Group’s consolidated financial statements with intercompany balances and transactions between Changxing and other entities within the Group eliminated.

Total revenue of Changxing was RMB780,507,000, RMB569,078,000 and RMB815,085,000 for the years ended 31 December 2021, 2022 and 2023, respectively, and these amounts have been reflected in the Group’s consolidated financial statements with intercompany balances and transactions between Changxing and other entities within the Group eliminated.

3. APPLICATION OF NEW AND AMENDMENTS TO IFRSs

For the purpose of preparing and presenting the Historical Financial Information for the Track Record Period, the Group has consistently applied the International Accounting Standards (“IASs”), IFRSs, amendments to IFRSs and the related interpretations issued by the IASB that are effective for the accounting period beginning on 1 January 2023 throughout the Track Record Period.

New and amendments to IFRSs in issue but not yet effective

At the date of this report, the Group has not early applied the following new and amendments to IFRS Standards that have been issued but are not yet effective:

Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ²
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback ¹
Amendments to IAS 1	Classification of Liabilities as Current or Non-current ¹
Amendments to IAS 1	Non-current Liabilities with Covenants ¹
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements ¹
Amendments to IAS 21	Lack of Exchangeability ³

¹ Effective for annual periods beginning on or after 1 January 2024

² Effective for annual periods beginning on or after a date to be determined

³ Effective for annual periods beginning on or after 1 January 2025.

The directors of the Company anticipate that the application of all other new and amendments to IFRSs will have no material impact on the Group’s financial positions and performance set out in the Historical Financial Information in the foreseeable future.

APPENDIX I

ACCOUNTANTS’ REPORT

4. MATERIAL ACCOUNTING POLICY INFORMATION

The Historical Financial Information have been prepared in accordance with accounting policies which conform with IFRSs issued by the IASB. In addition, the Historical Financial Information include applicable disclosures required by the Listing Rules and the Companies Ordinance.

Basis of consolidation

The Historical Financial Information incorporates the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statements of profit or loss and other comprehensive income from the date the Group gains controls until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group’s accounting policies.

All intra-group assets, liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Investment in a subsidiary

Investment in a subsidiary is included in the Company’s statements of financial position at cost less accumulated losses, if any.

Revenue from contracts with customers

Revenue from providing carpooling marketplace services

The Group generates its revenue from its carpooling marketplace that connects drivers and riders. Revenue represents service fees from private car owners (the “Private Car Owners”) for use of the Group’s online platform and related activities to find the riders (the “Carpooling Riders”) to facilitate and successfully complete rides via the Dida Mobility App (collectively referred as the “carpooling marketplace services”). Private Car Owners accept the terms and conditions with the Group to receive the carpooling marketplace services through the use of the Dida Mobility App. The terms and conditions defines the fees the Group charges the Private Car Owners for each transaction, each party’s rights and obligations regarding the carpooling marketplace services and payment terms. As the Company’s customary business practice, a contract exists between the Private Car Owners and the Group when both Private Car Owners and the Carpooling Riders confirm the trip and the Group collects prepayment for the trip fare from the Carpooling Riders on behalf of the Private Car Owners. The duration of a contract is typically equal to the duration of a single ride. The Group does not earn any fees from the Carpooling Riders to access the App nor has any obligation to the Carpooling Riders to provide the ride.

The Group provides a service to the Private Car Owners to complete a successful transportation service for riders. The Group’s performance obligation is to arrange for the provision of the carpooling rides rather than providing the carpooling rides itself, therefore the Group considers itself as an agent and recognizes revenue on a net basis which represent the fee charged by the Group to the Private Car Owners. The service assists the Private Car Owners to find, receive and fulfill on-demand requests from Carpooling Riders seeking transportation services and complete related collection activities, using

APPENDIX I

ACCOUNTANTS’ REPORT

the Dida Mobility App. These activities are not distinct from each other and are not separate performance obligations. As a result, the Group’s single performance obligation in the transaction is to connect Private Car Owners with Carpooling Riders to facilitate the completion of a successful transportation service for riders.

The Group earns fees from the Private Car Owners as a fixed amount predetermined based on the expected trip distance plus a minimum fee per transaction. As there is only one performance obligation in the transaction, there is no allocation of the transaction price. The Group recognises revenue at a point in time upon completion of a trip, at which time the performance obligation is satisfied.

Revenue from providing taxi related services

The Group also provides taxi online-hailing services to taxi drivers (the “Taxi Drivers”) to find passengers who are looking for a taxi ride (the “Taxi Riders”) and the Group considers the Taxi Drivers as customers of the taxi online-hailing services. Taxi Drivers accept the terms and conditions with the Group to receive the taxi online-hailing services through the use of the Dida Mobility App. The terms and conditions defines the fees the Group charges the Taxi Drivers for each transaction, each party’s rights and obligations regarding the taxi online-hailing services and payment terms. As the Group’s customary business practice, a contract exists between the Taxi Drivers and the Group when the Taxi Drivers confirms taxi online-hailing request from Taxi Riders. The duration of a contract with a customer is typically equal to the duration of a single ride.

The Group provides service to the Taxi Drivers to assist them to complete transportation service to the Taxi Riders. The Group’s performance obligation is to arrange for the provision of the taxi services rather than providing the taxi service itself, therefore the Group considers itself as an agent and recognizes revenue on a net basis which represent the fee charged by the Group to the Taxi Drivers. The service includes on-demand lead generation that assists the Taxi Drivers to find, receive and fulfill on-demand requests from riders seeking transportation services and related collection activities, using the Dida Mobility App. These activities are not distinct from each other and are not separate performance obligations. As a result, the Group’s single performance obligation in the transaction is to connect drivers with riders to facilitate the completion of a successful transportation service for riders.

The Group earns fees from the Taxi Drivers as a fixed amount predetermined based on the expected trip distance and plus a minimum fee per transaction. As there is only one performance obligation in the transaction, there is no allocation of the transaction price. The Group recognises revenue at a point in time upon completion of a taxi trip, at which time the performance obligation is satisfied.

Advertising and related services

The Group also offers display-based marketing services in the form of banners, and textual or graphical marketer’s link and performance-based marketing services. For display-based marketing services, the marketers pay the Group based on the period their advertisements are displayed on the Group’s mobile applications and revenue is recognised on a pro-rata basis over the contractual service period. For performance-based marketing services, revenue is recognised when relevant specified performance measures are fulfilled. As the advertising services are provided through the advertising spaces generated by the Group’s own mobile application, therefore the Group considers itself as a principal when providing advertising services and recognizes revenue on a gross basis.

Driver Subsidy and User Incentive Programs

The Group offers subsidies to attract Private Car Owners and Taxi Drivers and the Group offers incentives to attract riders for the carpooling marketplace services and the taxi online-hailing services to use the Dida Mobility App. Private Car Owners and Taxi Drivers generally receive cash subsidies while riders generally receive discounted rides incentives under such programs.

Subsidies to Private Car Owners and Taxi Drivers

The Group offers various subsidies programs to Private Car Owners and Taxi Drivers, such as volume/performance-based subsidies payments. Volume-based subsidies payments represent subsidies granted upon completion of certain number of trips by the drivers, and performance-based subsidies payments represent subsidies granted upon completion of trips which met certain criteria, such as completing trips during the traffic peak or referral of new drivers or riders.

APPENDIX I

ACCOUNTANTS’ REPORT

Volume-based subsidies are similar to retrospective volume-based rebates and represent variable consideration that is typically settled within a week. Performance-based subsidies are granted upon completion of a trip which met certain criteria. Given Private Car Owners and Taxi Drivers are customers of the Group, the subsidies paid to them are consideration payable to customers under IFRS 15 *Revenue from Contracts with Customers*, and therefore such subsidies are recorded as a reduction to revenue since the Group does not receive a distinct good or service in exchange for the payment or cannot reasonably estimate the fair value of the good or service received.

For those performance-based subsidies granted for referral of new drivers or riders, these subsidies are considered as payments in exchange of distinct services and are accounted for as user acquisition costs are recorded as selling and marketing expenses.

When the amount of these subsidies granted to Private Car Owners or Taxi Drivers exceeds the revenue earned by the Group on an order by order basis, the excess incentive over revenue are recorded in cost of services.

When no service fee is charged by the Group, incentives granted to Taxi Drivers are recorded in selling and marketing expenses.

Rider Incentives

The Group has several rider incentive programs in the form of cash coupon or discount voucher, which are offered to encourage riders to use the Dida Mobility App. An example is a promotion where the Group offers a number of discounted rides (capped at a given number of rides) which are valid only during a limited period of time to a targeted group of riders. During the promotion period, riders not utilising an incentive would be charged the full fare. Riders are not customers of the Group under IFRS 15 which defines customer as a party that has contracted with an entity to obtain goods or services that are an output of the entity’s ordinary activities in exchange for consideration. Therefore such incentive granted to riders are not consideration payable to customers and are not within the scope of IFRS 15. These incentives are included in selling and marketing expense. These incentives reduce the amount collected from riders (on behalf of the Private Car Owners or Taxi Drivers), but not reduce the amount payable to the Private Car Owners or Taxi Drivers, as a result the Group bears the cost of such incentives. The Group recognises the cost of incentives granted to riders as selling and marketing expense when the rider redeems cash coupon or discount voucher.

Research and development expenses

Expenditure on research activities is recognised as an expense in the period in which it is incurred. When no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

Employee benefits

In accordance with the rules and regulations in the PRC, the PRC based employees of the Group participate in various defined contribution retirement benefit plans organised by the relevant municipal and provincial governments in the PRC under which the Group and the PRC based employees are required to make monthly contributions to these plans calculated as a percentage of the employees’ salaries.

The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees’ payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post-retirement benefits of its employees. The assets of these plans are held separately from those of the Group in independently administrated funds managed by the PRC government.

The Group’s contributions to the defined contribution retirement schemes are expensed as incurred.

APPENDIX I

ACCOUNTANTS' REPORT

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expenses unless another IFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages, salaries and annual leave) after deducting and amount already paid.

Share-based payments

Equity-settled share-based payment transactions

Shares/Share options granted to employees

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share-based payment reserves). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share-based payment reserves.

When share options are exercised, the amount previously recognised in share-based payment reserves will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share-based payments reserve will continue to be held in share-based payment reserves.

When shares granted are vested, the amount previously recognised in share-based payment reserves will be transferred to share premium.

Modification to the terms and conditions of the share-based payment arrangements

When the terms and conditions of an equity-settled share-based payment arrangement are modified, the Group recognises, as a minimum, the services received measured at the grant date fair value of the equity instruments granted, unless those equity instruments do not vest because of failure to satisfy a vesting condition (other than a market condition) that was specified at grant date. In addition, if the Group modifies the vesting conditions (other than a market condition) in a manner that is beneficial to the employees, for example, by reducing the vesting period, the Group takes the modified vesting conditions into consideration over the remaining vesting period.

The incremental fair value granted, if any, is the difference between the fair value of the modified equity instruments and that of the original equity instruments, both estimated as at the date of modification.

If the modification occurs during the vesting period, the incremental fair value granted is included in the measurement of the amount recognised for services received over the period from modification date until the date when the modified equity instruments are vested, in addition to the amount based on the grant date fair value of the original equity instruments, which is recognised over the remainder of the original vesting period.

If the modification reduces the total fair value of the share-based arrangement, or is not otherwise beneficial to the employee, the Group continues to account for the original equity instruments granted as if that modification had not occurred.

Taxation

Income tax expense represents the sum of current and deferred income tax expense.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit/loss before tax because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

APPENDIX I

ACCOUNTANTS' REPORT

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Historical Financial Information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. The Group considers the following criteria in assessing the probability that taxable profit will be available against which the unused tax losses or unused tax credits can be utilised: (a) whether the Group has sufficient taxable temporary differences relating to the same taxation authority and the same taxable entity, which will result in taxable amounts against which the unused tax losses or unused tax credits can be utilised before they expire; (b) whether it is probable that the Group will have taxable profits before the unused tax losses or unused tax credits expire; (c) whether the unused tax losses result from identifiable causes which are unlikely to recur; and (d) whether tax planning opportunities are available to the Group that will create taxable profit in the period in which the unused tax losses or unused tax credits can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit and at the time of the transaction does not give rise to equal taxable and deductible temporary differences. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity, respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

In assessing any uncertainty over income tax treatments, the Group considers whether it is probable that the relevant tax authority will accept the uncertain tax treatment used or proposed to be used by individual group entities in their income tax filings. If it is probable, the current and deferred taxes are determined consistently with the tax treatment in the income tax filings. If it is not probable that the relevant taxation authority will accept an uncertain tax treatment, the effect of each uncertainty is reflected by using either the most likely amount or the expected value.

Cash and cash equivalents

Cash and cash equivalents presented on the consolidated statement of financial position include:

- (a) cash, which comprises of cash on hand and demand deposits, excluding bank balances that are subject to regulatory restrictions that result in such balances no longer meeting the definition of cash; and
- (b) cash equivalents, which comprises of short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

For the purposes of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts which are repayable on demand and form an integral part of the Group's cash management. Such overdrafts are presented as short-term borrowings in the consolidated statements of financial position.

APPENDIX I

ACCOUNTANTS’ REPORT

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss “FVTPL”) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets

Classification and measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Investments in wealth management products issued by banks are classified as financial assets at FVTPL as the principal amount and expected returns of these wealth management products are not guaranteed, and the contractual terms does not give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below).

Financial assets at FVTPL

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the “other gains and losses” line item.

Impairment of financial assets subject to impairment assessment under IFRS 9

The Group performs impairment assessment under expected credit loss (“ECL”) model on financial assets (including trade receivables, other receivables, amounts due from a subsidiary, bank balances and restricted cash), which are subject to impairment assessment under IFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL (“12m ECL”) represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group’s historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

APPENDIX I

ACCOUNTANTS' REPORT

The Group always recognises lifetime ECL for trade receivables. The ECL on these assets are assessed individually for debtors with significant balances and collectively for the remaining balances of debtors using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; or
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

APPENDIX I

ACCOUNTANTS' REPORT

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights. The Group uses a practical expedient in estimating ECL on trade receivables using a provision matrix taking into consideration historical credit loss experience and forward looking information that is available without undue cost or effort.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments;
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables, other receivables and amounts due from related parties, where the corresponding adjustment is recognised through a loss allowance account.

APPENDIX I

ACCOUNTANTS’ REPORT

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset measured at amortised cost, the difference between the asset’s carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity instruments in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the group entity after deducting all of its liabilities. Equity instruments issued by a group entity are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

Financial liabilities at amortised cost

Financial liabilities including trade and other payables are subsequently measured at amortised cost, using the effective interest method.

Preferred Shares

Preferred Shares issued by the Company are redeemable at the option of the holders; the Preferred Shares can be converted into variable number of the Group’s ordinary shares; the Preferred Shares also has preference on liquidation, voting rights and rights to participate in dividends (as detailed in Note 25).

At the date of issuance, the fair value of the Preferred Shares (including any embedded non-equity derivatives features) is estimated by measuring the fair value of similar liability that does not have an associated equity component.

The Group designated the Preferred Shares (including any embedded non-equity derivatives features) as financial liability at FVTPL. They are initially recognised at fair value. Subsequent to initial recognition, the Preferred Shares are carried at fair value with changes in fair value not attributable to changes of credit risk recognised in “changes in fair value of Preferred Shares” in the consolidated statements of profit or loss, and changes in fair value attributable to changes of credit risk were recognised in other comprehensive income.

The Preferred Shares are classified as non-current liabilities if the Preferred Shares holder cannot demand the Company to redeem the Preferred Shares for at least 12 months after the balance sheet date, otherwise the Preferred Shares are classified as current liabilities.

Any directly attributable transaction costs were recognised in profit or loss.

Foreign exchange gains and losses

The fair value of financial liabilities denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. For financial liabilities that are measured at FVTPL, the foreign exchange component forms part of the fair value gains or losses and is recognised in profit or loss for financial liabilities that are not part of a designated hedging relationship.

APPENDIX I

ACCOUNTANTS’ REPORT

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group’s obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group’s material accounting policies, which are described in Note 4, management of the Group is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty that may have a significant risk of causing a material adjustment to the Group’s financial position and performance.

Fair value measurement of financial instruments

As at 31 December 2021, 2022 and 2023, fair value of the Preferred Shares issued by the Company amounting to RMB4,228,245,000, RMB4,465,607,000 and RMB4,256,162,000 are measured at fair value with fair value being determined based on significant unobservable inputs using valuation techniques. Judgements and estimation are required in establishing the relevant valuation techniques and the relevant inputs thereof. Whilst the management of the Company considers these valuations are the best estimates, changes in assumptions relating to these factors could result in material adjustments to the fair value of the Preferred Shares. Details of the valuation of the Preferred Shares are disclosed in Note 25.

Deferred tax assets

As at 31 December 2021, 2022 and 2023, deferred tax assets of RMB106,649,000, RMB104,502,000 and RMB84,635,000, respectively, have been recognised in the Group’s consolidated statements of financial position. The realisability of the deferred tax assets depends on whether sufficient future taxable profits or taxable temporary differences will be available in the future. In assessing the probability that taxable profit will be available, the Group has considered criteria, such as whether there was a history of operating losses, and whether tax planning opportunities are available to the Group. In cases where the actual future taxable profits generated are less or more than expected, or change in facts and circumstances which result in revision of future taxable profits estimation, a material reversal or further recognition of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal or further recognition takes place.

6. REVENUE AND SEGMENT INFORMATION

Disaggregation of revenue from contracts with customers:

	Year ended 31 December		
	2021	2022	2023
	RMB’000	RMB’000	RMB’000
Types of services			
– Revenue recognised on net basis:			
Provision of carpooling marketplace services	695,131	514,899	774,012
Provision of taxi related services	32,629	19,421	11,328
– Revenue recognised on gross basis:			
Provision of advertising and related services	52,823	34,758	29,745
Total	<u>780,583</u>	<u>569,078</u>	<u>815,085</u>

APPENDIX I

ACCOUNTANTS’ REPORT

	Year ended 31 December		
	2021	2022	2023
	RMB’000	RMB’000	RMB’000
Timing of revenue recognition			
At a point in time	746,153	556,313	806,127
Over time	34,430	12,765	8,958
Total	780,583	569,078	815,085

The Group elects to apply the practical expedient as permitted under IFRS 15, and the transaction price allocated to these unsatisfied contracts is not disclosed as the duration of all contracts are one year or less.

Segment information:

Information reported to the directors of the Company, being the chief operating decision maker (the “CODM”), for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided.

Specifically, the Group’s reportable segments under IFRS 8 *Operating Segments* are as follows:

1. Provision of carpooling marketplace services
2. Provision of taxi related services
3. Provision of advertising and related services

The following is an analysis of the Group’s revenue and results from operations by reportable segments.

For the year ended 31 December 2021

	Carpooling marketplace services	Taxi related services	Advertising and related services	Total
	RMB’000	RMB’000	RMB’000	RMB’000
Revenue	695,131	32,629	52,823	780,583
Cost of services	(101,463)	(30,103)	(17,753)	(149,319)
Gross profit	593,668	2,526	35,070	631,264
Incentives to drivers and riders (<i>Note</i>)	(114,411)	(17,042)	–	(131,453)
Segment profit (loss)	479,257	(14,516)	35,070	499,811
Unallocated income and expenses:				
Other income				8,351
Other gains and losses				2,423
Impairment losses under expected credit loss model, net of reversal				(670)
Selling and marketing expenses				(124,414)
Administrative expenses				(26,842)
Research and development expenses				(60,071)
Change in fair value of preferred shares				1,521,173
Share-based payment expenses				(22,725)
Finance costs				(274)
[REDACTED]				(5,484)
Profit before taxation				1,791,278

Note: The amounts represent incentives to drivers and riders recorded in selling and marketing expenses, and excluding incentives to drivers recorded as reduction of revenue or recorded as cost of services.

APPENDIX I

ACCOUNTANTS’ REPORT

For the year ended 31 December 2022

	Carpooling marketplace services	Taxi related services	Advertising and related services	Total
	RMB’000	RMB’000	RMB’000	RMB’000
Revenue	514,899	19,421	34,758	569,078
Cost of services	(105,305)	(26,528)	(9,682)	(141,515)
Gross profit (loss)	409,594	(7,107)	25,076	427,563
Incentives to drivers and riders (<i>Note</i>)	(64,010)	(19,162)	–	(83,172)
Segment profit (loss)	345,584	(26,269)	25,076	344,391
Unallocated income and expenses:				
Other income				15,570
Other gains and losses				4,379
Impairment losses under expected credit loss model, net of reversal				(1,161)
Selling and marketing expenses				(151,769)
Administrative expenses				(35,330)
Research and development expenses				(88,995)
Change in fair value of preferred shares				(234,138)
Share-based payment expenses				(29,804)
Finance costs				(230)
[REDACTED]				(8,397)
Loss before taxation				(185,484)

For the year ended 31 December 2023

	Carpooling marketplace services	Taxi related services	Advertising and related services	Total
	RMB’000	RMB’000	RMB’000	RMB’000
Revenue	774,012	11,328	29,745	815,085
Cost of services	(186,654)	(17,109)	(5,951)	(209,714)
Gross profit (loss)	587,358	(5,781)	23,794	605,371
Incentives to drivers and riders (<i>Note</i>)	(67,074)	(8,670)	–	(75,744)
Segment profit (loss)	520,284	(14,451)	23,794	529,627
Unallocated income and expenses:				
Other income				19,551
Other gains and losses				6,670
Reversal of impairment losses				1,441
Selling and marketing expenses				(157,903)
Administrative expenses				(31,980)
Research and development expenses				(121,699)
Change in fair value of preferred shares				209,282
Share-based payment expenses				(110,351)
Finance costs				(285)
[REDACTED]				(24,102)
Profit before taxation				320,251

Note: The amounts represent incentives to drivers and riders recorded in selling and marketing expenses, and excluding incentives to drivers recorded as reduction of revenue or recorded as cost of services.

APPENDIX I

ACCOUNTANTS’ REPORT

The headquarter of the Company is in the PRC and during the Track Record Period, all of the Group’s revenue was generated from PRC and all of its non-current assets were located in the PRC. Accordingly, no geographical segment information is presented.

The accounting policies of the operating segments are the same as the Group’s accounting policies described in Note 4. Segment profit/loss represents the profit earned by/loss from each segment without allocation of other income, other gains and losses, impairment losses under expected credit loss model, net of reversal, selling and marketing expenses (except drivers and riders incentives), administrative expenses, research and development expenses, change in fair value of preferred shares, share-based payment expenses, finance costs and [REDACTED]. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

The CODM makes decisions according to operating results of each segment. No analysis of segment assets and segment liabilities is presented as the CODM does not regularly review such information for the purposes of resources allocation and performance assessment. Therefore, only segment revenue and segment results are presented.

Information about major customers

No customer contributes over 10% of the total revenues of the Group during the Track Record Period.

7. OTHER INCOME

	Year ended 31 December		
	2021	2022	2023
	RMB’000	RMB’000	RMB’000
Interest income from bank balances and restricted cash	5,350	13,299	16,313
Government grants	3,001	2,271	2,486
Others	–	–	752
	<u>8,351</u>	<u>15,570</u>	<u>19,551</u>

8. OTHER GAINS AND LOSSES

	Year ended 31 December		
	2021	2022	2023
	RMB’000	RMB’000	RMB’000
Gain on fair value changes of financial assets at FVTPL	5,052	5,002	7,094
Penalty (charges) reversal	(16)	49	–
Litigation loss	(1,100)	(186)	(15)
Foreign exchange (loss) gain	(1,867)	393	29
Donation	(4)	(445)	(400)
Others	358	(434)	(38)
	<u>2,423</u>	<u>4,379</u>	<u>6,670</u>

9. FINANCE COSTS

	Year ended 31 December		
	2021	2022	2023
	RMB’000	RMB’000	RMB’000
Interest on: Lease liabilities	<u>274</u>	<u>230</u>	<u>285</u>

APPENDIX I

ACCOUNTANTS’ REPORT

10. IMPAIRMENT LOSSES UNDER EXPECTED CREDIT LOSS MODEL, NET OF REVERSAL

	Year ended 31 December		
	2021	2022	2023
	RMB’000	RMB’000	RMB’000
Impairment losses recognised (reversed) on:			
– Trade receivables	1,043	1,241	(1,420)
– Other receivables	(373)	(80)	(21)
	<u>670</u>	<u>1,161</u>	<u>(1,441)</u>

Details of impairment assessment are set out in Note 32.

11. INCOME TAX EXPENSE

	Year ended 31 December		
	2021	2022	2023
	RMB’000	RMB’000	RMB’000
Deferred tax expense (<i>Note 27</i>)	(60,272)	(2,147)	(19,867)

The Company was incorporated in the Cayman Islands and is tax exempted under the tax laws of the Cayman Islands.

Under the Law of the PRC on enterprise income tax (the “EIT Law”) and implementation regulation of the EIT Law, the statutory tax rate of the PRC subsidiaries is 25% during the Track Record Period.

The Group’s subsidiaries operating in the PRC are eligible for certain tax concessions except for Beijing Dida Technology Co., Ltd. (北京抵達科技有限公司 or “Beijing Dida”) which is a newly established subsidiary in 2022. Under the EIT Law effective on 1 January 2008, the “high and new technology enterprise” (the “HNTE”) status of qualifying entities is valid for three years and qualifying entities can re-apply for an additional three years provided their business operations continue to qualify for the new HNTE status. Changxing was qualified as a HNTE in 2016 and separately renewed its HNTE in 2019 and 2022, and entitled to a preferential tax rate of 15% from 2016 to 2024. Pintu was qualified as a HNTE in 2021, and entitled to a preferential tax rate of 15% from 2021 to 2023.

Details of deferred taxation are set out in Note 27.

The income tax expense for the Track Record Period can be reconciled to the profit (loss) before tax per the consolidated statements of profit or loss and other comprehensive income as follows:

	Year ended 31 December		
	2021	2022	2023
	RMB’000	RMB’000	RMB’000
Profit (loss) before taxation	1,791,278	(185,484)	320,251
Tax at the PRC enterprise income tax rate of 25%	(447,820)	46,371	(80,063)
Tax effect of different tax rate	406,292	(54,928)	59,917
Tax effect of expenses not deductible for tax purposes	(3,969)	(4,557)	(16,690)
Additional deduction of research and development expenses	8,020	11,145	17,251
Decrease in opening deferred tax assets resulting from a decrease in applicable tax rate	(22,795)	–	–
Tax effect of tax losses not recognised	–	(178)	(282)
Income tax expense for the year	<u>(60,272)</u>	<u>(2,147)</u>	<u>(19,867)</u>

APPENDIX I

ACCOUNTANTS’ REPORT

12. PROFIT (LOSS) FOR THE YEAR

Profit (loss) for the year has been arrived at after charging (crediting):

	Year ended 31 December		
	2021	2022	2023
	RMB’000	RMB’000	RMB’000
Profit (loss) before taxation has been arrived at after charging (crediting):			
Staff costs (including directors’ emoluments as set out in Note 13):			
Salaries and other benefits	84,741	118,134	140,700
Bonus	6,150	15,041	16,405
Retirement benefit scheme contributions	9,177	12,580	15,987
Share-based payment expenses	22,725	29,804	110,351
Total staff costs	122,793	175,559	283,443
Depreciation of property and equipment	9,230	7,320	5,109
Depreciation of right-of-use assets	3,577	4,324	6,154
Auditors’ remuneration	153	2,029	145
(Gain) loss on disposal of property and equipment	(31)	16	(26)
Driver and rider incentives (Note)	154,886	135,109	165,958
Charges for third party payment processing providers	54,316	42,436	58,933
Insurance cost	19,165	17,359	27,755
[REDACTED]	5,484	8,397	24,102

Note: Amounts represent driver and rider incentives recorded as reduction of revenue, included in cost of services and selling and marketing expenses.

13. DIRECTORS’ AND CHIEF EXECUTIVE’S EMOLUMENTS

Details of the emoluments paid or payable to the directors of the Company during the Track Record Period for their services rendered to the entities comprising the Group are as follows:

	Salaries and other benefits	Share-based payment expenses	Bonus (Note iv)	Retirement benefits	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Year ended 31 December 2021					
<i>Executive directors</i>					
Mr. Song (Note i)	645	–	47	52	744
Mr. Li Jin Long (Note ii)	681	–	50	52	783
Mr. Zhu Min (Note ii)	721	–	50	52	823
Mr. Li Yue Jun (Note ii)	734	–	55	36	825
Mr. Duan Jian Bo (Note ii)	681	–	50	52	783
<i>Non-executive director</i>					
Mr. Li Bin (Note iii)	–	–	–	–	–
Total	3,462	–	252	244	3,958

APPENDIX I

ACCOUNTANTS’ REPORT

	Salaries and other benefits	Share-based payment expenses	Bonus (Note iv)	Retirement benefits	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Year ended 31 December 2022					
<i>Executive directors</i>					
Mr. Song (Note i)	603	–	141	58	802
Mr. Li Jin Long (Note ii)	639	–	150	58	847
Mr. Zhu Min (Note ii)	388	–	29	58	475
Mr. Li Yue Jun (Note ii)	686	–	165	42	893
Mr. Duan Jian Bo (Note ii)	639	–	150	58	847
<i>Non-executive director</i>					
Mr. Li Bin (Note iii)	–	–	–	–	–
Total	2,955	–	635	274	3,864

	Salaries and other benefits	Share-based payment expenses	Bonus (Note iv)	Retirement benefits	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Year ended 31 December 2023					
<i>Executive directors</i>					
Mr. Song (Note i)	655	53,325	47	63	54,090
Mr. Li Jin Long (Note ii)	741	7,543	50	63	8,397
Mr. Zhu Min (Note ii)	402	–	25	55	482
Mr. Li Yue Jun (Note ii)	757	7,543	55	43	8,398
Mr. Duan Jian Bo (Note ii)	711	20,081	50	63	20,905
<i>Non-executive director</i>					
Mr. Li Bin (Note iii)	–	–	–	–	–
Total	3,266	88,492	227	287	92,272

Notes:

- i Mr. Song serves as the chief executive officer of the Company commenced from 11 July 2014.
- ii Mr. Li Jin Long, Mr. Zhu Min, Mr. Li Yue Jun and Mr. Duan Jian Bo were appointed as executive directors of the Company commenced from 16 September 2020.
- iii Mr. Li Bin serves as non-executive director of the Company commenced from 2 February 2015.
- iv The executive directors of the Company are entitled to bonus payments which are determined based on certain financial and non-financial measures including: revenue, operating profit, employee turnover rate, operating cash flow etc.

The emoluments of the executive directors of the Company shown above were mainly for their management services rendered to the Company and the Group and was determined by the shareholders of the Group having regard to the performance of individuals and market trends.

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the Track Record Period.

APPENDIX I

ACCOUNTANTS’ REPORT

14. FIVE HIGHEST PAID INDIVIDUALS

The five highest paid individuals of the Group for the year ended 31 December 2023 include four directors of the Company, whose remuneration are disclosed in Note 13 and do not include any director for the years ended 31 December 2021 and 2022.

The emoluments of remaining five, five and one highest paid individuals for the years ended 31 December 2021, 2022 and 2023, respectively, who are neither a director nor chief executive of the Company for the Track Record Period are as follows:

	Year ended 31 December		
	2021	2022	2023
	RMB’000	RMB’000	RMB’000
Salaries and other benefits	4,268	4,944	1,472
Bonus	362	1,123	115
Retirement benefit scheme contributions	245	274	61
Share-based payment expenses	21,482	18,579	4,173
Total	26,357	24,920	5,821

The number of the highest paid employees who are neither a director nor a chief executive of the Company whose remuneration fell within the following bands:

	Year ended 31 December		
	2021	2022	2023
	No. of employees	No. of employees	No. of employees
HK\$1,500,001 to HK\$2,000,000	1	–	–
HK\$2,000,001 to HK\$2,500,000	1	1	–
HK\$3,000,001 to HK\$3,500,000	–	2	–
HK\$4,000,001 to HK\$4,500,000	1	–	–
HK\$6,000,001 to HK\$6,500,000	1	–	1
HK\$9,000,001 to HK\$9,500,000	–	1	–
HK\$10,500,001 to HK\$11,000,000	–	1	–
HK\$17,500,001 to HK\$18,000,001	1	–	–
Total	5	5	1

During the Track Record Period, certain non-director and non-chief executive highest paid individuals were granted restricted shares, in respect of their services to the Group under the share incentive scheme of the Company. Details of the share incentive scheme are set out in Note 28.

During the Track Record Period, no emoluments were paid by the Group to any of the directors or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office.

APPENDIX I

ACCOUNTANTS’ REPORT

15. EARNINGS (LOSS) PER SHARE

The calculation of the basic and diluted earnings (loss) per share is based on the following data:

	Year ended 31 December		
	2021	2022	2023
	RMB’000	RMB’000	RMB’000
Earnings:			
Earnings (loss) for the year attributable to owners of the Company for the purpose of calculating basic earnings (loss) per share	1,731,006	(187,631)	300,384
Effect of dilutive potential ordinary shares:			
Deduct fair value change of preferred shares	(1,521,173)	–	(209,282)
Earnings (loss) for the purpose of calculating diluted earnings (loss) per share	209,833	(187,631)	91,102
Number of shares:			
Weighted average number of ordinary shares for the purpose of calculating basic earnings (loss) per share	329,357,634	318,346,848	323,123,047
Effect of dilutive potential ordinary shares:			
Options	5,822,816	–	8,990,172
Restricted shares	2,601,848	–	831,521
Preferred shares	618,319,313	–	618,319,313
Weighted average number of ordinary shares for the purpose of calculating diluted earnings (loss) per share	956,101,611	318,346,848	951,264,053

For the years ended 31 December 2021, 2022 and 2023, 38,378,844 shares, 36,337,178 shares and 11,648,137 shares of treasury stock, respectively, are excluded from the computation of basic earnings (loss) per share.

The computation of diluted loss per share for the year ended 31 December 2022 has not taken into consideration (1) the conversion of all the Preferred Shares, (2) the exercise of the Company’s options, and (3) the vest of restricted shares, as the effect is anti-dilutive.

16. DIVIDENDS

No dividend was paid, declared or proposed for ordinary shareholders of the Company during the Track Record Period, nor has any dividend been proposed since the end of the Track Record Period.

17. PROPERTY AND EQUIPMENT

	Leasehold Improvement	Furniture and fixtures	Total
	RMB’000	RMB’000	RMB’000
COST			
At 1 January 2021	3,351	35,766	39,117
Additions	213	5,687	5,900
Disposal	–	(243)	(243)
At 31 December 2021	3,564	41,210	44,774
Additions	–	1,235	1,235
Disposal	–	(688)	(688)
At 31 December 2022	3,564	41,757	45,321
Additions	624	2,174	2,798
Disposal	–	(288)	(288)
At 31 December 2023	4,188	43,643	47,831

APPENDIX I

ACCOUNTANTS’ REPORT

	Leasehold Improvement	Furniture and fixtures	Total
	RMB’000	RMB’000	RMB’000
DEPRECIATION			
At 1 January 2021	(1,645)	(17,650)	(19,295)
Provided for the year	(1,295)	(7,935)	(9,230)
Eliminated on disposal	–	221	221
At 31 December 2021	(2,940)	(25,364)	(28,304)
Provided for the year	(518)	(6,802)	(7,320)
Eliminated on disposal	–	654	654
At 31 December 2022	(3,458)	(31,512)	(34,970)
Provided for the year	(238)	(4,871)	(5,109)
Eliminated on disposal	–	270	270
At 31 December 2023	(3,696)	(36,113)	(39,809)
CARRYING VALUE			
At 31 December 2021	624	15,846	16,470
At 31 December 2022	106	10,245	10,351
At 31 December 2023	492	7,530	8,022

The above items of property and equipment, after taking into account the residual values, are depreciated on a straight-line basis at the following rates per annum:

Leasehold improvement	Over the shorter of the lease term and 5 years
Furniture and fixtures	19.0% – 31.7%

18. RIGHT-OF-USE ASSETS

The carrying amounts of the Group’s right-of-use assets and the movements during the Track Record Period are as follows:

	Leased properties
	RMB’000
Carrying amount:	
At 1 January 2021	4,072
Additions	749
Depreciation charges	(3,577)
At 31 December 2021	1,244
Additions	8,546
Depreciation charges	(4,324)
At 31 December 2022	5,466
Additions	5,872
Depreciation charges	(6,154)
At 31 December 2023	5,184

	Year ended 31 December		
	2021	2022	2023
	RMB’000	RMB’000	RMB’000
Expense relating to short-term lease	448	410	343
Total cash outflow for leases	4,933	3,774	7,084

During the Track Record Period, the Group leases various offices for its operations. Lease contracts are entered into for fixed term of 2 to 5 years. Lease terms are negotiated on an individual basis and contain different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

APPENDIX I

ACCOUNTANTS’ REPORT

The Group regularly entered into short-term leases for office. During the Track Record Period, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expenses disclosed above.

In addition, lease liabilities of RMB905,000, RMB5,134,000 and RMB4,464,000 are recognised with related right-of-use assets of RMB1,244,000, RMB5,466,000 and RMB5,184,000 as at 31 December 2021, 2022 and 2023, respectively. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessors. Leased assets may not be used as security for borrowing purposes.

19. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	At 31 December		
	2021	2022	2023
	RMB’000	RMB’000	RMB’000
Financial assets at FVTPL			
– Wealth management products	220,308	150,740	352,834

Wealth management products are purchased from Ping An Bank, as of 31 December 2021, 2022 and 2023, the annualized weighted average rate of return is 2.49%, 1.79% and 2.06%, respectively.

20. TRADE RECEIVABLES

	At 31 December		
	2021	2022	2023
	RMB’000	RMB’000	RMB’000
Trade receivables from advertising and related services	40,016	26,439	16,813
Less: allowance for credit losses	(5,302)	(6,343)	(4,923)
Trade receivables, net	34,714	20,096	11,890

The Group generally grants credit period between 30 to 120 days which are agreed with each of its customers. The extension of credit period to the customers may be granted on a discretionary basis by considering customer type, the current creditworthiness and the customer’s financial condition and payment history with the Group.

As at 1 January 2021, trade receivables from contracts with customers amounted to RMB30,965,000. The following is an aged analysis of the Group’s trade receivables based on the date of payment due of advertising and related services at the end of each reporting period:

	At 31 December		
	2021	2022	2023
	RMB’000	RMB’000	RMB’000
Current and within 90 days past due	26,462	15,936	11,134
91 – 180 days past due	4,272	3,547	445
181 – 365 days past due	3,284	426	217
Over 365 days past due	696	187	94
	34,714	20,096	11,890

As at 31 December 2021, 2022 and 2023, out of the past due balances, RMB8,252,000, RMB4,160,000 and RMB756,000 have been past due 90 days or more and are not considered as in default by considering the background of the debtors and historical payment arrangement. The Group does not hold any collateral over these balances or charge any interest thereon.

APPENDIX I

ACCOUNTANTS’ REPORT

21. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

The Group

	At 31 December		
	2021	2022	2023
	RMB’000	RMB’000	RMB’000
Amounts due from payment platforms (Note i)	29,462	19,534	25,838
Amounts due from aggregation platform (Note ii)	8,536	2,279	516
Prepaid expenses	6,118	4,037	4,530
Issue cost	–	1,453	4,838
Deposits	1,756	210	1,457
Other	1,093	959	953
	46,965	28,472	38,132
Less: allowance for credit losses	(229)	(29)	(8)
	<u>46,736</u>	<u>28,443</u>	<u>38,124</u>

The Company

	At 31 December		
	2021	2022	2023
	RMB’000	RMB’000	RMB’000
Issue cost	–	1,453	4,838
	<u>–</u>	<u>1,453</u>	<u>4,838</u>

Notes:

- i. The Group collects rider’s trip fare payment on behalf of the drivers for both carpooling marketplace services and taxi online-hailing services through various third party payment processing platforms. The amounts due from payment platforms can be drawn by the Group at any time, and is normally transferred to the Group’s bank account in the next working day.
- ii. The Group has cooperation arrangements with third party navigation Apps. When carpooling marketplace service or taxi online-hailing services are accessed through these Apps, the trip fare payment is collected by these Apps on behalf of the Group.

22. BANK BALANCES AND CASH AND RESTRICTED CASH

	At 31 December		
	2021	2022	2023
	RMB’000	RMB’000	RMB’000
Bank balances and cash (Note i)	486,299	663,230	685,522
Restricted cash (Note ii)	289,144	277,775	386,632
	<u>775,443</u>	<u>941,005</u>	<u>1,072,154</u>

Notes:

- i. Bank balances and cash of the Group and the Company comprise bank balances and cash on hand. Bank balances carried interest at prevailing market rates based on daily bank deposit rate for the Track Record Period. As at 31 December 2021, 2022 and 2023, the interest rate of these bank deposits ranged from 0.00% to 1.725%, from 0.00% to 2.00% and from 0.00% to 1.725% per annum, respectively.
- ii. Restricted cash represents bank balances that are placed in restricted bank accounts in accordance with the applicable government regulations, such balances represent amounts not yet drawn by Private Car Owners, Taxi Drivers and Taxi Riders and Carpooling Riders which can only be applied for this purpose. As at 31 December 2021, 2022 and 2023, the interest rate of such balances are 1.725%, 1.725% and 1.725% per annum, respectively.

APPENDIX I

ACCOUNTANTS’ REPORT

23. TRADE AND OTHER PAYABLES

The Group

	At 31 December		
	2021	2022	2023
	RMB’000	RMB’000	RMB’000
Payables to users (<i>Note i</i>)	480,455	442,045	538,256
Payroll payables	20,453	28,351	30,845
Trade payables (<i>Note ii</i>)	10,389	8,315	22,882
Other tax payables	7,166	5,748	6,739
Accrued expenses	6,442	11,210	6,964
Accrued [REDACTED]	1,945	9,377	9,309
Accrued issue cost	–	1,302	1,178
Other payables	4,820	5,001	6,052
	531,670	511,349	622,225

Notes:

- i. The balance represents payable to Private Car Owners and Taxi Drivers which is the amount collected on behalf of Private Car Owners and Taxi Driver from Carpooling Riders and Taxi Riders after deducting the service fee charged by the Group. The amount also includes balance with Carpooling Riders, which can be used for future ride or withdrawn by riders anytime.
- ii. The aging analysis of the trade payables based on invoice dates at the end of each reporting period is as follows:

	At 31 December		
	2021	2022	2023
	RMB’000	RMB’000	RMB’000
1-90 days	10,383	6,514	21,716
91-180 days	6	1,648	1,153
181-365 days	–	153	10
1-2 years	–	–	3
	10,389	8,315	22,882

The average credit period on purchases of services is 90 days.

The Company

	At 31 December		
	2021	2022	2023
	RMB’000	RMB’000	RMB’000
Accrued [REDACTED]	1,945	9,377	9,309
Accrued issue cost	–	1,302	1,178
Payroll payables	–	120	–
Accrued expenses	–	–	1
	1,945	10,799	10,488

APPENDIX I

ACCOUNTANTS’ REPORT

24. LEASE LIABILITIES

The exposure of the Group’s lease liabilities payable are as follows:

	At 31 December		
	2021	2022	2023
	RMB’000	RMB’000	RMB’000
Lease liabilities payable:			
Within one year	563	4,548	2,565
More than one year but not exceeding two years	271	586	1,899
More than two years but not exceeding five years	71	–	–
	<u>905</u>	<u>5,134</u>	<u>4,464</u>
Less: amounts due for settlement with 12 months shown under current liabilities	<u>(563)</u>	<u>(4,548)</u>	<u>(2,565)</u>
Amounts due for settlement after 12 months shown under non-current liabilities	<u>342</u>	<u>586</u>	<u>1,899</u>

The weighted average incremental borrowing rates applied to lease liabilities range from 4.64% to 11.59%, 3.88% to 5.76% and 3.88% to 5.76% as at 31 December 2021, 2022 and 2023, respectively.

25. CONVERTIBLE REDEEMABLE PREFERRED SHARES

Since the date of incorporation, the Company has completed several rounds of financing through issuing Preferred Shares. Details of outstanding Preferred Shares as of 31 December 2021, 2022, and 2023 are set out below.

	Date of issue	Subscription price per share	Number of shares	Total consideration	
				US\$	RMB or equivalent to RMB
Series A Preferred Shares	4 December 2014	US\$0.0436	68,750,000	3,000,000	18,423,300
Series B Preferred Shares	2 February 2015	US\$0.2909	68,750,000	20,000,000	122,770,000
Series C Preferred Shares	30 April 2015	US\$0.8727	88,687,501	77,400,000	473,200,380
Series C Preferred Shares	21 May 2015	US\$0.8727	22,916,666	20,000,000	122,278,000
Series C Preferred Shares	26 June 2015	US\$0.8727	2,979,167	2,600,000	17,257,500
Series C Preferred Shares	1 August 2017	–	8,059,486	–	–
(Note i)					
Series C Preferred Shares	31 May 2018	–	16,560,831	–	–
(Note i)					
Series D Preferred Shares	1 August 2017	RMB2.9426	67,967,308	–	200,000,000
Series E Preferred Shares	31 May 2018	US\$0.4954	112,174,127	55,575,000	358,390,679
Series E Preferred Shares	20 June 2018	US\$0.4954	50,460,696	25,000,000	161,219,379
Series E Preferred Shares	31 May 2018	RMB3.1495	100,921,392	–	317,850,284
Series E Preferred Shares	20 June 2018	RMB3.1779	10,092,139	–	32,071,997
Total			<u>618,319,313</u>	<u>203,575,000</u>	<u>1,823,461,519</u>

Notes:

- i. Due to the decrease in share purchase price paid by the new investors, the Company agreed and issued additional preferred shares to series C shareholders with nil consideration.

The key terms of the Preferred Shares are summarised as follows:

(a) Conversion rights

Each holder of Preferred Shares shall have the right, at such holder’s sole discretion, to convert all or any portion of its Preferred Shares into Ordinary Shares at any time. The conversion rate for the Preferred Shares shall be determined by dividing the applicable Preferred Shares issue price by the conversion price then in effect at the date

APPENDIX I

ACCOUNTANTS' REPORT

of the conversion. The initial conversion price will be the Preferred Shares issue price (results in a 1-to-1 initial conversion ratio), as applicable, which will be subject to adjustments to reflect stock dividends, stock splits and/or other similar event in which all the holders of the Preferred Shares are entitled to participate on a pro rata basis, as provided that the conversion price shall not be less than the par value of the ordinary shares of the Company.

The Preferred Shares initial conversion price equals to the Preferred Shares subscription price, which shall be adjusted upon issuance of additional ordinary shares or instruments which can be converted into ordinary shares (on an as-converted basis) below the Preferred Shares initial conversion price or then effective conversion price in effect on the date of and immediately prior to such issuance.

Each series of the Preferred Shares shall be converted into ordinary shares of the Company, at the then applicable conversion price upon the earlier of (i) the closing of a qualified [REDACTED], or (ii) the prior written approval of the majority holder of the corresponding of certain series of the Preferred Shares, except that for conversion of the series B Preferred Shares, prior written approval of 60% holder of the then outstanding series B Preferred Shares is required.

(b) Redemption feature

The Company shall redeem Series A, Series B, Series C, Series D and Series E Preferred Shares if:

(i) with respect to the holders of the series A Preferred Shares, series B Preferred Shares, series C Preferred Shares and series D Preferred Shares, the Company has not consummated a qualified [REDACTED] within five years after 1 August 2017; or with respect to the holders of the series E Preferred Shares, the Company has not consummated a qualified [REDACTED] within five years after the closing date of the series E Preferred Shares; (ii) there is any material breach by any of the Group or the founders or any of their representations, warranties, covenants or other obligations under the relevant transaction documents; (iii) there is any material breach by Changxing, Pintu and/or the founders of any of their representations, warranties, covenants or other obligations under the Contractual Agreements, which results in the Company being unable to effectively control or consolidate the Changxing; (iv) if there is any change of laws or policy which affects the validity of the Changxing agreements; (v) if there is any change of laws or policy which makes the Group unable to carry on its business as now conducted and as proposed to be conducted.

The price at which a series A Preferred Shares to be redeemed shall be equal to the greater of (i) or (ii) below:

(i) Redemption Price = issue price* (108%) N + D, where

N = a fraction the numerator of which is the number of calendar days between the date on which the relevant series A Preferred Shares required to be redeemed are acquired and the date on which such series A Preferred Shares required to be redeemed is redeemed and such series A redemption price is paid and the denominator of which is 365;

D = all declared but unpaid dividends on each series A Preferred Shares required to be redeemed up to the date of redemption, proportionally adjusted for share subdivisions, share dividends, reorganisations, reclassifications, consolidations or mergers; or

(ii) the fair market value of the series A Preferred Shares as determined by an independent appraiser as acceptable to the Company and the majority series A holders.

The price at which a series B, series C, series D and series E Preferred Shares to be redeemed shall be equal to the greater of (i) or (ii) below:

(i) Redemption Price = issue price+ issue price *10%*N + D, where

N = a fraction the numerator of which is the number of calendar days between the date on which the relevant series of Preferred Shares required to be redeemed are acquired and the date on which such series of Preferred Shares required to be redeemed is redeemed and such series of Preferred Shares redemption price is paid and the denominator of which is 365;

D = all declared but unpaid dividends on each series of Preferred Shares required to be redeemed up to the date of redemption, proportionally adjusted for share subdivisions, share dividends, reorganisations, reclassifications, consolidations or mergers; or

APPENDIX I

ACCOUNTANTS’ REPORT

- (ii) the fair market value of the series of Preferred Shares as determined by an independent appraiser as acceptable to the Company and the majority of the series of Preferred Shares holders.

If on any redemption date, the Company’s assets and funds which are legally available on the date that any amount of applicable Redemption Price is due are insufficient to pay in full such amount of aggregate applicable Redemption Price to be paid on such date, such assets and funds which are legally available shall be distributed in the following sequence: first to series E Preferred Shares, secondly to the series D Preferred Shares, thirdly to the series C Preferred Shares, fourthly to the series B Preferred Shares, and fifthly to the series A Preferred Shares.

In September 2020, the Company and the Preferred Share investors have entered into a supplemental agreement (the “First Supplemental Agreement”) pursuant to which upon the submission of the [REDACTED] to the Stock Exchange, the redemption right of the Preferred Share will cease to be exercisable until the earlier of (1) eighteen months from date of the First Supplemental Agreement, (2) the board of directors of the Company withdraws the [REDACTED], and (3) the Stock Exchange rejects the Company’s [REDACTED].

In February 2023, the Company and the Preferred Share investors have entered into a supplemental agreement (the “Second Supplemental Agreement”) pursuant to which the redemption right of the Preferred Shares will cease to be exercisable upon submission of the [REDACTED] to the Stock Exchange until earlier of (1) 1 July 2024, (2) the board of directors of the Company withdraws the [REDACTED], and (3) Hong Kong Stock Exchange rejects the Company’s [REDACTED].

In February 2024, the Company and the Preferred Share investors have entered into a supplemental agreement (the “Third Supplemental Agreement”) pursuant to which the redemption right of the Preferred Shares will cease to be exercisable upon submission of the [REDACTED] to the Stock Exchange until earlier of (1) 1 January 2025, (2) the board of directors of the Company withdraws the [REDACTED], and (3) Hong Kong Stock Exchange rejects the Company’s [REDACTED].

(c) Liquidation preference

In the event of any liquidation, dissolution or winding up of the Company, either voluntary or involuntary, the preferred shareholder shall receive the amount equal to:

For series E and series D Preferred Shares: an amount per share equal to the issue price to be payable in US\$, plus a simple interest rate of 12% per annum calculating from the issue date, until the payment date, together with all accrued or declared but unpaid dividends thereon;

For series C and series B Preferred Shares: an amount per share equal to 120% of the issue price to be payable in US\$, and all accrued or declared but unpaid dividends thereon;

For series A Preferred Shares: an amount per share equal to 150% of the Series A Issue Price, plus all accrued or declared but unpaid dividends thereon.

The distributing shall be made in the following sequence: first to series E Preferred Shares, secondly to the series D Preferred Shares, thirdly to the series C Preferred Shares, fourthly to the series B Preferred Shares, and fifthly to the series A Preferred Shares.

After all the Preferred Share liquidation preference amount on the Preferred Shares have been paid in full as set forth above, any remaining funds or assets of the Company legally available for distribution to shareholders shall be distributed on a pro rata, pari passu basis among the holders of the Preferred Shares (on an as-converted basis) and the holders of the Ordinary Shares.

APPENDIX I

ACCOUNTANTS’ REPORT

(d) Dividends rights

If a dividend or other distribution is declared, paid or set aside, each holders of the Series E, Series D, Series C, Series B, and Series A Preferred Shares shall be entitled to receive non-cumulative dividends at the rate of 8% of Series E, Series D, Series C, Series B, and Series A issue price per annum, respectively. Dividends shall be distributed in the follow sequence, first to Series E Preferred Shares, secondly to the Series D Preferred Shares, thirdly to the Series C Preferred Shares, fourthly to the Series B Preferred Shares, and fifthly to the Series A Preferred Shares. After payment of the dividends as set forth above, any additional dividends or distributions shall be distributed among all holders of ordinary shares and Preferred Shares in proportion to the number of ordinary shares that would be held by each such holder if all Preferred Shares had been converted to ordinary shares as of the record date fixed for determining those entitled to receive such distribution.

No dividend or distribution, whether in cash, in property, or in any other equity securities of the Company, shall be declared, paid, set aside or made with respect to the ordinary shares at any time unless all accrued but unpaid dividends on the Preferred Shares have been paid in full.

(e) Voting rights

Each Preferred Share shall carry a number of votes equal to the number of ordinary shares of the Company then issuable upon its conversion into ordinary shares of the Company at the record date for determination of the shareholders entitled to vote on such matters. To the extent that requires the Preferred Shares to vote separately as a class with respect to any matters, the Preferred Shares shall vote separately as a class with respect to such matters. Otherwise, the holders of Preferred Shares and ordinary shares shall vote together as a single class.

The Preferred Share is designated as measured at FVTPL. The Group has used the discounted cash flow method to determine the underlying equity value of the Company and adopted equity allocation model to determine the fair value of the Preferred Shares as of the dates of issuance and at the end of each reporting periods. The fair value was determined by the directors of the Company with reference to valuation reports carried out by an independent qualified professional valuer, Asia-Pacific Consulting and Appraisal Limited address at Room 2201, Digital 01 Building, No. 12, Guanghua Road, Chaoyang District, Beijing. Changes in fair value of Preferred Shares not attributable to changes in the Company’s credit risk were recorded in “change in fair value of financial instruments” in profit or loss, and changes in fair value of Preferred Shares attributable to changes in the Company’s credit risk were recorded in OCI.

The movement of the Preferred Shares is set out as below:

	RMB’000
At 1 January 2021	5,748,781
Change in fair value not attributable to changes of credit risk	(1,521,173)
Change in fair value attributable to changes of credit risk	637
At 31 December 2021	4,228,245
Change in fair value not attributable to changes of credit risk	234,138
Change in fair value attributable to changes of credit risk	3,224
At 31 December 2022	4,465,607
Change in fair value not attributable to changes of credit risk	(209,282)
Change in fair value attributable to changes of credit risk	(163)
At 31 December 2023	4,256,162

APPENDIX I

ACCOUNTANTS’ REPORT

In addition to the underlying equity value of the Company determined by discounted cash flow method, other key valuation assumptions used in Black-Scholes option pricing model to determine the fair value of the Preferred Shares are as follows:

	At 31 December		
	2021	2022	2023
Risk-free interest rate	0.53%	4.76%	5.40%
Volatility	36.88%	40.58%	36.92%
Scenario probability – conversion	80.00%	80.00%	80.00%
Scenario probability – liquidation	10.00%	10.00%	10.00%
Scenario probability – redemption	10.00%	10.00%	10.00%

Note: the risk-free interest rate used in determining equity value allocation between different class of shares.

The Group estimate the risk-free interest rate based on the yield of US Government Bond with maturity life close to the redemption/liquidation date as of valuation date. Volatility was estimated based on annualised standard deviation of daily stock price return of comparable companies for a period from the respective valuation date and with similar span as time to expiration. Probability weight under each of the conversion feature, redemption feature and liquidation preferences was based on the Group’s best estimates. In addition to the assumption adopted above, the Company’s projections of future performance were also factored into the determination of the fair value of Preferred Shares on each valuation date.

Preferred Shares with redemption date less than one year from the balance sheet date are recorded as current liabilities:

	At 31 December		
	2021	2022	2023
	RMB’000	RMB’000	RMB’000
Current liability	2,342,487	4,465,607	4,256,162
Non-current liability	1,885,758	–	–
	4,228,245	4,465,607	4,256,162

26. SHARE CAPITAL

The Group

The balance of the share capital of the Group at 31 December 2021, 2022 and 2023 represented the share capital of the Company.

The Company

Details of the movement of share capital are as follows:

	Number of shares	Nominal value	Total
		per share	
		US\$	US\$
Authorised			
At 1 January 2021 and 31 December 2021, 2022 and 2023	2,000,000,000	0.0001	200,000

APPENDIX I

ACCOUNTANTS’ REPORT

	Number of ordinary shares	Amount US\$	Shown in the historical financial information RMB’000
Ordinary shares of US\$0.0001 each			
Issued			
At 1 January 2021 and 31 December 2021 and 2022 . . .	355,744,414	35,574	224
Cancellation of repurchased shares (<i>Note i</i>)	(19,174,874)	(1,917)	(12)
At 31 December 2023	<u>336,569,540</u>	<u>33,657</u>	<u>212</u>

Note i: On 31 March 2023, the Company cancelled 19,174,874 shares originally repurchased from 5brothers Limited which were held as treasury stock.

27. DEFERRED TAX ASSETS

The following is the analysis of the deferred tax balances for financial reporting purpose:

	At 31 December		
	2021	2022	2023
	RMB’000	RMB’000	RMB’000
Deferred tax assets	106,649	104,502	84,635
	<u>106,649</u>	<u>104,502</u>	<u>84,635</u>

The following is the major deferred tax assets recognised by the Group and movements thereon for the Track Record Period:

	Accrued expenses	Allowance for credit loss	Deductible advertising expenses	Loss carried forward	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
At 1 January 2021	1,317	778	31,896	132,930	166,921
(Charge) credit to profit or loss . .	(320)	100	(2,706)	(34,551)	(37,477)
Effect of change in tax rate	(31)	(48)	(12,759)	(9,957)	(22,795)
At 31 December 2021	966	830	16,431	88,422	106,649
Credit (charge) to profit or loss . .	715	126	(2,356)	(632)	(2,147)
At 31 December 2022	1,681	956	14,075	87,790	104,502
Charge to profit or loss	(715)	(216)	(936)	(18,000)	(19,867)
At 31 December 2023	<u>966</u>	<u>740</u>	<u>13,139</u>	<u>69,790</u>	<u>84,635</u>

As at 31 December 2021, 2022 and 2023 the Group has unused tax losses of RMB589,478,000, RMB585,978,000 and RMB467,108,000, respectively, available for offset against future taxable profits. All unused tax losses were recognised as deferred tax assets as at 31 December 2021, 2022 and 2023, except for tax losses of RMB713,000 and RMB1,840,000 were not recognised as deferred tax assets as at 31 December 2022 and 2023, respectively, due to the unpredictability of future profit streams. Expiry dates of unused tax loss not recognised as deferred tax assets are disclosed in the following table.

	At 31 December 2022	At 31 December 2023
	RMB’000	RMB’000
2027	713	713
2028	–	1,127

During the Track Record Period, subsidiaries of the Company have not accumulated distributable earnings, and no deferred tax liability is recognised.

APPENDIX I

ACCOUNTANTS’ REPORT

28. SHARE-BASED PAYMENT TRANSACTIONS

From time to time, the Company’s founder, Mr. Song, and the Company provide equity-based restricted shares or options to eligible employees to award their contributions to the Group. In 2014, the Company adopted the [REDACTED] restricted share scheme and as amended and restated in September 2020 (the “[REDACTED] Restricted Share Scheme”) and the [REDACTED] share option scheme and as amended and restated in September 2020 (the “[REDACTED] Share Option Scheme”).

(i) Time-Based Share Options

From 1 September 2014 to 31 December 2020, 9,386,000 units of time-based share options were granted to eligible employees by Mr. Song/the Company with annually vesting in equal installment over four years. For the years ended 31 December 2021, 2022 and 2023, 8,100,550 units, 2,690,000 units and 7,751,472 units of Time-Based Share Options were granted to eligible employees by Mr. Song/the Company with annually vesting in equal installment over four years. The Time-Based Share Options expire in 10 years from the respective grant dates.

Call right of Time-Based Share Options

With regards to the call right of Time-Based Share Options, in the event that the employee terminates employment by voluntary with the Company prior to fully vested of all granted options, Mr. Song/the Company shall have the right as set out following:

- i. repurchase all of the unvested restricted shares or options with no consideration; and
- ii. repurchase all of the vested restricted shares or shares from options exercised at a unit price based on the most recently financing.

Exercise of Time-Based Share Options

In the event an employee’s employment with the Company terminates by voluntary, the employee should immediately exercise the vested options with full payment. Otherwise, the vested options would be expired.

The following table discloses movements of the Company’s Time-Based Share Options held by employees during the Track Record Period:

	Number of Share options	Weighted average exercise price
		US\$
Options outstanding as at 1 January 2021	6,198,500	0.12
Granted	8,100,550	0.15
Exercised	(500,250)	0.15
Forfeited	(1,111,950)	0.15
Options outstanding as at 31 December 2021	12,686,850	0.13
Within which:		
Options exercisable as at 31 December 2021	3,080,950	0.08
Options outstanding as at 1 January 2022	12,686,850	0.13
Granted	2,690,000	0.15
Exercised	(27,500)	0.15
Forfeited	(392,500)	0.15
Options outstanding as at 31 December 2022	14,956,850	0.14
Within which:		
Options exercisable as at 31 December 2022	5,423,191	0.11
Options outstanding as at 1 January 2023	14,956,850	0.14
Granted	7,751,472	0.15
Exercised	(28,000)	0.15
Forfeited	(733,000)	0.15
Options outstanding as at 31 December 2023	21,947,322	0.14
Within which:		
Options exercisable as at 31 December 2023	8,082,375	0.12

APPENDIX I

ACCOUNTANTS’ REPORT

As at 31 December 2021, 2022 and 2023, the weighted average remaining contractual life of Time-Based Share Options outstanding is 8.21, 7.64 and 7.74 years, respectively.

Fair value of Time-Based Share Options

The weighted average fair value of granted options was US\$1.01, US\$0.81 and US\$0.76 per share, for the years ended 31 December 2021, 2022 and 2023. These fair values were calculated using the Binomial model with assistance of an independent appraisal party, Asia-Pacific Consulting and Appraisal Limited address at Room 2201, Digital 01 Building, No. 12, Guanghua Road, Chaoyang District, Beijing. The inputs into the model were as follows:

		31 March 2021	30 June 2021	30 September 2021	31 December 2021	31 March 2022
Fair value of ordinary shares						
(Note i)	US\$	1.345	1.148	1.159	0.988	0.979
Risk-free interest Rate (Note ii)		1.74%	1.45%	1.52%	1.52%	2.32%
Expected life (years) (Note iii)		10	10	10	10	10
Exercised price (Note iv)	US\$	0.15	0.15	0.15	0.15	0.15
Expected volatility (Note v)		41.0%	40.8%	39.7%	39.8%	40.5%
Expected dividend yield (Note vi)		0%	0%	0%	0%	0%
		30 June 2022	30 September 2022	31 December 2022	30 September 2023	31 December 2023
Fair value of ordinary shares						
(Note i)	US\$	0.927	0.875	0.962	0.888	0.889
Risk-free interest Rate (Note ii)		2.98%	3.83%	3.88%	4.59%	3.88%
Expected life (years) (Note iii)		10	10	10	10	10
Exercised price (Note iv)	US\$	0.15	0.15	0.15	0.15	0.15
Expected volatility (Note v)		40.7%	41.2%	41.3%	40.2%	40.1%
Expected dividend yield (Note vi)		0%	0%	0%	0%	0%

Notes:

- i. The fair value of the ordinary shares was estimated based on the fair value of ordinary share of the Company as at the grant date, which was estimated with the assistance of an independent third-party appraiser.
- ii. Risk-free interest rate is estimated based on market yield of U.S. Government Bonds with maturity date close to the life of options as at the valuation dates and country risk differential.
- iii. Expected life is the period of time over which the options granted are expected to remain outstanding.
- iv. The exercised price of the options was determined by Company’s board of directors.
- v. The volatility of the underlying ordinary shares during the life of the options was estimated based on average historical volatility of comparable companies for the period before the valuation date with lengths equal to the life of the options.
- vi. The Company currently has no expectation of paying cash dividends on its ordinary stock.

The total share-based compensation expenses recognised in the consolidated statements of profit or loss from share options are RMB9,819,000, RMB22,154,000, RMB17,688,000 for the years ended 31 December 2021, 2022 and 2023, respectively.

APPENDIX I

ACCOUNTANTS’ REPORT

(ii) Restricted Shares

2020 Grants

On 29 June 2020, the Company granted 7,000,000 units of time-based restricted shares (“2020 Grants”) to certain executive. 1/3 of the 2020 Grants would vest annually over the first 2 years and thereafter, the remaining 2/3 of awards would vest quarterly over next four years.

Call right of 2020 Grants

In terms of the 2020 Grants, in the event that the employee terminates employment by voluntary with the Company prior to fully vested of all granted 2020 Grants, the Company shall have the right as set out following:

- i. repurchase all of the unvested restricted shares with no consideration; and
- ii. repurchase all of the vested restricted shares at a unit price of US\$0.50.

If the Company has not elected to exercise any repurchase right with respect to all or any part of the vested restricted shares, the executive shall thereupon have the option to purchase all of the vested 2020 Grants at a unit price of US\$0.50 within three months after the date of terminate of employment. If the employee has not purchased the vested 2020 Grants Shares within three months after the date of terminate of employment, the vested 2020 Grants Shares would be surrendered to the Company with no consideration. This Call Right of 2020 Grants were deemed as a non-vesting condition and was taking account in determination of the grant date fair value.

The following table discloses movements of the 2020 Grants held by eligible executive during the Track Record Period:

	Number of shares	Weighted average grant date fair value per restricted shares
		US\$
Outstanding as of 1 January 2021	7,000,000	0.76
Vested	<u>(1,166,667)</u>	0.76
Outstanding as of 31 December 2021	5,833,333	0.76
Vested	<u>(2,041,667)</u>	0.76
Outstanding as of 31 December 2022	3,791,666	0.76
Vested	<u>(1,166,667)</u>	0.76
Outstanding as of 31 December 2023	<u><u>2,624,999</u></u>	0.76

The fair value of 2020 Grants at the grant dates is determined by reference to the fair value of the underlying ordinary shares on the date of grant with consideration of non-vesting condition with assistance of Asia-Pacific Consulting and Appraisal Limited.

2023 Grants

On 31 December 2023, the Company has entered into an agreement to grant 9,587,437 restricted shares to four directors (the “2023 Grants”) which vested immediately on 31 December 2023 under which the restricted shares have not been issued. The fair value of the 2023 Grants is determined by reference to the fair value of the underlying ordinary shares of US\$0.89 per share with assistance of Asia-Pacific Consulting and Appraisal Limited. The share-based compensation expense of RMB60,340,000 were recognised in the consolidated statements of profit or loss for the year ended 31 December 2023. On 10 March 2024, the Company entered into agreements with participants of the 2023 Grants, granting them an equivalent number of share options as a settlement for the 2023 Grants. These share options vest immediately upon the grant date, with an exercise price of USD0.0001 per share.

The total share-based compensation expenses recognised in the consolidated statements of profit or loss from restricted shares and the 2023 Grants are RMB12,906,000, RMB7,650,000, RMB64,513,000 for the years ended 31 December 2021, 2022 and 2023, respectively.

APPENDIX I

ACCOUNTANTS’ REPORT

(iii) 2023 Share awards

On 31 March 2023, as approved by the shareholders of the Company, 4,347,500 Shares originally contributed and donated by 5brothers Limited for the Company’s [REDACTED] Share Incentive Schemes were transferred back to Mr. Song through 5brothers Limited. The share transfer is accounted as share-based compensation to Mr. Song, and vest immediately upon transfer. Share-based compensation expense of RMB28,150,000 is recognised in the consolidated statements of profit or loss for the year ended 31 December 2023.

The fair value of 2023 share awards at the grant dates is determined by reference to the fair value of the underlying ordinary shares on the date of grant with assistance of Asia-Pacific Consulting and Appraisal Limited. The fair value of the shares granted was US\$0.97 per share. The grant date fair value was determined with reference to discounted cash flows of the Group, which based on financial forecast approved by management covering a 5-year period and a discount rate of 18%. Cash flow beyond the 5-year period was extrapolated using a steady 3% growth rate.

29. RETIREMENT BENEFIT PLANS

The employees of the Group in the PRC are members of a state-managed retirement benefits scheme operated by the PRC government. The Group is required to contribute a specified percentage of payroll costs as determined by respective local government authority to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the specified contributions under the scheme. The total retirement benefit expenses recognized in the consolidated statements of profit or loss are RMB9,177,000, RMB12,580,000 and RMB15,987,000 for the years ended 31 December 2021, 2022 and 2023, respectively.

30. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that the Group will be able to continue as a going concern while maximising the return to its shareholders through the optimisation of the debt and equity balance. The Group’s overall strategy remained unchanged throughout the Track Record Period.

The capital structure of the Group consists of bank balances and cash, Preferred Shares, and equity attributable to owners of the Company, comprising the share capital and other reserves of the Group.

The directors of the Company review the capital structure regularly. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt.

31. CATEGORIES OF FINANCIAL INSTRUMENTS

	The Group		
	As at 31 December		
	2021	2022	2023
	RMB’000	RMB’000	RMB’000
Financial assets			
Bank balances and cash	486,299	663,230	685,522
Restricted cash	289,144	277,775	386,632
Financial assets at FVTPL			
– wealth management products	220,308	150,740	352,834
Financial assets at amortised cost	75,385	44,242	41,162
Financial liabilities			
Amortised cost	504,051	477,250	584,641
Convertible redeemable preferred shares	4,228,245	4,465,607	4,256,162

APPENDIX I

ACCOUNTANTS’ REPORT

	The Company		
	As at 31 December		
	2021	2022	2023
	RMB’000	RMB’000	RMB’000
Financial assets			
Bank balances and cash	2,524	2,067	174
Amount due from a subsidiary	19,634	176,220	181,964
Financial liabilities			
Amortised cost	1,945	10,679	10,488
Convertible redeemable preferred shares	4,228,245	4,465,607	4,256,162

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group’s major financial instruments include trade and other receivables, financial assets at FVTPL, bank balances and cash, restricted cash, trade and other payables, the Preferred Shares, and lease liabilities. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include interest rate risk, credit risk and liquidity risk and the policies on how to mitigate these risks are set out below. The directors manage and monitor these exposures to ensure appropriate measures are implemented on a timely basis and in an effective manner.

Currency risk

Several subsidiaries of the Company have foreign currency financing activities which expose the Group to foreign currency risk.

The sensitivity analysis below has been determined based on the exposure to foreign currency rates and includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% change in foreign currency rates. A 5% increase or decrease is used when reporting foreign currency rate risk internally to key management personnel and represents the directors’ assessment of the reasonably possible change in foreign currency rates.

Foreign currency sensitivity analysis

If RMB had been appreciated/depreciated 5% against the foreign currency and all other variables were held constant, the Group’s post-tax profit for the years ended 31 December 2021, 2022 and 2023 would have decreased/increased by RMB212,000, RMB196,000 and RMB45,000, respectively. This is mainly attributable to the Group’s exposure to the foreign currency bank balance as at 31 December 2021, 2022 and 2023.

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate borrowing from a related party (see Note 36 for details) and lease liabilities (see Note 24 for details). The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances and restricted cash (see Note 22 for details). The Group’s cash flow interest rate risk is mainly concentrated on the fluctuation of interest rates on bank balances. The Group manages its interest rate exposures by assessing the potential impact arising from any interest rate movements based on interest rate level and outlook.

The directors of the Company considers that the impact to profit or loss for respective years are insignificant for a reasonable change in the market interest rate. Accordingly, no sensitivity analysis is prepared.

Other price risk

The Group is exposed to other price risk through its investments in wealth management products measured at FVTPL and Preferred Shares. The management considers the other price risk of the Group on its investments in the wealth management products is limited as the maturity periods of these investments are short. Therefore, no sensitivity analysis is presented. Sensitivity analysis of Preferred Shares are disclosed in Note 33.

Credit risk and impairment assessment

Credit risk refers to the risk that the Group’s counterparties default on their contractual obligations resulting in financial losses to the Group. The Group’s credit risk is primarily attributable to its trade receivables, bank balances, restricted cash, other receivables and wealth management products. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

APPENDIX I

ACCOUNTANTS’ REPORT

For trade receivables, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the ECL on these items by using a provision matrix—debtors aging, based on shared credit risk characteristics by reference to repayment histories for recurring customers and current past due exposure for the new customers. The provision rates applied is estimated using the historical observed default rates of the debtors taking into consideration forward-looking information that is reasonably and supportably available without undue costs or effort. At the end of each of the reporting period, these historical loss rates are reassessed and updated if required after considering the forward-looking information then available to the directors of the Company. In this regard, the directors of the Company consider that the Group’s credit risk is significantly reduced.

The Group is exposed to concentration of credit risk as at 2021, 2022 and 2023 on trade receivables from the Group’s largest customer for each year of 2021, 2022 and 2023 accounted for approximately 47.9%, 26.2% and 18.9%, respectively, and five largest customers for each year of 2021, 2022 and 2023 accounted for approximately 81.4%, 65.3% and 74.0%, respectively, of the Group’s total trade receivables.

For other receivables, the directors of the Company make periodic individual assessment on the recoverability of other receivables and amounts due from related parties based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information. The directors of the Company believe that there is no significant increase in credit risk of these amounts since initial recognition and the Group provided impairment based on 12m ECL. For the years ended 31 December 2021, 2022 and 2023, ECL of RMB373,000, RMB80,000 and RMB21,000 were reversed, respectively.

The credit risks on bank balances, restricted cash and wealth management products are limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Provision matrix—debtors’ aging

As part of the Group’s credit risk management, the Group uses debtors’ aging to assess the impairment for its customers in relation to its operation because these customers with common risk characteristics are representative of the customers’ abilities to pay all amounts due in accordance with the contractual terms. The following table provides information about the exposure to credit risk for trade receivables which are assessed based on provision matrix within lifetime ECL (not credit-impaired). Debtors with significant outstanding balances or credit-impaired with gross carrying amounts of RMB27,705,000, RMB22,648,000 and RMB13,505,000 as at 31 December 2021, 2022 and 2023, respectively, were assessed individually.

Trade Receivables

	At 31 December 2021		
	Average loss rate	Gross carrying amount	Impairment loss allowance
	%	RMB’000	RMB’000
Current (not past due)	0.01	7,200	1
1-90 days past due	0.01	3,183	–
91-180 days past due	0.02	1,421	–
More than 180 days past due	0.10	507	1
		<u>12,311</u>	<u>2</u>
		<u><u>12,311</u></u>	<u><u>2</u></u>
	At 31 December 2022		
	Average loss rate	Gross carrying amount	Impairment loss allowance
	%	RMB’000	RMB’000
Current (not past due)	0.01	2,598	0.3
1-90 days past due	0.01	1,193	0.1
91-180 days past due	0.02	–	–
More than 180 days past due	0.10	–	–
		<u>3,791</u>	<u>0.4</u>
		<u><u>3,791</u></u>	<u><u>0.4</u></u>

APPENDIX I

ACCOUNTANTS’ REPORT

	At 31 December 2023		
	Average loss rate	Gross carrying amount	Impairment loss allowance
	%	RMB’000	RMB’000
Current (not past due)	0.00	1,323	0.04
1-90 days past due	0.01	1,985	0.1
91-180 days past due	0.01	–	–
More than 180 days past due	0.08	–	–
		3,308	0.14
		3,308	0.14

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated.

During the years ended 31 December 2021, 2022 and 2023, the Group provided RMB2,000, RMB379 and RMB141 impairment allowance for trade receivables, based on the above provision matrix. Impairment allowance of RMB274,000, RMB1,858,000 and RMB438,000 were made on debtors with significant balances for the years ended 31 December 2021, 2022 and 2023 respectively. Meanwhile, 100% ECL were provided for credit-impaired trade receivables and impairment allowance of RMB5,026,000, RMB4,485,000 and RMB4,485,000 were provided at 31 December 2021, 2022 and 2023, respectively. The assessment is regularly reviewed by management to ensure relevant information about specific debtors is updated.

The following table shows the movement in lifetime ECL that has been recognised for trade receivables under the simplified approach.

	Lifetime ECL (not-credit impaired)	Lifetime ECL (credit impaired)	Total
	RMB’000	RMB’000	RMB’000
As at 1 January 2021	320	3,939	4,259
Changes due to financial instruments recognised as at 1 January 2021:			
– Transfer to credit impaired	(7)	7	–
– Impairment losses recognised	–	1,080	1,080
– Impairment losses reversed	(97)	–	(97)
New financial assets originated	60	–	60
As at 31 December 2021	276	5,026	5,302
Changes due to financial instruments recognised as at 1 January 2022:			
– Impairment losses recognised	927	–	927
– Impairment losses reversed	(154)	(341)	(495)
– Written-offs	–	(200)	(200)
New financial assets originated	809	–	809
As at 31 December 2022	1,858	4,485	6,343
Changes due to financial instruments recognised as at 1 January 2023:			
– Impairment losses recognised	27	–	27
– Impairment losses reversed	(1,683)	–	(1,683)
New financial assets originated	236	–	236
As at 31 December 2023	438	4,485	4,923
	438	4,485	4,923

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings.

APPENDIX I

ACCOUNTANTS’ REPORT

Liquidity risk

In management of the liquidity risk, the Group monitors and maintains levels of bank balances and cash deemed adequate by the management to finance the Group’s operations and mitigate the effects of fluctuations in cash flows. The management monitors forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The following table details the remaining contractual maturity of the Group and the Company for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group or the Company can be required to pay. The table includes both interest and principal cash flows.

The Group

	Weighted Average interest rate	On demand or less than 3 months	3 months to 1 year	1 year to 2 years	2 years to 5 years	Total undiscounted cash flows	Carrying amount at 31.12.2021
	%	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
31 December 2021							
Trade and							
other payables	–	504,051	–	–	–	504,051	504,051
Lease liabilities	6.65	396	204	282	71	953	905
Convertible redeemable preferred shares	*	–	2,342,487	1,885,758	–	4,228,245	4,228,245
		<u>504,447</u>	<u>2,342,691</u>	<u>1,886,040</u>	<u>71</u>	<u>4,733,249</u>	<u>4,733,201</u>
31 December 2022							
Trade and other							
payables	–	477,250	–	–	–	477,250	477,250
Lease liabilities	4.06	1,162	3,495	588	–	5,245	5,134
Convertible redeemable preferred shares	*	2,479,370	1,986,237	–	–	4,465,607	4,465,607
		<u>2,957,782</u>	<u>1,989,732</u>	<u>588</u>	<u>–</u>	<u>4,948,102</u>	<u>4,947,991</u>
31 December 2023							
Trade and other							
payables	–	584,641	–	–	–	584,641	584,641
Lease liabilities	4.42	1,109	1,568	1,967	–	4,644	4,464
Convertible redeemable preferred shares	*	–	4,256,162	–	–	4,256,162	4,256,162
		<u>585,750</u>	<u>4,257,730</u>	<u>1,967</u>	<u>–</u>	<u>4,845,447</u>	<u>4,845,267</u>

* The Redemption Price disclosed is calculated based on 8% annual compound return (Series A Preferred Shares) or 10% annual simple return (Series B, Series C, Series D and Series E Preferred Shares), however, on the redemption date, if the fair value of the Preferred Share is higher than the Redemption Price calculated, the Redemption Price shall be the fair value of the Preferred Share.

APPENDIX I

ACCOUNTANTS’ REPORT

The Company

	Weighted Average interest rate	On demand or less than 3 months	3 months to 1 year	1 year to 2 years	Total undiscounted cash flows	Carrying amount at 31.12.2021
	%	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
31 December 2021						
Trade and						
other payables	–	1,945	–	–	1,945	1,945
Convertible redeemable						
preferred shares	*	–	2,342,487	1,885,758	4,228,245	4,228,245
		1,945	2,342,487	1,885,758	4,230,190	4,230,190
	Weighted Average interest rate	On demand or less than 3 months	3 months to 1 year	1 year to 2 years	Total undiscounted cash flows	Carrying amount at 31.12.2022
	%	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
31 December 2022						
Trade and other						
payables	–	10,679	–	–	10,679	10,679
Convertible redeemable						
preferred shares	*	2,479,370	1,986,237	–	4,465,607	4,465,607
		2,490,049	1,986,237	–	4,476,286	4,476,286
	Weighted Average interest rate	On demand or less than 3 months	3 months to 1 year	1 year to 2 years	Total undiscounted cash flows	Carrying amount at 31.12.2023
	%	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
31 December 2023						
Trade and other payables	–	10,488	–	–	10,488	10,488
Convertible redeemable						
preferred shares	*	–	4,256,162	–	4,256,162	4,256,162
		10,488	4,256,162	–	4,266,650	4,266,650

* The Redemption Price disclosed is calculated based on 8% annual compound return (Series A Preferred Shares) or 10% annual simple return (Series B, Series C, Series D and Series E Preferred Shares), however, on the redemption date, if the fair value of the Preferred Share is higher than the Redemption Price calculated, the Redemption Price shall be the fair value of the Preferred Share.

33. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Some of the Group’s financial instruments are measured at fair value for financial reporting purposes. The board of directors of the Company has set up a valuation committee, which is headed up by the Chief Financial Officer of the Company, to determine the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. The valuation committee works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. The Chief Financial Officer reports the valuation committee’s findings to the board of directors of the Company every quarter to explain the cause of fluctuations in the fair value.

APPENDIX I

ACCOUNTANTS’ REPORT

The Group

Financial instruments	Fair value at 31 December			Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)
	2021	2022	2023			
	RMB’000	RMB’000	RMB’000			
Financial assets at FVTPL	220,308	150,740	352,834	Level 2	Discounted cash flow – future cash flows are estimated based on contractual terms of the wealth management products and discounted at a rate that reflects the credit risk of the counterparties.	N/A
Convertible redeemable preferred shares	4,228,245	4,465,607	4,256,162	Level 3	Discounted cash flow model is used in determining the underlying equity value of the Company and Black-Sholes option pricing model is used in performing an equity allocation to determine the fair value of the Preferred Shares (Note 25).	Equity value of the Company (Note i)

The Company

Financial instruments	Fair value as at 31 December			Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)
	2021	2022	2023			
	RMB’000	RMB’000	RMB’000			
Convertible redeemable preferred shares	4,228,245	4,465,607	4,256,162	Level 3	Discounted cash flow model is used in determining the underlying equity value of the Company and Black-Sholes option pricing model is used in performing an equity allocation to determine the fair value of the Preferred Shares (Note 25).	Equity value of the Company (Note i)

Note:

- i A 5% increase/decrease in the equity value of the Company, while all other variables keep constant, would increase the fair value of the Preferred Shares as at 31 December 2021, 2022 and 2023 by approximately RMB205,724,000, RMB218,250,000 and RMB202,354,000, respectively, or decrease the fair value of the Preferred Shares as at 31 December 2021, 2022 and 2023 by approximately RMB205,449,000, RMB217,672,000 and RMB201,623,000, respectively.

There were no transfers between Level 1 and 2 during the Track Record Period.

Details of reconciliation of Level 3 fair value measurement of the Preferred Shares are set out in Note 25.

APPENDIX I

ACCOUNTANTS’ REPORT

34. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group’s liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group’s consolidated statements of cash flows as cash flows used in financing activity.

	Lease liabilities	Convertible redeemable preferred shares	Accrued issue cost	Total
	RMB’000	RMB’000	RMB’000	RMB’000
At 1 January 2021	4,374	5,748,781	2,017	5,755,172
Financing cash flows (<i>Note i</i>)	(4,485)	–	(1,104)	(5,589)
Non-cash changes:				
Finance costs	274	–	–	274
Fair value adjustment	–	(1,520,536)	–	(1,520,536)
New leases	742	–	–	742
Others (<i>Note ii</i>)	–	–	(913)	(913)
At 31 December 2021	905	4,228,245	–	4,229,150
Financing cash flows	(3,364)	–	(151)	(3,515)
Non-cash charges:				
Finance costs	230	–	–	230
Fair value adjustment	–	237,362	–	237,362
New leases	7,363	–	–	7,363
Accrued issue costs	–	–	1,453	1,453
At 31 December 2022	5,134	4,465,607	1,302	4,472,043
Financing cash flows	(6,741)	–	(3,509)	(10,250)
Non-cash changes:				
Finance costs	285	–	–	285
Fair value adjustment	–	(209,445)	–	(209,445)
New leases	5,786	–	–	5,786
Accrued issue costs	–	–	3,385	3,385
At 31 December 2023	4,464	4,256,162	1,178	4,261,804

Notes:

- i. The difference with the consolidated statements of cash flows was the amount paid for repurchase of ordinary shares during the year ended 31 December 2021.
- ii. During the year ended 31 December 2021, the Company’s [REDACTED] submitted with the Stock Exchange has expired, accordingly previously accrued issue costs were transferred to accrued expenses.

APPENDIX I

ACCOUNTANTS’ REPORT

35. FINANCIAL INFORMATION OF THE COMPANY

Movement of the Company’s reserves

Below is a table showing the movements of the reserves of the Company during the Track Record Period:

	Attributable to owners of the Company						
	Share premium	Treasury stock	Other reserves (Note i)	Share-based payment reserves	Fair value through other comprehensive income (expense) reserve	Accumulated losses	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
At 1 January 2021	210,053	(13)	(15,901)	13,316	(184,505)	(3,977,076)	(3,954,126)
Profit for the year	–	–	–	–	–	1,475,154	1,475,154
Other comprehensive expense for the year	–	–	–	–	(637)	–	(637)
Total comprehensive (expense) income for the year	–	–	–	–	(637)	1,475,154	1,474,517
Share-based payment expenses.	–	–	–	22,725	–	–	22,725
Repurchase of ordinary shares and transfer to treasury stock (Note ii)	–	(144,165)	82,545	–	–	–	(61,620)
Vest of restricted shares and exercise of share options	6,844	1	–	(6,845)	–	–	–
At 31 December 2021	216,897	(144,177)	66,644	29,196	(185,142)	(2,501,922)	(2,518,504)
Loss for the year	–	–	–	–	–	(85,410)	(85,410)
Other comprehensive expense for the year	–	–	–	–	(3,224)	–	(3,224)
Total comprehensive expense for the year	–	–	–	–	(3,224)	(85,410)	(88,634)
Share-based payment expenses.	–	–	–	29,804	–	–	29,804
Vest of restricted shares and exercise of share options	11,011	1	–	(11,012)	–	–	–
At 31 December 2022	227,908	(144,176)	66,644	47,988	(188,366)	(2,587,332)	(2,577,334)
Profit for the year	–	–	–	–	–	216,829	216,829
Other comprehensive income for the year	–	–	–	–	163	–	163
Total comprehensive income for the year	–	–	–	–	163	216,829	216,992
Share-based payment expenses.	–	–	–	110,351	–	–	110,351
Cancellation of shares (Note ii)	(61,608)	144,165	(82,545)	–	–	–	12
Transfer out of treasury stock (Note iii)	–	3	(3)	–	–	–	–
Vest of restricted shares and exercise of share options (Note iv)	34,448	1	60,340	(94,789)	–	–	–
At 31 December 2023	200,748	(7)	44,436	63,550	(188,203)	(2,370,503)	(2,249,979)

APPENDIX I

ACCOUNTANTS’ REPORT

Note i: Other reserves as at 1 January 2021 mainly represent repurchase of ordinary shares and the issuance of ordinary shares with nil consideration before the Track Record Period.

Note ii: The amount represents repurchase of 19,174,874 ordinary shares from 5brothers Limited at the price of US\$0.50 per share (the aggregate consideration of US\$9,500,000 in total, approximately RMB61,620,000) by the Company and reserved for share incentive. This transaction is accounted for as an equity transaction, with difference between consideration paid and the fair value of ordinary shares at the transaction date (US\$0.66 per share) recorded in other reserves. On 31 March 2023, the Company cancelled 19,174,874 shares which were held as treasury stock.

Note iii: On 31 March 2023, as approved by the shareholders of the Company, 4,347,500 shares originally contributed and donated by 5brothers Limited for share incentive schemes were returned and transferred back to Mr. Song through 5brothers Limited. The transaction is accounted for as share-based compensation to Mr. Song.

Note iv: The amount recorded in other reserves represents shares to be issued in relation to the 2023 Grants as details disclosed in Note 28.

36. RELATED PARTY DISCLOSURES

The Company

Amount due from a subsidiary:

	At 31 December		
	2021	2022	2023
	RMB’000	RMB’000	RMB’000
Amazing Journey Limited (“Amazing Journey”) (<i>Note</i>)	19,634	176,220	181,964
	<u>19,634</u>	<u>176,220</u>	<u>181,964</u>

Note: The outstanding amount at each year end are the same as the maximum amount during each of the year. These amounts were non-trade nature, unsecured, interest free and repayable on demand. As the Company does not expect to recall the balance in one year from the balance sheet date, the amount is disclosed as non-current asset in the statements of financial position of the Company.

Compensation of key management personnel

The remuneration of directors and other members of key management during the Track Record Period was as follows:

	Year ended 31 December		
	2021	2022	2023
	RMB’000	RMB’000	RMB’000
Salaries and other benefits	5,661	4,853	5,284
Bonus	435	925	385
Retirement benefit scheme contributions	344	316	357
Share-based payment expenses	17,108	14,682	96,995
	<u>23,548</u>	<u>20,776</u>	<u>103,021</u>

The remuneration of the directors of the Company and other key management personnel of the Group are determined having regard to the performance of the individuals.

APPENDIX I

ACCOUNTANTS’ REPORT

37. PARTICULARS OF PRINCIPAL SUBSIDIARIES

The Group

As at the date of this report, the Company has direct and indirect equity interest in the following principal subsidiaries:

Name of subsidiaries	Place of incorporation	Date of incorporation	Issued and fully paid-up share capital	Equity attributable to the Company			Date of this report	Principal activities
				as at 31 December				
				2021	2022	2023		
				%	%	%	%	
Amazing Journey	Hong Kong	23 July 2014	HK\$1	100	100	100	[100]	Investment holdings
Changxing	The PRC	21 August 2014	RMB10,000,000	100	100	100	[100]	Provision of travel services and advertising services
Pintu	The PRC	2 November 2014	US\$596,000,000	100	100	100	[100]	Provision of software and information services
Beijing Dida	The PRC	31 March 2022	RMB5,000,000	–	100	100	[100]	Provision of travel services

Except for Amazing Journey, all of the above subsidiaries are indirectly held by the Company. All of the above subsidiaries are limited liability companies established in the Mainland China except for Amazing Journey which is a limited liability company incorporated in Hong Kong.

All companies now comprising the Group have adopted 31 December as their financial year end.

The statutory financial statements of Amazing Journey for each of the years ended 31 December 2021 and 2022, were prepared in accordance with the Hong Kong Financial Reporting Standard for Private Entities and the requirements of the Hong Kong Companies Ordinance and were audited by T.K. LAM (C.P.A.) CO. LTD. Certified Public Accountants registered in Hong Kong.

The statutory financial statements of Changxing for each of the years ended 31 December 2021 and 2022, were prepared in accordance with the Accounting Standards for Business Enterprises and Financial Regulations Applicable in the PRC and were audited by Beijing Peizhi Certified Public Accountants (北京培值會計師事務所(普通合夥)) certified public accountants registered in the PRC (for 2021) and Zhong Qi Hui (Beijing) Certified Public Accountants, Co., Ltd. (中企惠(北京)會計師事務所有限公司) certified public accountants registered in the PRC (for 2022).

The statutory financial statements of Pintu for each of the years ended 31 December 2021 and 2022, were prepared in accordance with the Accounting Standards for Business Enterprises and Financial Regulations Applicable in the PRC and were audited by Beijing Peizhi Certified Public Accountants (北京培值會計師事務所(普通合夥)) certified public accountants registered in the PRC (for 2021) and Zhong Qi Hui (Beijing) Certified Public Accountants, Co., Ltd. (中企惠(北京)會計師事務所有限公司) certified public accountants registered in the PRC (for 2022).

The statutory financial statements of Beijing Dida for each of the three years ended 31 December 2022, were prepared in accordance with the Accounting Standards for Business Enterprises and Financial Regulations Applicable in the PRC and were audited by Zhong Qi Hui (Beijing) Certified Public Accountants, Co., Ltd. (中企惠(北京)會計師事務所有限公司) certified public accountants registered in the PRC.

No audited statutory financial statements were available for the rest of the companies of the Group during the Track Record Period as there was no requirement to issue audited accounts by the local authorities.

None of the subsidiaries had any debt securities at the end of each year during the Track Record Period.

The Company

As at 31 December 2021, 2022 and 2023 the Company recorded interest in its subsidiary of RMB1,689,752,000, RMB1,719,556,000 and RMB1,829,907,000, respectively. Interest in a subsidiary represents advanced payments to subsidiary of the Company for the purpose of permanent investment and share-based payments incurred in relation to employees of the Company’s subsidiary, which are considered deemed investment in a subsidiary.

APPENDIX I

ACCOUNTANTS’ REPORT

38. SUBSEQUENT EVENTS

Subsequent to 31 December 2023, the Company and the Preferred Share investors have entered into the Third Supplemental Agreement (for details please refer to Note 25). Other than aforementioned and issue of share options disclosed in Note 28, there were no other significant events subsequent to the end of the Track Record Period that needs to be disclosed.

39. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Group or the Company or any of its subsidiaries in respect of any period subsequent to the Track Record Period.