



EDA Group Holdings Limited EDA集團控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 2505

GLOBAL OFFERING

Sole Sponsor



Sole Overall Coordinator, Sole Global Coordinator, Joint Bookrunner and Joint Lead Manager



Joint Bookrunners and Joint Lead Managers



* for identification purpose only

IMPORTANT

IMPORTANT: If you are in any doubt about any of the contents of this prospectus, you should seek independent professional advice.



EDA GROUP HOLDINGS LIMITED

EDA集團控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

GLOBAL OFFERING

Number of Offer Shares under the Global Offering	: 97,625,000 Shares (subject to the Over-Allotment Option)
Number of Hong Kong Offer Shares	: 9,763,000 Shares (subject to re-allocation)
Number of International Placing Shares	: 87,862,000 Shares (including 4,882,000 Lesso Reserved Shares under the Lesso Preferential Offering) (subject to the Over-Allotment Option and re-allocation)
Offer Price	: Not more than HK\$3.06 per Offer Share and expected to be not less than HK\$2.28 per Offer Share, plus brokerage of 1.0%, SFC transaction levy of 0.0027%, AFRC transaction levy of 0.00015% and Stock Exchange trading fee of 0.00565% (payable in full on application in Hong Kong dollars and subject to refund)
Nominal value	: US\$0.01 per Share
Stock code	: 2505

Sole Sponsor



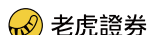
Sole Overall Coordinator, Sole Global Coordinator, Joint Bookrunner and Joint Lead Manager



Joint Bookrunners and Joint Lead Managers



Joint Lead Managers



Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in the paragraph headed "Documents Delivered to the Registrar of Companies in Hong Kong and on Display" in Appendix V to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any other document referred to above.

The Offer Price is expected to be fixed by agreement between the Sole Overall Coordinator and the Sole Global Coordinator (for itself and on behalf of the Underwriters and Capital Market Intermediaries) and our Company on the Price Determination Date. The Price Determination Date is expected to be on or around Friday, May 24, 2024 (Hong Kong time) and, in any event, not later than 12:00 noon on Friday, May 24, 2024 (Hong Kong time). The Offer Price will be not more than HK\$3.06 and is currently expected to be not less than HK\$2.28. Applicants for Hong Kong Offer Share may be required to pay, on application (subject to application channels), the Offer Price together with a brokerage fee of 1.0%, a AFRC transaction levy of 0.00015%, a SFC transaction levy of 0.0027% and a Stock Exchange trading fee of 0.00565%. If, for any reason, the Offer Price is not agreed by 12:00 noon on Friday, May 24, 2024 (Hong Kong time) among the Sole Overall Coordinator and the Sole Global Coordinator (for itself and on behalf of the Underwriters and Capital Market Intermediaries) and our Company, the Global Offering will not proceed and will lapse.

The Sole Overall Coordinator and the Sole Global Coordinator (for itself and on behalf of the Underwriters and Capital Market Intermediaries) may, with our consent, reduce the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price Range below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offer. In such a case, a notice of the reduction of the number of Offer Shares and/or the indicative Offer Price Range will be published on the website of the Stock Exchange at www.hkex.com.hk and our website at www.edayun.cn as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offer. Further details are set forth in "Structure and Conditions of the Global Offering" and "How to Apply for the Hong Kong Offer Shares and Lesso Reserved Shares" in this prospectus.

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement are subject to termination by the Sole Overall Coordinator and the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters and Capital Market Intermediaries) if certain grounds arise prior to 8:00 a.m. on the Listing Date. See "Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offer — Grounds for termination".

Prior to making an investment decision, potential investors should consider carefully all of the information set out in this prospectus, including the risk factors set out in "Risk Factors".

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities law in the United States and may not be offered, sold, pledged or transferred within the United States or to, or for the account or benefit of U.S. persons (as defined in Regulation S) except in transactions exempt from, or not subject to, the registration requirements of the U.S. Securities Act. The Offer Shares are being offered and sold only outside the United States in offshore transactions in reliance on Regulation S under the U.S. Securities Act.

ATTENTION

We have adopted a fully electronic application process for the Hong Kong Public Offer. We will not provide printed copies of this prospectus to the public in relation to the Hong Kong Public Offer.

This prospectus is available at the websites of the Stock Exchange (www.hkexnews.hk) and our Company (www.edayun.cn). If you require a printed copy of this prospectus, you may download and print from the website addresses above.

IMPORTANT

IMPORTANT NOTICE TO INVESTORS: FULLY ELECTRONIC APPLICATION PROCESS

We have adopted a fully electronic application process for the Hong Kong Public Offer. We will not provide any printed copies of this prospectus for use by the public.

This prospectus is available at the website of the Stock Exchange at www.hkexnews.hk under the “HKEXnews > New Listings > New Listing Information” section, and our website at www.edayun.cn. If you require a printed copy of this prospectus, you may download and print from the website addresses above.

To apply for Hong Kong Offer Shares, you may:

- (1) apply online via the **HK eIPO White Form** service in the **IPO App** (which can be downloaded by searching “**IPO App**” in App Store or Google Play or downloaded at www.hkeipo.hk/) or www.tricorglobal.com/IPOApp at www.hkeipo.hk; or
- (2) apply through the HKSCC EIPO channel to electronically cause HKSCC Nominees to apply on your behalf, by instructing your **broker** or **custodian** who is a HKSCC Participant to give **electronic application instructions** via HKSCC’s FINI system to apply for the Hong Kong Offer Shares on your behalf; or

We will not provide any physical channels to accept any application for the Hong Kong Offer Shares by the public. The contents of the electronic version of this prospectus are identical to the printed prospectus as registered with the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, Chapter 32 of the Laws of Hong Kong.

If you are an intermediary, broker or agent, please remind your customers, clients or principals, as applicable, that this prospectus is available online at the website addresses above.

Please refer to “How to Apply for Hong Kong Offer Shares and Lesso Reserved Shares” in this prospectus for further details on the procedures through which you can apply for Hong Kong Offer Shares electronically.

IMPORTANT

The Hong Kong Public Offer

Your application through the **HK eIPO White Form** service or the HKSCC EIPO channel must be for a minimum of 1,000 Hong Kong Offer Shares and in one of the numbers set out in the table below. If you are applying through the **HK eIPO White Form** service, you may refer to the table below for the amount payable for the number of Shares you have selected. You must pay the respective maximum amount payable on application in full upon application for Hong Kong Offer Shares. If you are applying through the HKSCC EIPO channel, you are required to prefund your application based on the amount specified by your broker or custodian, as determined based on the applicable laws and regulations in Hong Kong.

No. of Hong Kong Offer Shares applied for	Maximum Amount payable ⁽²⁾ on application/successful allotment	No. of Hong Kong Offer Shares applied for	Maximum Amount payable ⁽²⁾ on application/successful allotment	No. of Hong Kong Offer Shares applied for	Maximum Amount payable ⁽²⁾ on application/successful allotment	No. of Hong Kong Offer Shares applied for	Maximum Amount payable ⁽²⁾ on application/successful allotment
	HK\$		HK\$		HK\$		HK\$
1,000	3,090.85	15,000	46,362.90	80,000	247,268.81	900,000	2,781,774.09
2,000	6,181.73	20,000	61,817.20	90,000	278,177.41	1,000,000	3,090,860.10
3,000	9,272.58	25,000	77,271.50	100,000	309,086.01	2,000,000	6,181,720.20
4,000	12,363.44	30,000	92,725.81	200,000	618,172.02	3,000,000	9,272,580.30
5,000	15,454.29	35,000	108,180.10	300,000	927,258.04	4,000,000	12,363,440.40
6,000	18,545.17	40,000	123,634.40	400,000	1,236,344.05	4,881,000 ⁽¹⁾	15,086,488.15
7,000	21,636.02	45,000	139,088.71	500,000	1,545,430.06		
8,000	24,726.88	50,000	154,543.00	600,000	1,854,516.05		
9,000	27,817.74	60,000	185,451.61	700,000	2,163,602.06		
10,000	30,908.61	70,000	216,360.20	800,000	2,472,688.08		

- (1) Maximum number of Hong Kong Offer Shares you may apply for and this is approximately 50% of the Hong Kong Offer Shares initially offered.
- (2) The amount payable is inclusive of brokerage, SFC transaction levy, the Stock Exchange trading fee and AFRC transaction levy. If your application is successful, brokerage will be paid to the Exchange Participants (as defined in the Listing Rules) or to the **HK eIPO White Form** Service Provider (for applications made through the application channel of the **HK eIPO White Form** Service Provider) while the SFC transaction levy, the Stock Exchange trading fee and the AFRC transaction levy will be paid to the SFC, the Stock Exchange and the AFRC, respectively.

No application for any other number of the Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

EXPECTED TIMETABLE⁽¹⁾

If there is any change in the following expected timetable of the Hong Kong Public Offer and the Lesso Preferential Offering, we will issue an announcement in Hong Kong to be published on our Company's website at www.edayun.cn and the website of the Stock Exchange at www.hkexnews.hk.

Hong Kong Public Offer and Lesso Preferential Offering commences 9:00 a.m. on Monday, May 20, 2024

Latest time for completing electronic applications under the (i) **HK eIPO White Form** service; and (ii) **HK eIPO Blue Form** service through one of the below ways:

(1) (i) in the **IPO App** (which can be downloaded by searching “**IPO App**” in App Store or Google Play or downloaded at www.hkeipo.hk/IPOApp or www.tricorglobal.com/IPOApp) (applicable for applying via the **HK eIPO White Form** service only)

(2) (i) and (ii) at designated website www.hkeipo.hk⁽²⁾ 11:30 a.m. on Thursday, May 23, 2024

Application lists of the Hong Kong Public Offer open⁽³⁾ 11:45 a.m. on Thursday, May 23, 2024

Latest time for (a) completing payment of **HK eIPO White Form** and **HK eIPO Blue Form** applications by effecting internet banking transfer(s) or PPS payment transfer(s) and (b) giving electronic application instructions to HKSCC⁽⁴⁾ 12:00 noon on Thursday, May 23, 2024

If you are instructing your broker or custodian who is a HKSCC Participant to give electronic application instructions via HKSCC's FINI system to apply for the Hong Kong Offer Shares on your behalf, you are advised to contact your broker or custodian for the latest time for giving such instructions which may be different from the latest time as stated above.

Application lists of the Hong Kong Public Offer close⁽³⁾ 12:00 noon on Thursday, May 23, 2024

Expected Price Determination Date⁽⁵⁾ on or before 12:00 noon on Friday, May 24, 2024

EXPECTED TIMETABLE⁽¹⁾

Announcement of the Offer Price, the level of indications of interest in the International Placing, the level of applications in the Hong Kong Public Offer and the Lesso Preferential Offering and the basis of allocation of the Hong Kong Offer Shares and the Lesso Reserved Shares under the Hong Kong Public Offer and the Lesso Preferential Offering to be published on the websites of the Stock Exchange at www.hkexnews.hk and our Company at www.edayun.cn⁽⁶⁾ on or before 11:00 p.m. Monday, May 27, 2024

Results of allocations in the Hong Kong Public Offer and the Lesso Preferential Offering to be available through a variety of channels, including:

- in the announcement to be posted on our Company’s website at www.edayun.cn⁽⁶⁾ and the Stock Exchange’s website at www.hkexnews.hk by no later than 11:00 p.m. on Monday, May 27, 2024
- from the “IPO Results” function in the **IPO App** or designated results of allocations website at www.tricor.com.hk/ipo/result or www.hkeipo.hk/IPOResult with a “search by ID” function on a 24-hour basis from 11:00 p.m. on Monday, May 27, 2024 to 12:00 midnight on Sunday, June 2, 2024
- from the allocation results telephone enquiry line by calling +852 3691 8488. between 9:00 a.m. and 6:00 p.m. from Tuesday, May 28, 2024 to Friday, May 31, 2024

Dispatch of Share certificates or deposit of the Share certificates into CCASS in respect of wholly or partially successful applications pursuant to the Hong Kong Public Offer and the Lesso Preferential Offering on or before⁽⁷⁾ Monday, May 27, 2024

Despatch of **HK eIPO White Form** and **HK eIPO Blue Form** e-Auto Refund payment instructions/refund checks in respect of wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offer and the Lesso Preferential Offering on or before⁽⁷⁾⁽⁸⁾ Tuesday, May 28, 2024

EXPECTED TIMETABLE⁽¹⁾

Dealings in Shares on the Stock Exchange expected to

commence at 9:00 a.m. on Tuesday, May 28, 2024

Notes:

- (1) All times and dates refer to Hong Kong local times and dates.
- (2) You will not be permitted to submit your application under the **HK eIPO White Form** service or the **HK eIPO Blue Form** service through the **IPO App** (applicable to the **HK eIPO White Form** service only) or the designated website at www.hkeipo.hk after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the **IPO App** or the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.
- (3) If there is/are a tropical cyclone warning signal number 8 or above, a “black” rainstorm warning and/or Extreme Conditions in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, May 23, 2024, the application lists will not open and will close on that day. Further information is set out in “How to Apply for Hong Kong Offer Shares and Lesso Reserved Shares — F. Severe Weather Arrangements”.
- (4) Applicants who apply for Hong Kong Offer Shares by giving electronic application instructions to HKSCC via HKSCC’s FINI system should refer to “How to Apply for Hong Kong Offer Shares and Lesso Reserved Shares — A. Application for Hong Kong Offer Shares — 2. Application Channels”.
- (5) The Price Determination Date is expected to be on or about Friday, May 24, 2024, and in any event, not later than 12:00 noon on Friday, May 24, 2024. If, for any reason, the Offer Price is not agreed between the Sole Overall Coordinator and the Sole Global Coordinator (for itself and on behalf of the Underwriters and Capital Market Intermediaries) and us on or before 12:00 noon on Friday, May 24, 2024, the Global Offering will not proceed and will lapse.
- (6) None of the websites or any of the information contained on the websites forms part of this prospectus.
- (7) Share certificates for the Hong Kong Offer Shares are expected to be issued on Monday, May 27, 2024, but will only become valid evidence of title provided that the Global Offering has become unconditional in all respects prior to 8:00 a.m. on Tuesday, May 28, 2024. Investors who trade Shares on the basis of publicly available allocation details prior to the receipt of Share certificates or prior to the Share certificates becoming valid evidence of title do so entirely at their own risk.

e-Auto Refund payment instructions/refund checks will be issued in respect of wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offer and Lesso Preferential Offering and in respect of successful applicants in the event that the final Offer Price is less than the price payable per Offer Share on application.

- (8) Applicants who have applied through the **HK eIPO White Form** service for 1,000,000 or more Hong Kong Offer Shares under the Hong Kong Public Offer or the **HK eIPO Blue Form** service for 1,000,000 Lesso Reserved Shares under the Lesso Preferential Offering and have provided all information required may collect Share certificates in person from our Hong Kong Share Registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong from 9:00 a.m. to 1:00 p.m. on Tuesday, May 28, 2024 or such other date as notified by us as the date of dispatch/collection of Share certificates/refund checks and e-Auto Refund payment instructions. Applicants being individuals who are eligible for personal collection may not authorize any other person to collect on their behalf. If you are a corporate applicant which is eligible for personal collection, your authorized representative must bear a letter of authorization from your corporation stamped with your corporation’s chop. Both individuals and authorized representatives must produce evidence of identity

EXPECTED TIMETABLE⁽¹⁾

acceptable to our Hong Kong Share Registrar at the time of collection. Further information is set out in the sections headed “How to Apply for Hong Kong Offer Shares and Lesso Reserved Shares — E. Despatch/Collection Of Share Certificates And Refund of Application Monies”.

The above expected timetable is a summary only. For details of the structure and conditions of the Global Offering, including its conditions, and the procedures for applications for Hong Kong Offer Shares and Lesso Reserved Shares, see “Structure and Conditions of the Global Offering” and “How to Apply for Hong Kong Offer Shares and Lesso Reserved Shares” in this prospectus, respectively.

Lesso Qualifying Shareholder(s) may obtain a copy of this prospectus in the manner they have elected, or are deemed to have elected, to receive corporate communications under Lesso’s corporate communication policy. See “How to Apply for Hong Kong Offer Shares and Lesso Reserved Shares” in this prospectus for further details. Distribution of this prospectus into any jurisdiction other than Hong Kong may be restricted by law. Persons in possession of this prospectus (including, without limitation, agents, custodians, nominees and trustees) should inform themselves of, and observe, any such restrictions. Any failure to comply with such restrictions may constitute a violation of the securities laws of any such jurisdiction. In particular, this prospectus should not be distributed, forwarded or transmitted in, into or from any of the Specified Territories, except to Lesso Qualifying Shareholder(s) as specified in this prospectus.

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IMPORTANT NOTICE TO INVESTORS

This prospectus is issued by our Company solely in connection with the Hong Kong Public Offer and the Lesso Preferential Offering and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Hong Kong Offer Shares offered by this prospectus pursuant to the Hong Kong Public Offer. This prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offer of the Offer Shares in any jurisdiction other than Hong Kong and no action has been taken to permit the distribution of this prospectus in any jurisdiction other than Hong Kong. The distribution of this prospectus and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions, and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

You should rely only on the information contained in this prospectus to make your investment decision. We have not authorized anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorized by us, the Sole Overall Coordinator, the Sole Global Coordinator, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of our or their affiliates or any of their respective directors, officers, employees or agents or any other person or party involved in the Global Offering. Information contained on our website, located at www.edayun.cn, does not form part of this prospectus.

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SUMMARY

This summary aims to give you an overview of the information contained in this prospectus. As it is a summary, it does not contain all the information that may be important to you and is qualified in its entirety by, and should be in conjunction with, the full text of this prospectus. You should read the entire prospectus before you decide to invest in the Offer Shares.

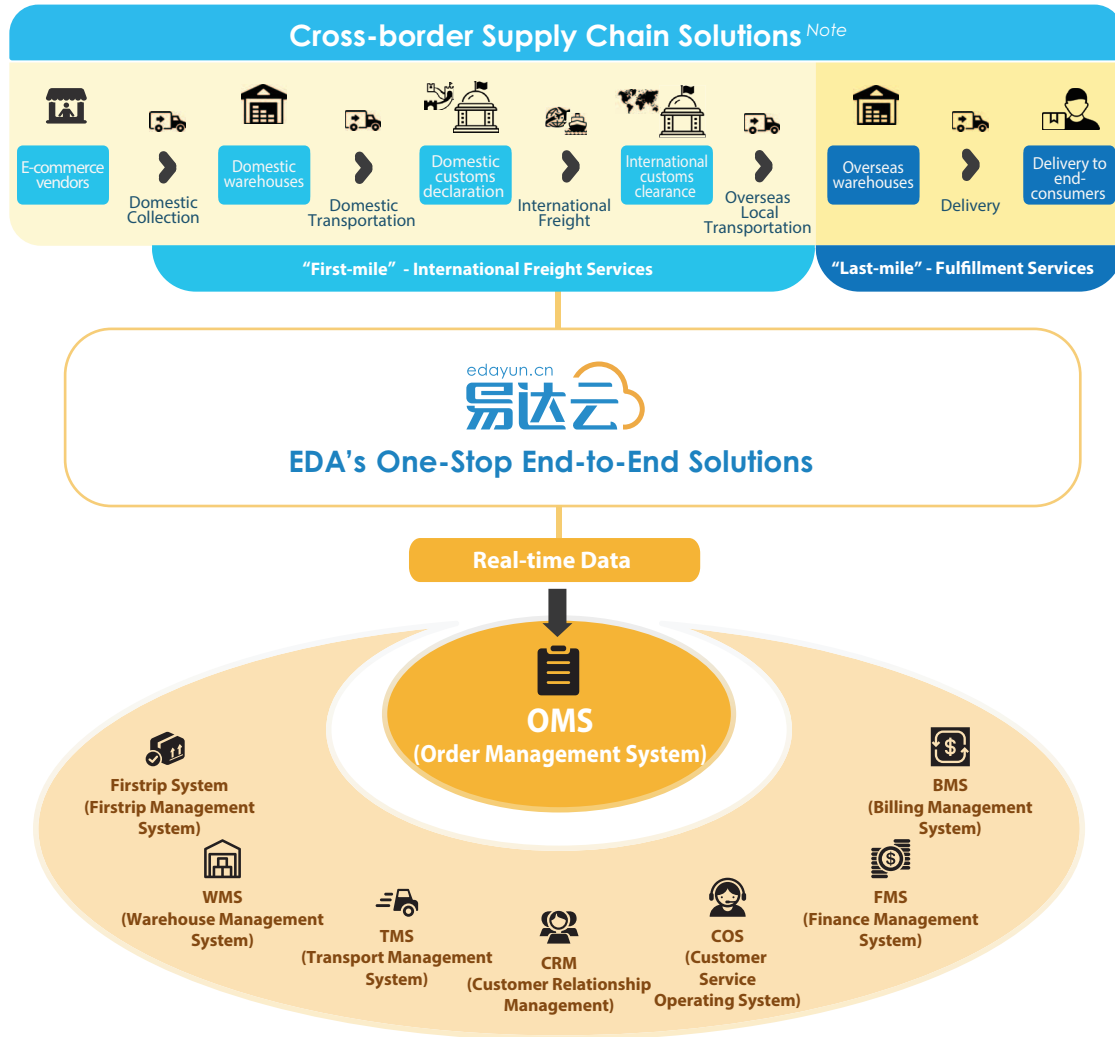
There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set forth in “Risk Factors” in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares.

BUSINESS OVERVIEW

We are a one-stop end-to-end supply chain solutions provider for e-commerce vendors, empowering the fast-growing B2C export e-commerce industry in the PRC. According to Frost & Sullivan, in terms of revenue in 2023, we ranked sixth among all B2C export e-commerce supply chain solutions providers primarily utilizing pre-sale stocking model in the PRC, with a market share of approximately 0.5%. Our Group accounted for approximately 0.1% of the entire export e-commerce supply chain solutions market in the PRC in 2023. With an unwavering commitment to delivering customer-centric, technology-driven and reliable solutions to our customers, we offer supply chain solutions which encompass cross-border logistics, overseas warehousing and fulfillment delivery services that are integrated into EDA Cloud, our self-developed cloud platform which houses a comprehensive range of digital supply management tools. During the Track Record Period, majority of our customers procured from us one-stop end-to-end supply chain solutions comprising of “first-mile” international freight services and “last-mile” fulfillment services.

SUMMARY

One-stop, end-to-end solutions. Our B2C export e-commerce supply chain solutions encompass every aspect and each stage of the product logistics and fulfillment life cycle in China's B2C export e-commerce industry. Through the engagement of B2C export e-commerce supply chain solutions providers like us, e-commerce vendors are able to (i) capture opportunities in the global market without substantial commitment to their own supply chain infrastructure and logistics network or any prior experience in supply chain management and (ii) experience a time-saving process. The chart below show cases our solutions and operational model:



Note: During the Track Record Period and up to the Latest Practicable Date, save for some of the overseas storage services which were handled by our own staff at our self-operated warehouses, all components of our supply chain solutions were provided by third-party services providers.

Leveraging our technology and experience with a customer-centric mindset, we handle the logistical challenges faced by our customers and cater to our customers' needs by acting as the single contact point, covering all aspects of the supply chain process and efficiently allocating resources and managing various stakeholders through the consolidation of fragmented information

SUMMARY

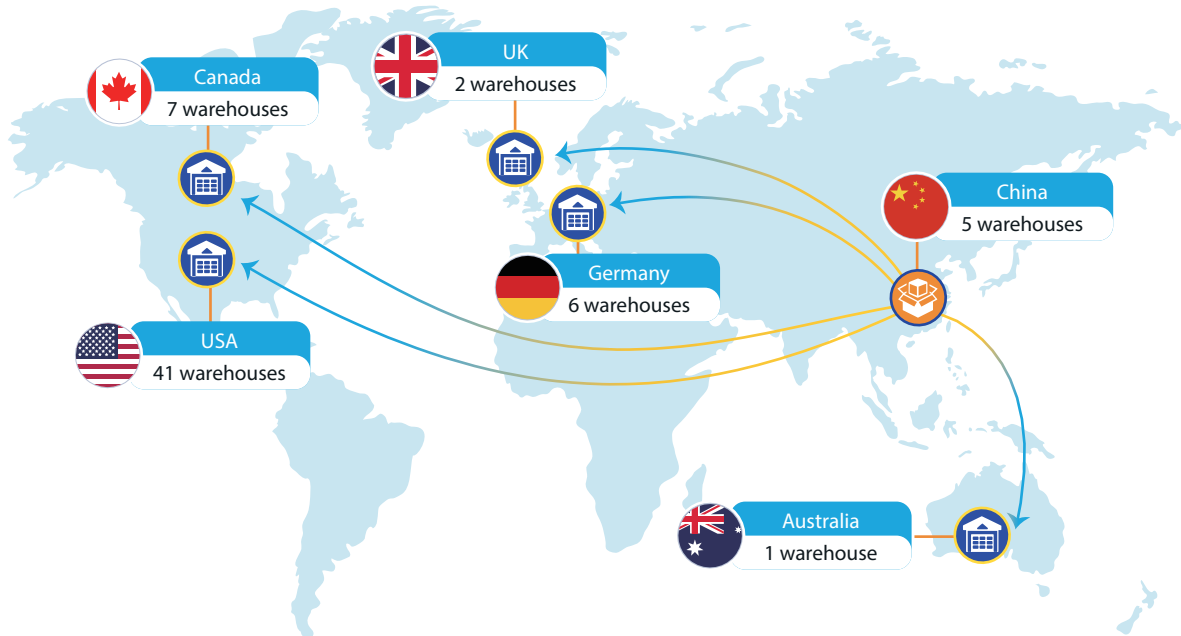
on our EDA Cloud platform. Our one-stop, end-to-end solutions cover “first-mile” international freight services and “last-mile” fulfillment services that are fully-integrated into each stage and can be traced, monitored and managed through our technology infrastructure. Our “first-mile” international freight services consist of domestic collection and transportation, domestic warehousing storage, domestic customs declaration, international freight services and international customs clearance; meanwhile, our “last-mile” fulfilling services consist of overseas warehousing storage and local fulfillment delivery. We primarily utilize a pre-sale stocking model, which is a relatively new model in the industry applied in the B2C export e-commerce supply chain solutions market in the PRC by which e-commerce vendors first transport their goods to the overseas warehouses in the destination regions for stocking, such that they can deliver the goods directly from the overseas warehouses to the end-consumers when such end-consumers place orders on e-commerce platforms such as Amazon and eBay. In contrast to solutions which apply the direct shipping model, by which goods are shipped to end-consumers directly from the domestic warehouses of the e-commerce vendors upon the orders being placed, solutions which apply the pre-sale stocking model bring our customers’ merchandise much closer to its end-consumers through storing their goods in our overseas warehouses ready for onward fulfillment, thereby removing uncertainties in “first-mile” delivery and price volatility and enabling efficient and timely fulfillment. As part of our supply chain solutions, we provide value-added services, such as products return processing and stock disposal, to reduce the amount of processing work that needs to be done by our customers. Our comprehensive range of capabilities also enable us to provide customized solutions to our customers.

Industry opportunity. We address a market opportunity as B2C e-commerce becomes part of our daily lives. According to Frost & Sullivan, the B2C export e-commerce market in the PRC is expected to grow at a CAGR of 13.5% from 2023 to 2028 and correspondingly, the market size of the B2C export e-commerce supply chain solutions with pre-sale stocking model is expected to grow at a CAGR of 13.7% from 2023 to 2028, reaching RMB387.0 billion in 2028. We plan to continue to provide quality supply chain solutions through creating values for all participants along the B2C export e-commerce value chain.

Global logistics network. At the heart of our offering is our global logistics network. We strategically adopt an asset-light model through leveraging third-party logistics service providers, which keeps us nimble in decision making. Our logistics network covers various major trade lanes originating from the PRC reaching popular B2C e-commerce destinations around the world, including North America, Europe and Australia. During the Track Record Period, our Group/Shenzhen EDA Group had a large portfolio of carefully selected third-party logistics service providers, comprising over 60 third-party warehouse providers, 300 international freight forwarding service providers, ocean carriers and air carriers and 80 local “last mile” fulfillment service providers. As of the Latest Practicable Date, we contracted 57 overseas warehouses in the United States, Canada, the United Kingdom, Germany and Australia, spanning three continents and

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over 20 cities in the world. Among our 57 overseas warehouses, 47 are partnered warehouses, making our network of partnered overseas warehouses one of the largest among our peers. In addition to our overseas warehouses (which serve as storage and fulfillment centers), as of the Latest Practicable Date, we also contracted five storage facilities in Guangzhou, Shenzhen, Shanghai, Qingdao and Zhaoqing in the PRC (which serve as temporary stock storage before their “first-mile” international freight). The following map shows our global presence:



EDA Cloud platform. We have placed heavy emphasis on our endeavors relating to our technologies, in particular, the EDA Cloud platform. Digital technology is applied for various operational and functional needs in our provision of B2C export e-commerce supply chain solutions. The EDA Cloud platform (and the modular systems which it hosts) plays a critical role in providing our customers with supply chain experience and in allowing us to reach optimal levels of operation efficiency.

Through the integration of all modular systems, in essence, the EDA Cloud platform helps fulfill our customers’ orders online and enable real-time communication, tracking and financial management. The dashboard of the EDA Cloud platform provides visualization and customer alerts to help customers plan their operations and freight expenses through predictive analytics and online quotations, thereby improving customer decision-making efficiency and enhancing the predictability of supply chain solutions. Further, in order to help us keep track of core customers (i.e. customers with which we dedicate specialized sales effort owing to the fact that they are customers which contribute more than RMB3 million to the revenue for the year) so that our sales team can work on maintaining our relationships with these customers, the EDA Cloud platform will earmark any customers which has placed orders with us which in aggregate amounted to over

SUMMARY

RMB3 million within the year or in the preceding year. The EDA Cloud platform also earmarks any entity which has demonstrated a high growth of orders or revenue with us, so that our sales team may be able to identify potential core customers.

The table below sets forth the number of customers and number of core customers which engaged us for (i) “first-mile“ international freight services only; (ii) “last-mile” fulfillment services only; and (iii) both “first-mile” international freight services and “last-mile” fulfillment services by unique customers:

	Shenzhen EDA Group ^{Note}		Our Group ^{Note}			
	FY2021		FY2022		FY2023	
	<i>No. of</i>	<i>No. of core</i>	<i>No. of</i>	<i>No. of core</i>	<i>No. of</i>	<i>No. of core</i>
	<i>customers</i>	<i>customers</i>	<i>customers</i>	<i>customers</i>	<i>customers</i>	<i>customers</i>
“First-mile” international freight services only . .	7	1	20	2	10	1
“Last-mile” fulfillment services only.	270	5	311	8	396	17
Both “first-mile international freight services and “last-mile” fulfillment services.	216	34	188	39	178	40
	<u>493</u>	<u>40</u>	<u>519</u>	<u>49</u>	<u>584</u>	<u>58</u>

Note: This prospectus includes two Accountants’ Reports set forth as Appendices IA and IB, respectively. For details of the reasons for such inclusion, see “Summary of Historical Financial Information” in this section.

For each year during the Track Record Period, 85.0%, 79.6% and 69.0% of such core customers engaged us for solutions with both “first-mile international freight services and “last-mile” fulfillment services. Since the new core customers which engaged us towards the end of the Track Record Period mainly opted for only “last-mile” fulfillment services, there was a decreasing proportion of core customers engaging us for solutions with both “first-mile” international freight services and “last-mile” fulfillment services throughout the Track Record Period. As of the Latest Practicable Date, our Directors did not foresee a material change in the proportion of core customers opting for solutions with both “first-mile” international freight services and “last-mile” fulfillment services. For FY2021, FY2022 and FY2023, the total revenue contributed by our core customers amounted to RMB507.6 million, RMB568.6 million and RMB1,075.8 million, representing 80.3%, 80.2% and 90.0% of the total revenue, respectively.

SUMMARY

The table below sets forth the revenue generated for each solution type and other relevant operating data during the Track Record Period:

	Shenzhen EDA Group				Our Group							
	FY2021				FY2022				FY2023			
	Revenue	Ocean freight volume	Air freight volume	Number of “Last-mile” orders	Revenue	Ocean freight volume	Air freight volume	Number of “Last-mile” orders	Revenue	Ocean freight volume	Air freight volume	Number of “Last-mile” orders
		<i>RMB’000</i>	<i>FEU</i>	<i>Tonnes</i>		<i>No. (million)</i>	<i>RMB’000</i>	<i>FEU</i>		<i>Tonnes</i>	<i>No. (million)</i>	<i>RMB’000</i>
Solutions with only “first-mile” international freight services	8,453	70	1	N/A	25,524	283	100	N/A	162,347	377	1,886	N/A
Solutions with only “last-mile” fulfillment services	104,269	N/A	N/A	0.8	115,813	N/A	N/A	0.7	284,438	N/A	N/A	2.0
Solutions with both “first-mile international freight services and “last-mile” fulfillment services	519,160	1,982	12	2.2	567,328	2,380	27	2.4	762,519	4,212	1	4.0
	<u>631,882</u>	<u>2,052</u>	<u>13</u>	<u>3.0</u>	<u>708,665</u>	<u>2,663</u>	<u>127</u>	<u>3.1</u>	<u>1,209,304</u>	<u>4,589</u>	<u>1,887</u>	<u>6.0</u>

Financial and operational performance. The table below sets forth different data indicating financial and operational performance of our Group/Shenzhen EDA Group during the Track Record Period:

	Shenzhen EDA Group		Our Group			
	FY2021		FY2022		FY2023	
	Revenue		Revenue		Revenue	
	<i>RMB’000</i>	%	<i>RMB’000</i>	%	<i>RMB’000</i>	%
“First-mile” international freight services	170,109	26.9	187,798	26.5	259,505	21.5
“Last-mile” fulfillment services	461,773	73.1	520,867	73.5	949,799	78.5
Total revenue	<u>631,882</u>	<u>100.0</u>	<u>708,665</u>	<u>100.0</u>	<u>1,209,304</u>	<u>100.0</u>
Ocean freight volume	2,052 FEUs		2,663 FEUs		4,589 FEUs	
Number of orders delivered to end-consumers	3.0 million orders		3.1 million orders		6.0 million orders	

SUMMARY

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

According to Frost & Sullivan, the “first-mile” international freight services in the PRC is competitive and may entail relatively lower profitability. Going forward, our Group is going to manage the potential increase in freight rates through more frequently updating its fee schedule to customers, expanding its supplier base and negotiating with our suppliers for more competitive rates given our significant service volume.

COMPETITIVE STRENGTHS

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

- Established B2C export e-commerce supply chain solutions provider in the PRC well positioned to capture industry growth;
- Capability to provide one-stop end-to-end supply chain solutions at a global scale with local expertise;
- Highly effective and nimble execution capabilities enabled by our refined business management processes;
- Advanced technological capabilities supported by our R&D commitment;
- A broad and high-quality customer base with long-term relationships; and
- A capable management team led by our visionary founder.

SUMMARY

BUSINESS STRATEGIES

- Enhancing our global logistics network through unique asset-light model;
- Optimizing operational efficiency through improving intelligent systems; and
- Attracting new customers and maintaining relationships with core customers.

VALUE PROPOSITIONS

We deliver the following compelling value propositions to our customers and business partners:

- *One-stop end-to-end supply chain solutions.* The combination of our “first-mile” international freight services and “last-mile” fulfillment services provides customers with one-stop end-to-end solutions, decreasing the time and resources required to deal with the multi-layer and multi-party nature of B2C export e-commerce transactions.
- *Efficient and convenient services guaranteed by a technology-driven business.* Customers can freely enjoy efficient and convenient services through the EDA Cloud platform developed by us, which can be integrated with various parties’ ERP systems.
- *Reliable and quality solutions.* We are committed to providing our customers with reliable and quality solutions. To ensure reliable and quality solutions, we have applied industry-specific business management processes, which are applied in all key aspects of our operations to ensure control over every aspect of the execution of our solutions.
- *Access to a broad customer base.* We have gained a broad customer base of e-commerce vendors since the commencement of our business. Through us, our service providers have access to a broad customer base with a stable forecast of orders which may not normally be available to our service providers.

CUSTOMERS

We serve a broad base of customers who are primarily PRC-based B2C export e-commerce vendors which are brand-owners and manufacturers. We have maintained long-standing and stable business relationships of on average around four years of business relationships with our five largest customers in each year during the Track Record Period. At the request of our customers, we provide supply chain solutions involving the delivery, warehousing and fulfillment of various products such as electrical appliances, home furniture, auto-parts, outdoor furniture and

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mechanical hardware. For FY2023, 20.4% and 22.3% of our customers that placed orders with us through the EDA Cloud platform were e-commerce vendors of home furniture and electrical appliances, respectively. During the Track Record Period, we served over 850 customers, many of these being brand-owners and manufacturers. For FY2021, the total revenue attributable to Shenzhen EDA Group's five largest customers amounted to RMB228.5 million, representing 36.2% of total revenue. For FY2022 and FY2023, the total revenue attributable to our five largest customers in each year amounted to RMB242.1 million and RMB447.5 million, respectively, representing 34.2% and 37.0% of our total revenue, respectively. For FY2021, revenue attributed to Shenzhen EDA Group's largest customer amounted to RMB76.6 million, which accounted for 12.1% of total revenue. For FY2022 and FY2023, revenue attributed to our largest customer in each year amounted to RMB87.5 million and RMB151.1 million, respectively, which accounted for 12.4% and 12.5% of our total revenue, respectively.

SUPPLIERS

Our global logistics network covering popular B2C e-commerce delivery destinations are maintained through the engagement of and collaboration with third-party logistics service providers. During the Track Record Period, our suppliers primarily include third-party warehouse service providers, international freight forwarding service providers, air carriers, ocean carriers and local "last-mile" fulfillment service providers. For FY2021, the total purchase attributable to Shenzhen EDA Group's five largest suppliers amounted to RMB289.8 million, representing 57.9% of total purchase. For FY2022 and FY2023, the total purchase attributable to our five largest suppliers in each year amounted to RMB271.9 million and RMB531.9 million, respectively, representing 48.1% and 53.5% of our total purchase, respectively. In FY2021, Shenzhen EDA Group's total purchase attributable to the largest supplier was RMB178.8 million, which accounted for 35.7% of total purchase. In FY2022 and FY2023, our total purchase attributable to the largest supplier in each year was RMB198.0 million and RMB372.4 million, respectively, which accounted for 35.0% and 37.4% of our total purchase, respectively.

SUMMARY OF HISTORICAL FINANCIAL INFORMATION

This prospectus includes two Accountants' Reports set forth as Appendices IA and IB, respectively. During FY2021, main operations were conducted through Shenzhen EDA Group and its financial results of the business of FY2021 were as disclosed in Accountants' Report in Appendix IB. In 2021, Lesso carried out steps as sets forth in the "History and Corporate Structure" to acquire control over Shenzhen EDA Group and pursuant to which, our Company became the holding company of our Group on December 24, 2021. Since there was a change in controlling shareholders of Shenzhen EDA Group on December 24, 2021, the consolidated profit and loss account together with the cash flow information of Shenzhen EDA Group have not been included as operating subsidiaries in the same accountants' report of our Group for FY2021; and

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the consolidated statements of financial positions of our Group has included Shenzhen EDA Group as operating subsidiaries as of December 31, 2021, 2022 and 2023. Details of the change of controlling shareholders of Shenzhen EDA Group on December 24, 2021 are set out in the section “History and Corporate Structure” in this prospectus. Details of reasons as to the inclusion of two Accountants’ Report in this prospectus are set out in “Financial Information — Basis of presentation and preparation” in this prospectus.

Highlight of results of operations

The following is a summary of the consolidated statements of profit or loss and other financial information during the Track Record Period as derived from the Accountants’ Reports, the full text of which is set out in Appendices IA and IB to this prospectus. This summary should be read in conjunction with the aforesaid Accountants’ Reports and “Financial Information” in this prospectus.

Highlight of consolidated statements of profit or loss and other comprehensive income

	Shenzhen EDA Group	Our Group	
	FY2021	FY2022	FY2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	631,882	708,665	1,209,304
Cost of sales	(525,027)	(602,171)	(1,012,200)
Gross profit	106,855	106,494	197,104
Profit for the year	46,411	36,292	69,403
Adjusted net profit (Non-HKFRS measure)	46,411	36,827	91,896
Adjusted EBITDA (Non-HKFRS measure).	95,881	95,518	157,243

Shenzhen EDA Group recorded profit for the year of RMB46.4 million for FY2021 as compared to RMB36.3 million for FY2022 of our Group, primarily due to (i) amortization of other intangible assets arising from business combination was recorded in the same year and (ii) slight decrease in gross profit margin because of the lead time between investment by Shenzhen EDA Group for the warehouse expansion in FY2021 and the realization of profit, despite there was increase in revenue in FY2022. Our profit for the period increased to RMB69.4 million for FY2023, primarily driven by improvement in our gross profit margin due of the economies of scale achieved; in particular, our number of orders delivered to end consumers increased from 3.1 million to 6.0 million and more favorable pricing provided by our logistics suppliers.

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Non-HKFRS measure

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

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

	Shenzhen EDA Group	Our Group	
	FY2021	FY2022	FY2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Profit for the year	46,411	36,292	69,403
Add:			
Listing expenses ⁽¹⁾	—	535	22,493
Adjusted net profit (non-HKFRS measure)	46,411	36,827	91,896
Add:			
Net finance costs	9,958	10,423	9,435
Income tax expenses	5,198	4,299	11,021
Depreciation of property, plant and equipment	2,503	3,480	3,590
Depreciation of right-of-use assets	31,811	33,159	33,971
Amortization of other intangible assets	—	7,330	7,330
Adjusted EBITDA (non-HKFRS measure)	95,881	95,518	157,243

Note:

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

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Highlight of consolidated statements of financial position

	Shenzhen EDA Group	Our Group		
	As of December 31,			
	2021	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Non-current assets	181,099	330,842	309,213	256,221
Current assets	203,974	204,071	255,197	422,778
Current liabilities	155,782	253,338	199,485	256,386
Net current (liabilities)/assets	48,192	(49,267)	55,712	166,392
Non-current liabilities	143,761	154,756	132,532	98,569
Total equity	85,530	126,819	232,393	324,044

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

Our Group had also recorded net current liabilities of RMB49.3 million as of December 31, 2021, primarily due to the balances of amounts due to the immediate holding company and a shareholder, in aggregate of RMB95.0 million arising from initial investment in and acquisition of Shenzhen EDA Group; which is one-off in nature and not expected to occur again in the future. For more details, see “Risk Factors — We incurred net current liabilities as of December 31, 2021” and “Financial Information — Description of Certain Items of Consolidated Statements of Financial Position” in this prospectus. Our Group had net current assets of RMB55.7 million as of December 31, 2022, primarily because RMB70.0 million of our amount due to immediate holding company has been capitalized as deemed capital contribution by way of discharge the liability due to the immediate holding company in FY2022. Our Group recorded net current assets of RMB166.4 million as of December 31, 2023, primarily attributable to (i) the increase in trade receivables of RMB72.0 million, which was in line with our improved revenue performance for the same period, (ii) the increase in cash and cash equivalents of RMB108.7 million, (iii) the decrease

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

As of December 31, 2021, our Group had net assets of RMB126.8 million, which mainly consisted of capital reserve arising from business combination in FY2021. Our Group's net assets increased to RMB232.4 million as of December 31, 2022, mainly because of profit for the year of RMB36.3 million and deemed capital contribution by way of discharge of liability due to the immediate holding company of RMB70.0 million in FY2022. Our Group's net assets further increased to RMB324.0 million as of December 31, 2023, primarily due to profit for the year of RMB69.4 million, deemed capital contributions by way of discharge of liability due to the immediate holding company of RMB25.0 million; for details, see Note 30(b) in the Accountants' Report in Appendix IA to this prospectus, capital injection of RMB20.0 million, being partially offset by dividend distributed of RMB23.0 million.

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Highlight of consolidated statements of cash flow

	Shenzhen EDA	Our Group	
	Group		
	FY2021	FY2022	FY2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Net cash generated from operating activities . . .	71,335	80,123	105,789
Net cash (used in)/from investing activities . . .	(37,471)	(8,442)	39,639
Net cash from/(used in) financing activities	6,827	(9,014)	(37,463)
Net increase in cash and cash equivalents	40,691	62,667	107,965
Cash and cash equivalents at beginning of year .	8,093	48,741	112,056
Effect of foreign exchange rate changes	(134)	648	988
Cash and cash equivalents at end of year	<u>48,650</u>	<u>112,056</u>	<u>221,009</u>

ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS

Cash and bank balances	44,549	102,745	211,427
Time deposit	10,000	10,000	10,000
Cash and cash equivalents as stated in the consolidated statements of financial position . .	54,549	112,745	221,427
Bank overdrafts	(5,899)	(689)	(418)
Cash and cash equivalents as stated in the consolidated statements of cash flows	<u>48,650</u>	<u>112,056</u>	<u>221,009</u>

KEY FINANCIAL RATIOS

	Shenzhen	Our Group	
	EDA Group		
	FY2021	FY2022	FY2023
Gross profit margin (%) ⁽¹⁾	16.9	15.0	16.3
Net profit margin (%) ⁽²⁾	7.3	5.1	5.7
Adjusted net profit margin (Non-HKFRS measure) (%) ⁽³⁾	7.3	5.2	7.6
Adjusted EBITDA margin (Non-HKFRS measure) (%) ⁽⁴⁾	15.2	13.5	13.0

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Notes:

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

See “Financial information — Key financial ratios” for further details of the formula of the financial ratios.

CONTROLLING SHAREHOLDERS

Immediately upon completion of the Capitalization Issue and the Global Offering (assuming the Over-Allotment Option is not exercised and without taking into account any Shares to be issued upon the exercise of any options granted under the Pre-IPO Share Option Scheme and Post-IPO Share Option Scheme, and vesting of RSUs granted under the Pre-IPO RSU Plan and Post-IPO RSU Plan):

1. each of EDA Shine International Limited (owned as to 1.0% by Edaurora Holdings Limited and as to 99.0% by Skyline Investment International Limited), Skyline Investment International Limited (wholly owned by Sovereign Fiduciaries (Hong Kong) Limited, which is the trustee of the Liu Yong Trust, of which the settlor is Mr. Liu Yong and the beneficiaries are Mr. Liu Yong and Edaurora Holdings Limited (wholly owned by Mr. Liu Yong)), Edaurora Holdings Limited and Mr. Liu Yong, our executive Director and the chairman of our Board will be regarded as our Controlling Shareholders under the Listing Rules, and will be interested in approximately 34.6% of our total number of issued Shares. Sovereign Fiduciaries (Hong Kong) Limited is a professional trust company and an Independent Third Party of our Group; and

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2. the members of the Lesso Consortium will be interested in approximately 38.9% of our total number of issued Shares. Because each member of the Lesso Consortium is acting in concert with each other, they will together be entitled to exercise and control the voting power in the general meetings of our Company attached to these Shares, and will collectively be regarded as our Controlling Shareholders under the Listing Rules. For further details of the identities of, and relationship among, each member of the Lesso Consortium as well as their respective shareholdings in our Company, see “Relationship with our Controlling Shareholders” in this prospectus.

Apart from our business in the provision of one-stop end-to-end B2C export e-commerce supply chain solutions, Lesso is currently operating a business to provide logistics services to deliver goods from the PRC to South East Asia (the “**Excluded Business**”). Our Directors are of the view that the Excluded Business is clearly delineated from and are not directly or indirectly in competition with those carried on by our Group. To ensure that competition will not exist in the future, each of our Controlling Shareholders has entered into the Deed of Non-competition in favor of our Company to the effect that each of them will not, and will procure each of their respective close associates (other than members of our Group) not to, directly or indirectly, participate in, or hold any right or interest, or otherwise be involved in or undertake any business that directly or indirectly competes, or may compete, with our Group’s business. For further details, see “Relationship with our Controlling Shareholders — Deed of Non-competition” in this prospectus.

OFFER STATISTICS

All statistics in this table are based on the assumption that the Over-Allotment Option is not exercised.

	Based on minimum indicative Offer Price of HK\$2.28	Based on maximum indicative Offer Price of HK\$3.06
Market capitalization of our Shares ⁽¹⁾	HK\$1,003.1 million	HK\$1,346.2 million
Unaudited pro forma adjusted consolidated net tangible assets per Share ⁽²⁾	HK\$0.91	HK\$1.08

Notes:-

- (1) The calculation of market capitalization is based on the 439,940,000 Shares expected to be in issue immediately upon completion of the Capitalization Issue and the Global Offering.

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- (2) The unaudited pro forma adjusted consolidated net tangible assets per Share is arrived at after adjustments referred to in notes (1) and (2) of “Appendix II — Unaudited Pro Forma Financial Information — Unaudited Pro Forma Statement of Adjusted Consolidated Net Tangible Assets” and on the basis that 439,940,000 Shares are in issue assuming the Global Offering has been completed on December 31, 2023. The unaudited pro forma adjusted consolidated net tangible assets per Share are converted into Hong Kong dollars of an exchange rate of RMB0.90867 to HK\$1.00 as of May 10, 2024.

LISTING EXPENSES

Based on the mid-point Offer Price of HK\$2.67 per share, the total estimated listing expenses in relation to the Global Offering is approximately HK\$57.7 million (equivalent to RMB52.4 million), assuming the Over-allotment Option is not exercised. Excluding the listing expense of HK\$0.6 million (equivalent to RMB0.5 million) and HK\$24.8 million (equivalent to RMB22.5 million) already expensed in FY2022 and FY2023, respectively, the total listing expense of HK\$32.3 million (equivalent to RMB29.4 million) is to be deducted from gross proceeds from Global Offering of approximately HK\$260.7 million (equivalent to RMB236.9 million), accounting for approximately 12.4% of our gross proceeds from the Global Offering. Out of the listing expense to be charged in 2024, we estimate approximately HK\$8.6 million (equivalent to RMB7.8 million) will be charged to our consolidated statement of profit or loss for full year of 2024. The remaining balance of approximately HK\$23.7 million (equivalent to RMB21.5 million) is expected to be accounted for as a deduction from equity upon the completion of the Global Offering.

USE OF PROCEEDS

We estimate that the net proceeds we will receive from the Global Offering (after deducting underwriting commissions, fees and anticipated expenses payable by us in connection with the Global Offering) will be approximately HK\$203.0 million (equivalent to approximately RMB184.5 million), assuming the Over-Allotment Option is not exercised and an Offer Price of HK\$2.67 per Share, being the mid-point of the Offer Price Range of HK\$2.28 to HK\$3.06 per Share as stated in this prospectus. In line with our business strategies, we intend to use our net proceeds for the following purposes:

- approximately HK\$125.8 million, representing approximately 62.0% of the net proceeds from the Global Offering, will be used to enhance our global logistics network through our asset-light model;
- approximately HK\$32.5 million, representing approximately 16.0% of the net proceeds from the Global Offering, will be used to revamp our EDA Cloud platform;
- approximately HK\$32.5 million, representing approximately 16.0% of the net proceeds from the Global Offering, will be used to strengthen our market presence; and

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- approximately HK\$12.2 million, representing approximately 6.0% of the net proceeds from the Global Offering, will be used to our general working capital.

SPIN-OFF AND LESSO PREFERENTIAL OFFERING

The Listing of the Global Offering will be a spin-off from Lesso, the shares of which are listed on the Stock Exchange (stock code: 2128), within the meaning of Practice Note 15 of the Listing Rules.

The board of directors of Lesso considers that the Spin-Off is commercially beneficial and in the interests of Lesso and its shareholders as a whole as the Spin-Off is expected to create greater value for them for the following reasons: (i) providing Lesso and its shareholders an opportunity to realize the value of the investment in our Group; (ii) enabling our Group to build our identity as a separately listed group, have a separate fund-raising platform and broaden our investor base through the Global Offering, as well as allowing our Group to gain direct access to the capital market for equity and/or debt financing to fund our existing operations and future expansion without reliance on Lesso; (iii) enabling our Group to enhance our corporate profile, thereby increasing our ability to attract strategic investors which could provide synergy for our Group, for investment in and forming strategic partnerships directly with our Group; (iv) enabling a more focused development, strategic planning and better allocation of resources for the Lesso Group and our Group; and (v) the Spin-off will strengthen our Group's reputation, thus leading to potentially better operational performance and better realization of our value. For further details, see "Spin-off and Listing" in this prospectus.

In order to enable Lesso Shareholders to participate in the Global Offering on a preferential basis as to allocation only, subject to the Stock Exchange granting approval for the listing of, and permission to deal in, the Shares on the Main Board and such approval not having been withdrawn and the Global Offering becoming unconditional, Lesso Qualifying Shareholders are being invited to apply for an aggregate of 4,882,000 Lesso Reserved Shares in the Lesso Preferential Offering, representing approximately 5.6% and approximately 5.0% of the Offer Shares initially available under the International Placing and the Global Offering, respectively, as an Lesso Qualifying Shareholders' Assured Entitlement. The Lesso Reserved Shares are being offered out of the International Placing Shares under the International Placing and are not subject to reallocation as described in "Structure and Conditions of the Global Offering — The Hong Kong Public Offer — Reallocation" in this prospectus.

SUMMARY

DIVIDENDS AND DIVIDEND POLICY

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

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

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

LEGAL PROCEEDINGS AND NON-COMPLIANCE

During the Track Record Period and as of the Latest Practicable Date, no member of our Group was engaged in any litigation, claim or arbitration of material importance and no litigation, claim or arbitration is known to our Directors to be pending or threatened against any member of our Group which would have material adverse effect on our financial position or results of operations.

During the Track Record Period and as of the Latest Practicable Date, members of our Group had not been and were not involved in any non-compliance incidents that have led to fines, enforcement actions or other penalties that could, individually or in the aggregate, have a material adverse effect on our financial condition and results of operations.

SUMMARY

RISK FACTORS

Our business and operations involve certain risks and uncertainties, many of which are beyond our control. These risks can be broadly categorized as (i) risks relating to our business and industry; (ii) risks relating to conducting our business in the PRC; and (iii) risks relating to the Spin-off and the Global Offering. As different investors may have different interpretations and standards for determining the materiality of a risk, potential investors should read the entire “Risk Factors” section of this prospectus carefully before making a decision to invest in the Offer Shares. Some of the major risks we face include:-

- Economic downturns, reductions in international business or disruptions in global trade may adversely impact our business and results of operations. Any downturn or adverse development in regional and global economy may adversely affect the demand for our solutions and our business in general.
- The success of our business depends on the business performance of our customers and the e-commerce platforms on which they operate, and our ability to cost-effectively attract new customers and retain existing customers.
- Our success is tied to our customers’ expenditure on B2C export e-commerce supply chain solutions providers.
- We operate in a fragmented and competitive industry and we cannot assure you we will continue to maintain or increase our market share and compete successfully.
- Any disruption to the operation of and failure to effectively utilize our warehouses could adversely affect our results of operations.
- We may incur impairment loss on our intangible assets and goodwill, which could negatively affect our results of operations and financial condition.
- Our provision of B2C export e-commerce supply chain solutions heavily relies on third-party service providers. Any disruption of our relationships with our suppliers and increases in their operating costs due to fluctuations in the costs and available of energy prices such as fuel supplies could adversely influence our operations and growth prospects.

SUMMARY

RECENT DEVELOPMENTS

Financial position and performance subsequent to the Track Record Period

Our business operation remained stable after the Track Record Period and up to the date of this prospectus, there was no material change to our general business model and the economic environment remained generally stable up to the date of this prospectus.

Based on our management accounts, our average monthly revenue for the two months ended February 29, 2024 experienced an increase, as compared to the average monthly revenue for the year ended December 31, 2023, primarily driven by the growth in “last-mile” fulfillment services, which was in turn attributed to the growth in our customers and popularity of pre-sale stocking model in the B2C export e-commerce industry during the same period.

Recent PRC regulatory developments

On February 17, 2023, the CSRC released the Overseas Listing Trial Measures and five supporting guidelines, which came into effect on March 31, 2023. Pursuant to the Overseas Listing Trial Measures, Domestic Enterprises (as defined in the Overseas Listing Trial Measures) that seek to offer and list securities overseas, directly or indirectly, should fulfill the filing procedure and report relevant information to the CSRC. See “Regulatory Overview — PRC — Overseas Offering and Listings.” We are required to file with the CSRC in accordance with the Overseas Listing Trial Measures after our application for listing is initially submitted. We submitted the required filing documents to CSRC on June 29, 2023 and the CSRC issued a notification on our completion of the PRC filing procedures for the listing of our Shares on the Stock Exchange the Global Offering on December 20, 2023.

U.S. TARIFF ON GOODS ORIGINATED FROM CHINA

Currently, goods of Chinese origin being exported into the U.S. are subject to a duty ranging from 7.5% to 25% under section 301 of the U.S. Trade Act of 1974 (the “**Section 301 Duties**”) and formal entry procedures, which apply to our “first-mile” international freight services and are primarily borne by or passed on to our customers. The U.S. Tariff Act of 1930 provides for an exemption (the “**Tariff Exemption**”) to admit certain articles free of the Section 301 Duties using informal entry procedures if they have an aggregate fair retail value of less than US\$800 per day.

SUMMARY

We do not utilize the Tariff Exemption other than for direct shipments to end-consumer involving one single customer, which accounted for 0% of Shenzhen EDA's revenue during FY2021, and 0% and 12.5% of our revenue in each year during FY2022 and FY2023, respectively. All of our other "first-mile" international freight shipments by way of ocean and air freight (other than direct shipments to end-consumers), are subject to the Section 301 Duties and formal entry procedures which are in turn borne by or passed on to our customers. There are currently legislative proposals in the U.S. to exclude China-originated goods from the Tariff Exemption. Because (i) we do not utilize the Tariff Exemption for a substantial portion of our "first-mile" international freight services; and (ii) any Section 301 Duties are passed on to or borne by our customers, our Directors believe that, and the Sole Sponsor concurs that these legislative proposals, if adopted, would not have a material impact on our business, operational and financial conditions.

Any U.S. legislative developments regarding the Section 301 Duties and the Tariff Exemption may nevertheless affect general consumer behavior in the overall cross border B2C e-commerce market. See "Risk Factors — Some of our customers that deliver goods to the U.S. benefit from certain tax exemption regime, which may be changed in the future. In such event, these customers' operations may be negatively affected, and in turn affect our revenue generated from these customers" and "Business — Legal Proceedings and Compliance — U.S. Tariff on goods originated from China" for further details.

NO MATERIAL ADVERSE CHANGE

Our Directors have confirmed that, since December 31, 2023 and up to the date of this prospectus, there has been no material adverse change in our financial or trading position or prospects and no event has occurred that would materially affect the information shown in our consolidated financial statements set out in the Accountants' Report included in Appendix IA and Appendix IB to this prospectus.

The entire prospectus should be read carefully and we strongly caution potential investors not to place any reliance on any information contained in press articles or disseminated through our media relating to us, the Spin-off and/or the Global Offering, certain of which may not be consistent with the information contained in this prospectus.

DEFINITIONS AND GLOSSARY

In this prospectus, unless the context otherwise requires, the following terms and expressions have the meanings set forth below.

“2021 Warrant Plan”	the share warrant plan adopted by our Company in 2021 as detailed in the section headed “History and Corporate Structure” in this prospectus
“Accountants’ Report”	the accountants’ report on our Group and Shenzhen EDA Group for the Track Record Period is set out in Appendices IA and IB to this prospectus
“AFRC”	Accounting and Financial Reporting Council of Hong Kong
“affiliate”	any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
“API”	application programming interface, a software intermediary that allows two applications to connect to each other
“Articles” or “Articles of Association”	the articles of association of our Company adopted on May 14, 2024 which will take effect from the Listing Date, as amended, supplemented or otherwise modified from time to time, a summary of which is contained in Appendix III to this prospectus
“AUD”	Australian dollars, the lawful currency of Australia
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Audit Committee”	the audit committee of our Board
“Available Lesso Reserved Shares”	has the meaning ascribed to it in “Structure and Conditions of the Global Offering — The Lesso Preferential Offering — Basis of Allocation for Applications for Lesso Reserved Shares”
“BMS”	billing management system, a modular system designed to support the preparation of quotations and management of trade receivables

DEFINITIONS AND GLOSSARY

“Board of Directors” or “Board”	our board of Directors
“business day”	any day (other than a Saturday, Sunday or public holiday in Hong Kong) on which banks in Hong Kong are open generally for normal banking business to the public
“B2C”	Business to Consumer
“BVI”	the British Virgin Islands
“CAGR”	compound annual growth rate
“Capital Market Intermediaries” or “capital market intermediary(ies)” or “CMI(s)”	the capital market intermediaries participating in the Global Offering as listed in the section headed “Directors and Parties Involved in the Global Offering” in this prospectus and has the meaning ascribed thereto under the Listing Rules
“Capitalization Issue”	the allotment and issue of 342,086,790 Shares to be made upon the capitalization of certain sums standing to the credit of the share premium account of our Company as further described in “Statutory and General Information — A. Further Information about our Company and our Subsidiaries — 3. Resolutions in writing of all our Shareholders passed on May 14, 2024” in Appendix IV to this prospectus
“Cayman Companies Act” or “Companies Act”	the Companies Act, Cap. 22 (Act 3 of 1961) of the Cayman Islands, as amended or supplemented from time to time
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“China” or “Mainland China” or “the PRC”	the People’s Republic of China, excluding for the purposes of this prospectus only, Hong Kong, Macau and Taiwan
“close associate(s)”	has the meaning ascribed to it under the Listing Rules
“Companies Ordinance”	the Companies Ordinance of Hong Kong (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

DEFINITIONS AND GLOSSARY

“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance of Hong Kong (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Company” or “our Company”	EDA Group Holdings Limited (previously named as EDA Cloud Technology Holdings Limited (易達雲科技控股有限公司)), an exempted company incorporated in the Cayman Islands on 17 September 2020 with limited liability
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“connected transaction(s)”	has the meaning ascribed to it under the Listing Rules
“Controlling Shareholders”	has the meaning ascribed to it under the Listing Rules, and for the purpose of this prospectus only, refer to EDA Shine International Limited, Skyline Investment International Limited, Edaurora Holdings Limited, Mr. Liu Yong (劉勇) and members of the Lesso Consortium
“core connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Corporate Governance Code” or “CG Code”	the provisions set out under “Corporate Governance Code and Corporate Governance Report” in Appendix C1 to the Listing Rules
“COS”	customer service operating system, a modular system designed to support the processing of customer complaints, customer feedback and feedback analysis
“COVID-19”	coronavirus disease 2019
“CRM”	customer relationship management, a modular system designed to support customer management, business development opportunities and sales analysis
“CSRC”	the China Securities Regulatory Commission (中國證券監督管理委員會)

DEFINITIONS AND GLOSSARY

“Deed of Indemnity”	the deed of indemnity dated May 17, 2024 and entered into by our Controlling Shareholders as indemnifier in favor of our Company (for ourselves and as trustee for our subsidiaries), details of which are set out in “Statutory and General Information — H. Other information — 1. Tax and other indemnities” in Appendix IV to this prospectus
“Deed of Non-competition”	the deed of non-competition dated May 17, 2024 and entered into by our Controlling Shareholders in favor of our Company (for ourselves and as trustee for our subsidiaries), as further described under the paragraph headed “Relationship with our Controlling Shareholders — Deed of Non-competition” in this prospectus
“Director(s)”	director(s) of our Company
“EDA AU”	EDA AU Pty Ltd, a company incorporated in Australia with limited liability on 3 December 2019 with Australian Company Number ACN 637 833 875 and our wholly-owned subsidiary
“EDA Cloud”	a cloud-based technology infrastructure housing supply management tools
“EDAHK”	EDA CLOUD Company Limited, a company incorporated in Hong Kong with limited liability on 22 October 2019 and our wholly-owned subsidiary
“EIT Law”	Enterprise Income Tax Law of the PRC* (中華人民共和國企業所得稅法), as amended or supplemented from time to time
“ERP”	enterprise resource planning, the integrated management of main business processes, often in real time and mediated by software and technology

DEFINITIONS AND GLOSSARY

“Extreme Conditions”	the occurrence of “extreme conditions” as announced by any government authority of Hong Kong due to serious disruption of public transport services, extensive flooding, major landslides, large-scale power outage or any other adverse conditions before Typhoon Signal No. 8 or above is replaced with Typhoon Signal No. 3 or below
“FBA”	fulfillment by Amazon, a fulfillment method provided by Amazon to third-party e-commerce sellers based on Amazon’s self-operated logistics network, covering receiving, packing, shipping, customer service and returns for orders, to facilitate the delivery of products when Amazon’s customers make a purchase on Amazon
“FEU”	“Forty-foot Equivalent Unit”, a standard of measurement used in container transport for describing the volume of trade and the capacity of container ships, and for other statistical purposes, as well as for freight quotations
“FINI”	“Fast Interface for New Issuance”, an online platform operated by HKSCC that is mandatory for admission to trading and, where applicable, the collection and processing of specified information on subscription in and settlement for all new listings
“Firstrip”	firstrip management system, a modular system designed to support logistics planning for the “first-mile” international freight arrangements
“FMS”	financial management system, a modular system designed to support the preparation of accounts and formulation and review of other accounting policies
“FY2021”	financial year ended December 31, 2021
“FY2022”	financial year ended December 31, 2022
“FY2023”	financial year ended December 31, 2023
“FY2024”	financial year ending December 31, 2024

DEFINITIONS AND GLOSSARY

“FY2025”	financial year ending December 31, 2025
“GDP”	gross domestic product
“GFA”	gross floor area
“Global Logistics”	Global Logistics Services Limited, a company incorporated in Hong Kong with limited liability on 29 September 2020 and our wholly-owned subsidiary
“Global Offering”	the Hong Kong Public Offer and the International Placing
“GMV”	gross merchandise value
“Greater Bay Area”	Guangdong-HongKong-Macau Greater Bay Area, a geographical region of the PRC comprising Guangzhou, Shenzhen, Zhuhai, Foshan, Huizhou, Dongguan, Zhongshan, Jiangmen, Zhaoqing, the Special Administrative Regions of Hong Kong and Macau for the purposes of this prospectus
“Group”, “we”, “our” or “us”	our Company and our subsidiaries (as defined under the Listing Rules) at the relevant time and, where the context requires, in respect of the period prior to our Company becoming the holding company of its present subsidiaries, such subsidiaries of our Company at the relevant time
“HK eIPO Blue Form”	the application for Lesso Reserved Shares to be issued in the applicant’s own name by submitting applications online through the designated website at www.hkeipo.hk
“HK eIPO Blue Form Service Provider”	the HK eIPO Blue Form service provider designated by our Company, as specified on the designated website at www.hkeipo.hk
“HK eIPO White Form”	the application for Hong Kong Offer Shares to be issued in the applicant’s own name, submitted through the IPO App or the designated website at www.hkeipo.hk

DEFINITIONS AND GLOSSARY

“ HK eIPO White Form Service Provider ”	the HK eIPO White Form service provider designated by our Company as specified in the IPO App or on the designated website at www.hkeipo.hk
“HK\$” or “Hong Kong dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“HKFRS”	Hong Kong Financial Reporting Standards
“HKICPA”	The Hong Kong Institute of Certified Public Accountants
“HKSCC”	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
“ HKSCC EIPO ”	the application for the Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your designated HKSCC Participant’s stock account through causing HKSCC Nominees to apply on your behalf, including by instructing your broker or custodian who is a HKSCC Participant to give electronic application instructions via HKSCC’s FINI system to apply for the Hong Kong Offer Shares on your behalf
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“HKSCC Participant”	a person admitted to participate in CCASS as a direct clearing participant, a general clearing participant, or a custodian participant
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong dollars,” “HK dollars” or “HK\$”	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
“Hong Kong Offer Shares”	the 9,763,000 new Shares initially being offered by our Company for subscription pursuant to the Hong Kong Public Offer at the Offer Price, subject to any adjustment or re-allocation as described in “Structure and Conditions of the Global Offering”

DEFINITIONS AND GLOSSARY

“Hong Kong Public Offer”	the offer of Hong Kong Offer Shares for subscription by the public in Hong Kong at the Offer Price (plus a brokerage fee of 1.0%, SFC transaction levy of 0.0027%, AFRC transaction levy of 0.00015% and Stock Exchange trading fee of 0.00565%) on the terms and subject to the conditions described in this prospectus relating thereto, as further described in “Structure and Conditions of the Global Offering — The Hong Kong Public Offer”
“Hong Kong Share Registrar”	Tricor Investor Services Limited
“Hong Kong Stock Exchange” or “Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Hong Kong Underwriter(s)”	the underwriter(s) for the Hong Kong Public Offer as listed in the paragraph headed “Underwriting — Hong Kong Underwriters” in this prospectus
“Hong Kong Underwriting Agreement”	the underwriting agreement dated May 17, 2024 relating to the Hong Kong Public Offer entered into our Company, our Controlling Shareholders, our executive Directors, the Sponsor-OC, the Sole Sponsor, the Sole Overall Coordinator, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Capital Market Intermediaries and the Hong Kong Underwriters, as further described in the paragraph headed “Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offer — Hong Kong Underwriting Agreement” in this prospectus
“IFRS”	International Financial Reporting Standards, which include standards, amendments and interpretations promulgated by the International Accounting Standards Board and the International Accounting Standards and interpretation issued by the International Accounting Standards Committee
“Independent Non-executive Director(s)”	independent non-executive Director(s) of our Company

DEFINITIONS AND GLOSSARY

“Independent Third Party(ies)”	party(ies) which, as far as our Directors are aware after having made all reasonable enquiries, is not a connected person(s) (as defined in the Listing Rules) of our Company
“Industry Consultant” or “Frost & Sullivan”	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., an independent market research and consulting company
“Industry Report”	an independent market research report commissioned by our Company and prepared by our Industry Consultant for the purpose of this prospectus
“International Placing”	the conditional placing of the International Placing Shares with professional and institutional investors for cash at the Offer Price, and outside the United States to investors that are not U.S. Persons nor persons acquiring for the account or benefit of U.S. Persons in offshore transactions in reliance on Regulation S and the applicable laws of the jurisdiction where those offers and sales occur, as further described in “Structure and Conditions of the Global Offering”
“International Placing Agreement”	the international placing agreement expected to be entered into on or around May 24, 2024 by, our Company, our Controlling Shareholders, our executive Directors, the Sole Sponsor, the Sponsor-OC, the Sole Overall Coordinator, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Capital Market Intermediaries and the International Underwriters in respect of the International Placing, as further described in “Underwriting — Underwriting Arrangements and Expenses — The International Placing”

DEFINITIONS AND GLOSSARY

“International Placing Shares”	the 87,862,000 new Shares initially being offered by our Company for subscription at the Offer Price under the International Placing (including, for the avoidance of doubt, 4,882,000 Lesso Reserved Shares under the Lesso Preferential Offering), subject to any adjustment or reallocation together with, where relevant, any additional Shares which may be issued by our Company pursuant to the Over-Allotment Option, as further described in “Underwriting — Underwriting Arrangements and Expenses — The International Placing”
“International Underwriter(s)”	the underwriter(s) for the International Placing who are expected to enter into the International Placing Agreement to underwrite the International Placing
“IoT” or “Internet of Things”	describes physical objects (or groups of such objects) with sensors, processing ability software and other technologies that connect and exchange data with other devices and systems over the Internet or other communications networks
“ IPO App ”	the mobile application for the HK eIPO White Form service which can be downloaded by searching “ IPO App ” in App Store or Google Play or downloaded at www.hkeipo.hk/IPOApp or www.tricorglobal.com/IPOApp
“Joint Bookrunners”	CMB International Capital Limited, ABCI Capital Limited, BOCI Asia Limited, CEB International Capital Corporation Limited, China Galaxy International Securities (Hong Kong) Co., Limited and Quam Securities Limited
“Joint Lead Managers”	CMB International Capital Limited, ABCI Securities Company Limited, BOCI Asia Limited, CEB International Capital Corporation Limited, China Galaxy International Securities (Hong Kong) Co., Limited, Quam Securities Limited, Eddid Securities and Futures Limited, Futu Securities International (Hong Kong) Limited, Tiger Brokers (HK) Global Limited, Patrons Securities Limited and Ruibang Securities Limited

DEFINITIONS AND GLOSSARY

“Latest Practicable Date”	May 12, 2024, being the latest practicable date for the purpose of ascertaining certain information contained in this prospectus prior to its publication
“Lesso”	China Lesso Group Holdings Limited (中國聯塑集團控股有限公司) (stock code: 2128), formerly known as China Liansu Group Holdings Limited, an exempted company incorporated in the Cayman Islands with limited liability on 5 November 2009, the shares of which are listed on the Main Board of the Stock Exchange, and is controlled as to approximately 69.0% by Mr. Wong Luen Hei and his spouse, Ms. Zuo Xiaoping, each of whom is a Controlling Shareholder
“Lesso Beneficial Shareholder(s)”	any beneficial owner(s) of Lesso Shares whose Lesso Shares are registered, as shown in the register of members of Lesso, in the name of a registered Lesso Shareholder at 4:30 p.m. on the Lesso Qualifying Shareholders’ Assured Entitlement Record Date
“Lesso Consortium”	refers to (i) LS DiDi Network Technology Limited; (ii) Samanea China Holdings Limited; (iii) Lesso Home International Holdings Limited; (iv) China Lesso Group Holdings Limited; (v) Mr. Wong Luen Hei (黃聯禧); (vi) Ms. Zuo Xiaoping (左笑萍); (vii) Zhan Hua Limited; (viii) Mr. Zuo Manlun (左滿倫), our non-executive Director; (ix) Dawnhill Group Limited; (x) Mr. Luo Jianfeng (羅建峰), our non-executive Director; (xi) LittleBear Investment Limited; (xii) Mr. Cheung Man Yu (張文宇), our executive Director; (xiii) QCJJ Group Limited; (xiv) QCZC Group Limited; (xv) Ms. Tang Jia Jia (唐佳佳); (xvi) QCBM Group Limited; and (xvii) Mr. Qian Yu Cheng (錢玉澄), each a Controlling Shareholder
“Lesso Group”	Lesso and its subsidiaries (excluding our Company and our subsidiaries)

DEFINITIONS AND GLOSSARY

“Lesso Non-Qualifying Shareholder(s)”	Lesso Shareholder(s) whose names appeared in the register of members of Lesso on the Lesso Qualifying Shareholders’ Assured Entitlement Record Date and whose addresses as shown in such register are in any of the Specified Territories and any Lesso Shareholders or Lesso Beneficial Shareholder(s) at that time who are otherwise known by Lesso to be resident in any of the Specified Territories
“Lesso Preferential Offering”	the preferential offering to the Lesso Qualifying Shareholder(s) of 4,882,000 Lesso Reserved Shares (representing approximately 5.0% of the Offer Shares initially being offered under the Global Offering) in the form of the Lesso Qualifying Shareholders’ Assured Entitlement out of the Shares offered under the International Placing at the Offer Price, as further described in “Structure and Conditions of the Global Offering — The Lesso Preferential Offering” in this prospectus and subject to the terms and conditions stated in this prospectus
“Lesso Qualifying Shareholder(s)”	holders of the shares of Lesso, whose names appeared on the register of members of Lesso as of 4:30 p.m. on the Lesso Qualifying Shareholders’ Assured Entitlement Record Date, other than the Lesso Non-Qualifying Shareholder(s)
“Lesso Qualifying Shareholders’ Assured Entitlement”	the entitlement of the Lesso Qualifying Shareholder(s) to apply for the Lesso Reserved Shares on an assured basis under the Lesso Preferential Offering to be determined on the basis of their respective shareholdings in Lesso at 4:30 p.m. on the Lesso Qualifying Shareholders’ Assured Entitlement Record Date
“Lesso Qualifying Shareholders’ Assured Entitlement Record Date”	May 13, 2024, being the record date for ascertaining the Lesso Qualifying Shareholders’ Assured Entitlement
“Lesso Reserved Shares”	the 4,882,000 Offer Shares being offered to the Lesso Qualifying Shareholder(s) as the Lesso Qualifying Shareholders’ Assured Entitlement at the Offer Price pursuant to the Lesso Preferential Offering, representing approximately 5.0% of the Offer Shares initially being offered under the Global Offering which are to be allocated out of the Shares being offered under the International Placing

DEFINITIONS AND GLOSSARY

“Lesso Shareholders”	Holders of Lesso Shares
“Lesso Shares”	ordinary shares of nominal value of HK\$0.05 each in the share capital of Lesso
“Listing”	the listing of the Shares on the Main Board of the Stock Exchange
“Listing Committee”	the listing committee of the Stock Exchange
“Listing Date”	the date expected to be on or around Tuesday, May 28, 2024, on which the Shares are first listed and from which dealings in the Shares are permitted to take place on the Main Board of the Stock Exchange
“Listing Rules”	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
“LS DiDi”	LS DiDi Network Technology Limited, a company incorporated in the Cayman Islands with limited liability that is owned as to 70% by Samanea and a Controlling Shareholder
“Liu Yong Trust”	a discretionary trust established by Mr. Liu Yong (as the settlor) with Sovereign Fiduciaries (Hong Kong) Limited as the trustee, for the benefit of Mr. Liu Yong and Edaurora Holdings Limited. Mr. Liu Yong is our executive Director, the chairman of our Board and a Controlling Shareholder of our Group. Sovereign Fiduciaries (Hong Kong) Limited is a professional trust company and an Independent Third Party of our Group
“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the Growth Enterprise Market of the Stock Exchange
“Maximum Offer Price”	HK\$3.06, being the high end of the Offer Price Range stated in this prospectus

DEFINITIONS AND GLOSSARY

“Memorandum” or “Memorandum of Association”	the memorandum of association of our Company, as amended or supplemented from time to time, a summary of which is set out in Appendix III to this prospectus
“MIIT”	Ministry of Industry and Information Technology of the PRC (中華人民共和國工業和信息化部)
“Ministry of Public Security”	Ministry of Public Security of PRC (中華人民共和國公安部)
“Ministry of Transport”	Ministry of Transport of the PRC (中華人民共和國交通部)
“MOFCOM”	the Ministry of Commerce of the PRC (中華人民共和國商務部)
“NDRC”	National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
“Nomination Committee”	the nomination committee of our Board
“Non-executive Director(s)”	non-executive Director(s) of our Company
“Offer Price”	the final offer price per Offer Share (exclusive of brokerage of 1.0%, SFC transaction levy of 0.0027%, AFRC transaction levy of 0.00015% and Stock Exchange trading fee of 0.00565%)
“Offer Price Range”	HK\$2.28 to HK\$3.06 per Offer Share
“Offer Shares”	the Hong Kong Offer Shares and the International Placing Shares together, where relevant, with any additional Shares to be issued by our Company pursuant to the exercise of the Over-Allotment Option
“OMS”	order management system, a modular system designed to support and optimize orders management

DEFINITIONS AND GLOSSARY

“Over-Allotment Option”	the option expected to be granted by our Company to the International Underwriters, exercisable by the Sole Overall Coordinator and the Sole Global Coordinator (for itself and on behalf of the International Underwriters), pursuant to the International Placing Agreement for up to 30 days from the day following the last day for the lodging of applications under the Hong Kong Public Offer, to require our Company to allot and issue up to 14,643,000 additional new Shares (representing in aggregate approximately 15% of the initial Offer Shares) at the Offer Price to, among other things, cover over-allocations in the International Placing, if any, as further described in “Structure and Conditions of the Global Offering — Over-Allotment Option”
“Overseas Listing Trial Measures”	Trial Administrative Measures of the Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》)
“PBOC”	the People’s Bank of China (中國人民銀行), the central bank of the PRC
“Post-IPO RSU Plan”	the post-IPO restricted share unit plan conditionally adopted by our Shareholders on May 14, 2024; a summary of the principal terms is set forth in the paragraph headed “G. Post-IPO RSU Plan” in Appendix IV to this prospectus
“Post-IPO Share Option Scheme”	the post-IPO share option scheme conditionally adopted by our Shareholders on May 14, 2024; a summary of the principal terms is set forth in “Statutory and General Information — E. Post-IPO Share Option Scheme” in Appendix IV to this prospectus
“PRC Legal Adviser”	Han Kun Law Offices, the legal adviser of our Company as to the laws of the PRC in connection with the Global Offering
“Pre-IPO RSU Plan”	the pre-IPO restricted share unit plan adopted by our Shareholders on May 14, 2024; a summary of the principal terms is set forth headed “Statutory and General Information — F. Pre-IPO RSU Plan” in Appendix IV to this prospectus

DEFINITIONS AND GLOSSARY

“Pre-IPO Share Option Scheme”	the pre-IPO share option scheme adopted by our Shareholders on May 14, 2024; a summary of the principal terms is set forth in the paragraph headed “Statutory and General Information — D. Pre-IPO Share Option Scheme” in Appendix IV to this prospectus
“Price Determination Agreement”	the agreement to be entered into between the Sole Overall Coordinator and the Sole Global Coordinator (on behalf of the Underwriters and the Capital Market Intermediaries) and our Company on the Price Determination Date to record and fix the Offer Price
“Price Determination Date”	the date, expected to be on or about Friday, May 24, 2024, on which the Offer Price is fixed for the purposes of the Global Offering, and in any event no later than 12:00 noon on Friday, May 24, 2024
“R&D”	research and development
“Regulation S”	Regulation S under the U.S. Securities Act
“Remuneration Committee”	the remuneration committee of the Board
“Reporting Accountant”	Ernst & Young, the reporting accountant of our Company
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“RSU(s)”	restricted share units granted pursuant to the Pre-IPO RSU Plan and Post-IPO RSU Plan
“SAFE”	the State Administration for Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
“Samanea”	Samanea China Holdings Limited, a company incorporated in the BVI that is indirectly wholly-owned by Lesso and a Controlling Shareholder

DEFINITIONS AND GLOSSARY

“SAIC”	the State Administration of Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局), which has now been merged into the State Administration for Market Regulation of the PRC (中華人民共和國國家市場監督管理局)
“SAMR”	the State Administration for Market Regulation of the PRC (中華人民共和國國家市場監督管理局)
“SAT”	State Administration of Taxation (國家稅務總局)
“SCNPC”	Standing Committee of the National People’s Congress (全國人大常委會)
“SEC”	the U.S. Securities and Exchange Commission
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time
“Share(s)”	ordinary share(s) in the share capital of our Company, with a nominal value of US\$0.01 each
“Shareholder(s)”	holder(s) of our Share(s)
“Shenzhen EDA”	Shenzhen EDA Cloud Technologies Co., Ltd. (深圳市易達雲科技有限公司), a company incorporated in the PRC on March 14, 2014 and our wholly-owned subsidiary
“Shenzhen EDA Group”	Shenzhen EDA and its subsidiaries
“Shenzhen Haolian”	Shenzhen Haolian Supply Chain Management Company Limited (深圳市昊聯供應鏈管理有限公司), a company incorporated in the PRC on September 1, 2014 and our wholly-owned subsidiary
“SKU”	stock keeping unit

DEFINITIONS AND GLOSSARY

“Sole Global Coordinator” or “Sole Overall Coordinator”	CMB International Capital Limited, a licensed corporation registered under the SFO to carry on Type 1 (dealing in securities), and Type 6 (advising on corporate finance) as defined in the SFO
“Sole Sponsor”	CMB International Capital Limited, a licensed corporation registered under the SFO to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) as defined in the SFO
“Specified Territories”	jurisdiction(s) outside Hong Kong where, taking into account the legal restrictions under the applicable laws or requirements of the relevant regulatory body or stock exchange of such jurisdiction(s), Lesso and our Company consider the exclusion of the Lesso Shareholders with registered addresses in or who are otherwise known by Lesso to be residents of, such jurisdiction(s) from the Lesso Preferential Offering to be necessary or expedient
“Spin-off”	the separate listing of our Shares on the Main Board, by way of the Global Offering (including the Lesso Preferential Offering)
“Sponsor-OC”	CMB International Capital Limited, a licensed corporation registered under the SFO to carry on Type 1 (dealing in securities), and Type 6 (advising on corporate finance) as defined in the SFO
“SPV”	Special Purpose Vehicle
“sq.ft.”	square feet
“sq.m.”	square meters
“Stabilizing Manager”	CMB International Capital Limited
“State Council”	State Council of the PRC (中華人民共和國國務院)
“Stock Borrowing Agreement”	the stock borrowing agreement expected to be entered into between EDA Shine International Limited and the Stabilizing Manager on or about Friday, May 24, 2024

DEFINITIONS AND GLOSSARY

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Takeovers Code”	The Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended, supplemented or otherwise modified from time to time
“TMS”	transportation management system, a modular system designed to support logistics planning for the “last-mile” fulfillment services arrangements
“Ton(s)”	a unit of weight in the metric system, equal to 1,000 kilograms
“Track Record Period”	the period comprising FY2021, FY2022 and FY2023
“Underwriters”	the Hong Kong Underwriters and the International Underwriters
“Underwriting Agreements”	the Hong Kong Underwriting Agreement and the International Placing Agreement
“U.K.” or “United Kingdom”	the United Kingdom of Great Britain and Northern Ireland
“U.S.” or “United States”	the United States of America, its territories and possessions, any state of the United States and the District of Columbia
“U.S. Securities Act”	the United States Securities Act of 1933, as amended, supplemented or otherwise modified from time to time
“U.S. Tariff Legal Adviser”	Hogan Lovells
“US\$” or “U.S. dollars”	United States dollars, the lawful currency of the United States of America
“VAT”	value-added tax
“WMS”	warehouse management system, a modular system designed to support the turnover of inventory in warehouses, the inventory records and the standardization of processes across different warehouses

DEFINITIONS AND GLOSSARY

“YoY”	year-on-year
“%”	per cent.

In this prospectus:-

- 1. Unless the context otherwise requires, the terms “associate”, “close associate”, “connected person”, “connected transaction”, “core connected persons”, “controlling shareholder”, “substantial shareholder” and “subsidiary” shall have the meanings given to such terms in the Listing Rules.*
- 2. The English titles marked with “*” are unofficial English translations of the titles of natural persons, legal persons or entities, governmental authorities, institutions, laws, rules, regulations and other entities for which no official English translation exists. In the event of any inconsistency, the Chinese versions shall prevail. These English titles are for identification purpose only.*
- 3. For ease of reference, the names of the PRC established companies or entities, laws or regulations have been included in this prospectus in both the Chinese and English languages and in the event of any inconsistency, the Chinese versions shall prevail.*
- 4. We use certain technical terms that are relevant to our business and the industry we operate in. These terms and their meanings set out above may not always correspond to standard industry meaning or usage of these terms.*
- 5. Unless expressly stated or otherwise required by the context, all data are as of the Latest Practicable Date.*
- 6. Unless otherwise specified, all references to any shareholdings in our Company assume no exercise of the Over-Allotment Option.*
- 7. Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them. Any discrepancies in any table or chart between the total shown and the sum of the amounts listed are due to rounding.*

FORWARD-LOOKING STATEMENTS

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

This prospectus contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties. These statements relate to events that involve known and unknown risks, uncertainties and other factors, including those listed under “Risk Factors”, which may cause our actual results, performance or achievements to be materially different from performance or achievements expressed or implied by the forward-looking statements. These forward-looking statements include, without limitation, statements relating to:

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

When used in this prospectus, the words “aim”, “anticipate”, “believe”, “could”, “estimate”, “expect”, “going forward”, “intend”, “may”, “might”, “plan”, “project”, “propose”, “seek”, “should”, “target”, “will”, “would” and the negative of these words and other similar expressions, as they relate to us or our management, are intended to identify forward-looking statements. Such statements reflect the current views of our management with respect to future events, operations, profitability, liquidity and capital resources and are not a guarantee of future performance. Actual results may differ materially from information, implied or expressed, in the forward-looking statements as a result of a number of factors, including, without limitation, the risk factors set out in “Risk Factors” in this prospectus and the following:

- changes in the laws, rules and regulations applicable to us;
- general economic, market and business conditions in the PRC, including the sustainability of the economic growth in the PRC;

FORWARD-LOOKING STATEMENTS

- changes or volatility in interest rates, foreign exchange rates, equity prices or other rates or prices;
- business opportunities and expansion that we may pursue;
- our ability to identify, measure, monitor and control risks in our business, including our ability to improve our overall risk profile and risk management practices;
- our ability to attract and retain customers;
- our ability to attract and retain qualified employees and key personnel; and
- other factors beyond our control.

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

In this prospectus, statements of or references to our intentions or those of any of our Directors are made as of the date of this prospectus. Any such intentions may change in light of future developments.

RISK FACTORS

PRINCIPAL RISKS FOR INVESTING IN THE OFFER SHARES

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

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

The key risks specific to our business and other general market risks are set out below. These risks, were they to occur, could have a material adverse effect on our financial position or performance through reduced revenue, increased costs, reduced cash-flow, loss of customers, damage to reputation or a combination of these.

Potential investors should consider such risk factors together with other information set out in this prospectus. The risk factors set out below may not be the only ones faced by us. There may be additional risk factors of which we are currently unaware or that we currently deem not material but which may subsequently become key risk factors for our business.

Our business and operations involve certain risks and uncertainties, many of which are beyond our control. These risks can be broadly categorized as (i) risks relating to our business and industry; (ii) risks relating to conducting our business in the PRC; and (iii) risks relating to the Spin-off and the Global Offering.

RISK FACTORS

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

Economic downturns, reductions in international business or disruptions in global trade may adversely impact our business and results of operations. Any downturn or adverse development in regional and global economy may adversely affect the demand for our solutions and our business in general.

The B2C export e-commerce supply chain solutions industry historically has experienced cyclical fluctuations in financial performance due to economic recessions, downturns in business cycles of our customers, interest rate fluctuations, currency fluctuations, and other economic factors which are beyond our control. Deterioration in the economic environment subjects our business to various risks, which may have a material and adverse impact on our operating results and our long-term growth goals. Some of the risks include (i) reduction in overall freight volumes in the market, (ii) failure of ocean carriers and air carriers, (iii) failure of our expense management and staffing level management to cater to changing market demands, and (iv) credit risk and working capital risk as a result of our customers not being able to pay or paying us late.

During the Track Record Period, we operated our business across various countries and regions, including the PRC, the United States, Canada, the United Kingdom, Germany and Australia. The growth of the regional and global economy has slowed down in recent years and the global macroeconomic environment faced various challenges, such as the economic slowdown in the Eurozone since 2014, uncertainties over the impact of Brexit, failures of major banks in the United States since 2023 and the ongoing global trade disputes and tariffs. The downward trend of regional and global economy may continue and there is considerable uncertainty over the long-term effects of the monetary and fiscal policies adopted by the central banks and financial authorities of some of the world's leading economies.

In particular, we primarily provide B2C export e-commerce supply chain solutions primarily to customers in the PRC. Accordingly, any adverse economic or social development in the PRC, as a result of a global economy downturn or otherwise, could lead to a general decline in consumption and a slowdown in international trade, which could have a significant impact on our businesses. In addition, an economic downturn around the globe and the shifting of outsourced manufacturing activities away from the PRC could have a significant impact on the demand for our provision of B2C export e-commerce supply chain solutions. These factors could have a negative impact on the e-commerce activities in the PRC, and consequently, our business results might be materially and adversely affected. Shenzhen EDA Group recorded a total revenue of RMB631.9 million for FY2021, and our Group recorded a total revenue of RMB708.7 million and RMB1,209.3 million for FY2022 and FY2023, respectively, all of which were attributable to our

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provision of B2C export e-commerce supply chain solutions to customers in the PRC. If the PRC experiences slower growth or a decline in B2C exports, our business, financial conditions and results of operations could be materially and adversely affected.

In addition, there have been concerns over the relationship between the PRC and the United States resulting from the geopolitical and trade tensions between the two countries, and it is unclear whether these challenges and uncertainties will be effectively contained or resolved and what effects they may have on the global political and economic conditions in the long term. Regional economic conditions are sensitive to global economic conditions, changes in domestic economic and political policies as well as the expected or perceived overall economic growth rate. Any economic downturn or slowdown and/or negative business sentiment could have an indirect potential impact on our industry, and as a result, our business operations and financial performance may be adversely affected.

The success of our business depends on the business performance of our customers and the e-commerce platforms on which they operate, and our ability to cost-effectively attract new customers and retain existing customers.

We engage in the provision of B2C export e-commerce supply chain solutions, to serve our customers' logistical needs arising from the demand from end-consumers. We are indirectly and largely dependent on our customers' business performance and developments in their markets and industries.

Shenzhen EDA Group's five largest customers in aggregate accounted for 36.2% of total revenue for FY2021 and our five largest customers in aggregate accounted for 34.2% and 37.0% of our total revenue in each year for FY2022 and FY2023, respectively. Our strong and stable relationships with our customers are crucial to our business. We are dependent on our customers' demand for B2C export e-commerce supply chain solutions which in turn largely depends on their business performance, strategies, reputation and development in or influence over their respective markets and industries. Any loss or deterioration in our relationships with any of these customers and any adverse development related to our customers' business operations resulting in reduction in customers' demand for our solutions could materially and adversely affect our business operations and financial conditions. We cannot assure you that we can maintain the same level of relationships with our customers in the future. In the event we lose one or more of our major customers, our business, profitability and financial condition may be materially and adversely affected.

Our customer base primarily comprises e-commerce vendors who sell their goods to end-consumers overseas. Any disruptions of their business operations may have significant adverse impact on the business operations and performance of our customers who sell their goods through

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such platforms, and may in turn reduce our customers' demand for our B2C export e-commerce supply chain solutions. Also, the demand for our B2C export e-commerce supply chain solutions and our growth and business prospect are dependent on the policies and business strategies of the e-commerce platforms, in particular those impact the e-commerce vendors in the PRC. New policies and change of business strategies of the world's major e-commerce platforms from time to time will also create uncertainty to and may adversely impact on the growth and prospect of the B2C export e-commerce supply chain solutions market in the PRC, which may in turn negatively affect our business development and prospect in the future. We cannot assure you that our business operations and financial condition will not be negatively impacted under these circumstances.

The success of our business depends in part on our ability to cost-effectively attract and retain new customers. If our sales and marketing initiatives do not work efficiently or our existing or potential customers do not perceive our B2C export e-commerce supply chain solutions to be timely and reliable, we may not be able to attract new customers, retain existing customers and increase their use of our solutions. If we fail to cost-effectively attract new customers, retain existing customers and increase their use of our solutions, our business and results of operations could be adversely affected.

Some of our customers that deliver goods to the U.S. benefit from certain tax exemption regime, which may be changed in the future. In such event, these customers' operations may be negatively affected, and in turn affect our revenue generated from these customers.

Currently, goods of Chinese origin being exported into the U.S. are subject to a duty ranging from 7.5% to 25% under section 301 of the U.S. Trade Act of 1974 (the "**Section 301 Duties**") and formal entry procedures, which apply to our "first-mile" international freight services. The U.S. Tariff Act of 1930 provides for an exemption (the "**Tariff Exemption**") to admit certain articles free of the Section 301 Duties using informal entry procedures if they have an aggregate fair retail value of less than US\$800 per day.

During the Track Record Period, unless the order involves direct shipping to end-consumers, third-party customs brokers are the importer of record for the shipments delivered to the U.S. in our "first-mile" international freight services. The fair retail value of goods handled by a single importer are assessed at the customs clearance on an aggregated basis on one day for the assessment on whether they exceed the US\$800 threshold under the Tariff Exemption, and it is not permissible to separate out some shipments for the Tariff Exemption. Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, all goods delivered to the U.S. in the "first-mile" international freight services except where direct shipping services are involved exceeded US\$800 per day, and hence did not, on any day of delivery, fall below the US\$800 threshold under the Tariff Exemption.

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In FY2023, we began to provide direct shipping services to Customer G, one of the large scale e-commerce platforms in the PRC. Direct shipping involves the delivery of goods directly from domestic sellers to overseas end-consumers. To the best knowledge of our Directors, in FY2023, the fair retail value of all of the parcels delivered by us to the U.S. through direct shipping falls below the US\$800 threshold and therefore, falling within the Tariff Exemption. For FY2021, nil was generated from parcels valued at US\$800 or below delivered to the U.S. by Shenzhen EDA Group per day. For FY2022 and FY2023, nil and RMB151.5 million were generated from parcels valued at US\$800 or below delivered to the U.S. by us per day, respectively, representing 0% and 12.5% of our total revenue in each year in FY2022 and FY2023, respectively.

As of the Latest Practicable Date, two legislative proposals to limit the Tariff Exemption are pending before the U.S. Congress, namely, the Import Security and Fairness Act (ISFA) and the De Minimis Reciprocity Act of 2023 (DMRA). The two proposals, although varying in substance, both propose to exclude goods of Chinese origin imported to the U.S. from benefiting from the Tariff Exemption. As advised by the U.S. Tariff Legal Adviser, if either of the proposals is enacted and implemented in its current form, goods from China that would currently be eligible for the Tariff Exemption would become ineligible for such exemption, and would have to enter the U.S. through a formal entry process.

It is inherently difficult to predict customers behavior. We cannot assure you that our business would not be negatively affected by such changes in the Tariff Exemption, if any. Our customers may increase their product prices in the U.S. to counter the impact of the additional duties, and their end-consumers in the U.S. may decrease their purchasing volume and/or frequency due to such product price increases, decreasing demand for logistic services to the U.S. Our customers who deliver to the U.S. may also shift their focus to other geographical markets, in which we may not be as competitive as other solutions providers. As a result, revenue arising from our “first-mile” international freight services may decrease.

Furthermore, it is inherently impossible to predict the timing or outcome progress of the legislative process in the U.S., and if such changes are implemented faster and/or in a stricter way than we expect, we may not be able to respond and mitigate the risks associated effectively and timely. Any of the above could materially and negatively affect our performance, financial results and business operations. For more information on the De Minimis Exemption, please refer to the section headed “Summary — U.S. Tariff on goods originated from China”

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Our success is tied to our customers' expenditure on B2C export e-commerce supply chain solutions providers.

Our growth strategy is partially based on the assumption that the trend toward engaging of B2C export e-commerce supply chain solutions providers will continue. Supply chain solutions providers like us are generally able to provide solutions more efficiently and cost-effectively than otherwise could be provided “in-house,” primarily as a result of our expertise, technology prowess and one-stop and flexible delivery options. However, many factors could cause a reversal in the trend. As an illustration, our customers may see risks in relying on third-party supply chain solutions providers, or they may begin to define these activities as within their own core competencies and decide to perform cross-border delivery operations and fulfillment services themselves. If our customers are able to improve the cost structure of their in-house B2C export e-commerce supply chain operations, we may not be able to provide our customers with an attractive alternative for their supply chain needs. If our customers in-source significant parts of their B2C export e-commerce supply chain operations, or if potential new customers decide to carry out their own B2C export e-commerce supply chain solutions, our business, financial condition and results of operations may be materially adversely affected.

We operate in a fragmented and competitive industry and we cannot assure you we will continue to maintain or increase our market share and compete successfully.

The B2C export e-commerce supply chain solutions industry in the PRC is fragmented and competitive. According to Frost & Sullivan, among our peers which primarily utilize the pre-sale stocking model in the B2C export e-commerce supply chain solutions market in the PRC, we ranked sixth in terms of revenue in 2023, with a market share of approximately 0.5%. Our Group accounted for approximately 0.1% of the entire export e-commerce supply chain solutions market in the PRC in 2023. Our competitors may have a broader service or network coverage, more advanced technology infrastructure, broader customer base, stronger relationships with business and strategic partners, better brand recognition and greater capital, technical and marketing resources than we do. Our ability to compete successfully also depends on a number of factors which may be beyond our control, including the prices of the comparable solutions offered by our competitors in the market and our responsiveness to changes in our customers' needs. We may also have to offer more incentives to our customers, which could materially and adversely affect our profitability. Our competitors may also establish cooperative relationships or competing networks to increase their ability to address the needs of e-commerce vendors and end-consumers of e-commerce platforms, which could also negatively affect us. See “Industry Overview — B2C Export E-Commerce Supply Chain Solutions Market in the PRC — Competitive Landscape of B2C Export E-commerce Supply Chain Solutions Market in the PRC” for further details. We cannot assure you that we will be able to continue to compete successfully in the industry in which we

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operate. A number of factors related to our competitors, including improved operational efficiency, adoption of competitive pricing strategies, expansion of operations or adoption of innovative marketing methods, may have a material adverse effect on our business operations and financial condition.

Any disruption to the operation of and failure to effectively utilize our warehouses could adversely affect our results of operations.

As part of our B2C export e-commerce supply chain solutions, we offer overseas and domestic warehousing services to our customers through our self-operated and partnered warehouses. Our continued growth depends in part on our ability to profitably operate our self-operated and partnered warehouses. Our self-operated and partnered warehouses' associated contribution to our growth are subject to a number of risks and uncertainties, including but not limited to our ability to: (i) ensure consistent quality across our warehouses; (ii) accurately allocate resources of the warehouses required for the provision of our warehousing services based on the forecasted customer demand, for example, underestimating the storage space of our partnered warehouses we require for our “last-mile” fulfillment services; and (iii) efficiently deploy skilled management (through another third-party warehouse service providers or our employees) at our warehouses, via our standardized training, on commercially reasonable terms. If we experience any disruption to the operation of and fail to effectively utilize our warehouses, we may incur losses which could materially and adversely affect our business, financial condition and results of operations.

Our provision of B2C export e-commerce supply chain solutions heavily relies on third-party service providers. Any disruption of our relationships with our suppliers and increases in their operating costs due to fluctuations in the costs and available of energy prices such as fuel supplies could adversely influence our operations and growth prospects.

Our suppliers primarily include third-party warehouse service providers, international freight forwarding service providers, ocean carriers and air carriers and local “last-mile” fulfillment logistics service providers. We rely on our third-party warehouse service providers to provide us with warehousing services, and international freight forwarding service providers, ocean carriers and air carriers, and local “last-mile” fulfillment service providers to provide us with the logistic services. Many of our suppliers are subject to increasingly stringent laws, which could, directly or indirectly, have a material adverse effect on our business. Future regulatory developments of the B2C export e-commerce supply chain solutions industry in the PRC, the United States and other countries could adversely affect their operations and increase operating costs of the upstream suppliers, which in turn could increase our cost of sales. If we are unable to pass such costs on to our customers, our business and results of operations could be materially and adversely affected.

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Changes in the financial stability, operating capabilities and capacity of our suppliers and capacity allotment available to us may affect us in unpredictable ways. Any combination of reduced carrier capacity or availability, pricing volatility or more limited carrier shipping schedules, which as those caused by pandemic, shipwreck or other accidents, or congestion of trade lanes or ports, could further negatively affect our ability to deliver solutions and maintain profitability. In addition, relief measures extended by certain governments may also affect our suppliers' financial stability and ability to provide solutions, which we cannot predict. Moreover, if we fail to maintain partnership with freight carriers to sustain our cargo capacity and availability, which in turn may adversely affect our business.

We do not have full control over the quality of services provided by these service providers, and they may fail to meet the expectation of our customers in terms of delivery schedule, transportation process, goods handling procedures and warehousing services, which may cause delay in delivery or damages in goods during the transportation process. Any failure in the provision of reliable, timely and efficient delivery and fulfillment services by our suppliers may in turn harm our business and reputation. In addition, any illegal actions, material misconduct or non-compliant conduct by these service providers or their employees may also adversely affect our business and reputation.

Fluctuating fuel prices and interruptions of fuel supplies may reduce our profitability. Fuel represents a sizable cost to the logistics service providers engaged by us during our provision of B2C export e-commerce supply chain solutions. Hence, an increase in fuel prices may increase our costs as these logistics service providers may increase their fees to cover the increased fuel costs. According to Frost & Sullivan, the main costs of most B2C export e-commerce supply chain solutions providers are freight rate of seaborne transportation and "last-mile" fulfillment delivery cost. In the event that we fail to transfer such costs to our customers, our profitability may be adversely affected. The cost of warehouses, freight and fuel can fluctuate to different degrees and is subject to many economic and political factors that are beyond our control, primarily including the political instability in oil-producing regions and geopolitical landscape. In the event of a significant rise in fuel prices, freight rates and warehousing cost, our related costs may increase and our gross profit may decrease if we are unable to adopt any effective cost control measures or pass on the rising cost to our customers in the form of solutions surcharges.

We face risks inherent in the B2C export e-commerce supply chain solutions industry, including personal injury, product damage and transportation-related incidents.

We manage products across our domestic warehouses in the PRC and our overseas warehouses, and face challenges with respect to the protection and examination of these products. Products in our global logistics network may be delayed, stolen, damaged or lost during storage or delivery for various reasons, and we may be perceived or found liable for such incidents. In

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addition, we may fail to screen products and detect unsafe or prohibited/restricted items. Unsafe items, such as flammables and explosives, toxic or corrosive items and radioactive materials, may damage other products in our global logistics network, harm our personnel and assets, or even injure recipients. Furthermore, if we fail to prevent prohibited or restricted items from entering into our global logistics network and if we participate in the transportation, storage and delivery of such items unknowingly, we may be subject to administrative or even criminal penalties. If any personal injury or property damage occurs, we may also be held liable for civil compensation.

The delivery of products also involves inherent risks. Our transportation process in the PRC involves vehicles and personnel in transportation, and are therefore subject to risks associated with transportation safety, and the insurance maintained by us may not fully cover the liabilities caused by transportation related injuries or loss. From time to time, such vehicles and personnel may be involved in traffic accidents, and the goods carried by them may be lost or damaged. In addition, tensions or disputes may occasionally arise from the direct interactions between such personnel and between goods deliverymen and recipients. Personal injuries or property damages may arise if such incidents occur. Furthermore, according to Frost & Sullivan, since the Houthis have seized and launched aerial attacks against merchant and naval vessels in the Red Seas in October 2023, vessels have to bypass the Suez Canal and navigate around South Africa's Cape of Good Hope. As a result, seaborne transportation from the PRC to Middle East was affected, leading to higher freight rates, lower shipping capacity and longer transportation times. For details on the revenue, gross profit and gross profit margin of Shenzhen EDA Group and our Group contributed by delivery to Middle East and Europe during the Track Record Period, see "Business — Our Solutions" in this prospectus.

Any of the foregoing could disrupt offering of our solutions, cause us to incur substantial expenses and divert the time and attention of our management. We may face claims and incur significant liabilities if found liable or partially liable for any of injuries, damages or losses. Claims against us may exceed the amount of our insurance coverage, or may not be covered by insurance at all. Any uninsured or underinsured loss could harm our business and financial condition. These proceedings or actions may subject us to significant penalties and negative publicity, reducing demands for our solutions, increasing our costs and severely disrupting our business. Governmental authorities may also impose significant fines on us or require us to adopt costly preventive measures, which may materially and adversely affect our business, financial conditions and results of operations.

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Our business operations and growth prospects may be materially and adversely affected if we are unable to successfully implement our use of proceeds plan.

In order to capture more market share of the B2C export e-commerce supply chain solutions industry, we plan to enhance our global logistics network through our unique asset-light model by deepening the local presence of our global logistics network through establishing more warehouses in existing overseas markets such as the United States, Canada, the United Kingdom and Germany. As of the Latest Practicable Date, we contracted 57 overseas warehouses situated in the United States, Canada, the United Kingdom, Germany and Australia. See “Business — Our Global Logistics Network” for details of our warehouses. We also intend to (i) enhance and revamp our EDA Cloud platform to enable us to continue to deliver a customer-centric and compelling supply chain management experience consistently to our customers, and (ii) enhance our market presence by establishing sales and marketing teams domestically and in overseas markets. See “Future Plans and Use of Proceeds” for details. However, we cannot assure you that we will be able to contract warehouses or suitable facilities for the enhancement of our global logistics network on commercially acceptable terms or at all, and we may not be able to recruit or deploy sufficient qualified employees at warehouses in accordance with our future plans. Furthermore, it may also take a longer time than expected for us to enhance and revamp our EDA Cloud platform, and we may not have sufficient experience in executing such enhancements effectively. Further, we will incur substantial costs in relation to the aforementioned use of proceeds plan. If we fail to implement our use of proceeds plan successfully, our growth potential and business operations may be materially and adversely affected. Even if we implement our use of proceeds plan successfully, there is no assurance that we could gain the competitive advantage we expected.

Inability to meet demand from our customers on a short notice could adversely impact our margins and operating results.

Lasting customer satisfaction of and stickiness to our business depends upon our ability to meet their unpredictable short-term demands and needs. Freight fees and delivery schedules are always less flexible for orders given on a short notice, and as a result, short-term operating results could be disproportionately affected. A significant portion of our revenue is derived from customers in industries whose shipping patterns are dependent upon just-in-time production schedules. The timing of our revenue could therefore be impacted by factors out of our control, such as a sudden change in consumer’s demand for retail goods, global or regional economic conditions, changes in trade policies, trade embargoes and regulations, product launches and/or manufacturing production delays. Volatile market conditions can create situations where price increases by logistics service providers are implemented with little or no advance notice. We often cannot pass these rate increases onto our customers in the same financial year, if at all. As a result, our profit margins and results of operations can be negatively impacted.

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We do not own any real properties and we lease all properties for our business activities and therefore we are exposed to risks in relation to unpredictable and increasing rental costs and relocation costs. Our leased properties may potentially be contested by third parties or government bodies causing our operations to be disrupted.

We do not own any real properties and operate an asset-light model. As of the Latest Practicable Date, save for one warehouse in Australia, we lease all properties with Independent Third Parties for our business operations, including our office premises and self-operated warehouses located in the PRC and overseas. Our landlords could increase the rent or impose more stringent payment terms when negotiating to renew our leases, which could in turn adversely affect our profitability and results of operations. We may not be able to successfully extend or renew such leases upon expiration, on commercially reasonable terms or at all, and may be forced to relocate our warehouses or offices to other sites. Such relocation may disrupt our operations and incur significant relocation costs and capital expenditures in relation to the installation of warehousing facilities and technology systems, and could in turn adversely affect our financial condition. Further, we cannot assure you that we will be able to relocate such operations to suitable alternative premises in a timely manner or at all, and failure in relocating our operations when required could result in disruption to our business operations. In addition, we compete with other businesses for premises at certain locations or of desirable size. In the event that we fail to relocate our operations in a timely manner, our financial position, results of operations and reputation would be adversely affected.

Our leasehold interest pursuant to some of our lease agreements for our business operations in the PRC, including our office premises in Shanghai, Qingdao, Hangzhou and Shenzhen, have not been filed with the relevant PRC government authorities as required by PRC law, which may expose us to potential fines if we fail to remediate after receiving any notice from the relevant PRC government authorities. In addition as of the Latest Practicable Date, lessors of our office premises in Shenzhen, Shanghai, Qingdao and Hangzhou do not have the title certificate or other documentation proving its right to lease the premises to us. If the lessor is not the owner of the property and have not obtained consent from the owner or their lessor, our leases could be invalidated. If this occurs, we may have to renegotiate the leases with the owner or the party who has the right to lease the property, and the terms of the new leases may not be favorable to us.

We cannot assure you that our use of these leased properties will not be challenged by government authorities, property owners or any other third parties in the future. We may be subject to fines and forced to relocate to other premises in case our use of properties is successfully challenged, and our operation could be seriously affected as a result. We may also involve in disputes with the property owners or third parties who otherwise have rights to or interests in our

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leased properties. There is no assurance that we can find suitable replacement premises in a timely manner and on terms acceptable to us, or at all. Our business and financial performance may be adversely affected as a result.

We may face difficulties in implementing our expansion plans and business strategies. Any difficulties in identifying, consummating and integrating acquisition or investment opportunities may expose us to potential risks and have an adverse effect on our business, results of operations or financial condition.

The successful implementation of our expansion plan may be affected by a number of factors including the availability of sufficient funds, government policies relevant to our industry, economic conditions, our ability to maintain our existing competitive advantages, our relationships with our customers and the threat of substitutes and new market entrants. There is no assurance that the expansion plan can be implemented in a timely and successful manner. Should there be any material adverse change in our operating environment which results in our failure to implement any part of our expansion plan, the growth in our service capacity will be negatively impacted, resulting in future capacity constraints which would consequently lead to the curtailment of our ability to capture future service orders, resulting in an adverse impact on our prospects. Any material adverse change in our operating environment resulting in our failure to implement any part of our expansion plan may also cause our revenue growth not being able to offset the increase in depreciation and labor-related expenses, and our financial condition and prospects may be adversely affected.

The success of our long-term business strategies will depend on, among others, our ability to expand our global logistics network and further invest in our logistics management platform and key technologies. Our business strategies and future plans formulated as set out in the sections “Business — Strategies on Future Growth” and “Future Plans and Use of Proceeds” are (i) based on circumstances currently prevailing and bases and assumptions that certain circumstances will or will not occur; and (ii) dependent on a number of factors including the availability of funds, increasing demand for our solutions, our ability to expand our business and to retain and recruit competent management and employees. Some of the factors are beyond our control and by nature, are subject to uncertainty, such as the general market conditions in the PRC, the United States and other parts of the world, and the change in government policy or regulatory regime of the B2C export e-commerce supply chain solutions industry. There is no assurance that our business strategies and future plans can be implemented successfully. Any failure or delay in the implementation of any or all of these strategies and plans may have a material adverse effect on our profitability and prospects.

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Moreover, we may in the future seek to make acquisitions and investments to further expand our business. We cannot assure you that we will always be able to complete such acquisitions successfully or on terms commercially favorable to us. Integration of entities or assets we acquire into our business may not be successful and may prevent us from expanding into new categories of services or operating locations. This could significantly affect the expected benefits of these acquisitions. Moreover, the integration of any acquired entities or assets into our operations could require significant attention from our management. The diversion of our management's attention and any difficulties encountered in any integration process could have an adverse effect on our ability to manage our business.

Our possible future acquisitions and investments may also expose us to other potential risks, including risks associated with unforeseen or hidden liabilities, the diversion of resources from our existing businesses and technologies, our inability to generate sufficient revenue to offset the costs, expenses of acquisitions and potential loss of, or harm to, relationships with employees and customers as a result of our integration of new businesses. In addition, we may recognize impairment losses on goodwill arising from our acquisitions. The occurrence of any of these events could have a material and adverse effect on our ability to manage our business, our financial condition and our results of operations.

An overall contraction in the availability of local and overseas workers in the labor market or any labor unrest may negatively affect our business.

As of the Latest Practicable Date, we had a total 291 full-time employees in the PRC and various overseas countries. We have experienced, and expect to continue to experience increase in labor costs due to increase in salaries and other staff benefits. We compete with other market players in the B2C export e-commerce supply chain solutions industry as well as other industries for labor, and such competition may adversely affect the overall stability of our and our supplier's workforce and our solutions performance. There is no assurance that we are able to offer competitive salaries and benefits to retain sufficient workforce in support of our operation, which may result in insufficient delivery resources, disgruntled employees and lower fulfillment services quality in certain parts of our operation.

Industrial action or other labor unrest against us could directly or indirectly prevent or hinder our normal operating activities, and if not resolved in a timely manner, could lead to delays in satisfying our customer orders and decreases in our revenue. These actions are impossible for us to predict or control. Further, we cannot assure you that labor unrest will not affect general labor market conditions or result in changes to labor laws, which in turn could materially and adversely affect our business, financial condition and results of operations.

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The proper functioning and effective utilization of our technology systems and infrastructure of our business operations is essential to our business. Any failure to continue to maintain satisfactory performance of our EDA Cloud platform and any security breaches and attacks against our technology systems could materially harm our business and reputation.

The satisfactory performance, reliability and availability of our EDA Cloud platform, a self-developed and proprietary supply chain management platform which enables us to deliver one-stop end-to-end B2C export e-commerce supply chain solutions with simplicity, convenience, speed and reliability, is critical to our success. The EDA Cloud platform controls our overall management of customer orders, transportation and warehouse management. These integrated technology systems support our day-to-day business operation and smooth performance of key functions of our business and formulation of our strategies. However, our EDA Cloud platform or technology infrastructure may not function properly at all times. We may not be able to timely monitor and ensure high-quality maintenance and upgrade of the same, and our customers may experience solutions outages and delays in accessing and using our EDA Cloud platform as we seek to source additional capacity. In addition, we may experience surges in online traffic and orders associated with promotional activities as we scale, which can put additional demand on our EDA Cloud platform at specific times. Any disruption to our EDA Cloud platform as a result of our failure to execute system maintenance and repair successfully could materially and adversely affect our business, financial condition and results of operations.

Our technology systems may experience telecommunications failures, computer viruses, failures during the process of upgrading or replacing software, databases or components, power outages, hardware failures, user errors, or other attempts to harm our technology systems, which may result in the unavailability or slowdown of our technology platform or certain functions, delays or errors in transaction processing, loss of data, inability to accept and fulfill orders and the reliability of our EDA Cloud platform. Further, hackers, acting individually or in coordinated groups, may also launch distributed denial of service attacks or other coordinated attacks that may cause service outages or other interruptions in our business. Any of such occurrences could cause severe disruption to our daily operations. We cannot assure you that we would not be subject to such security attacks in the future. If we are unable to protect our technology systems from these security breaches and attacks, we may be subject to legal and financial liability, and our business and reputation could be adversely affected.

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Our business also depends on the performance and reliability of the telecommunication and internet infrastructure in the PRC and in overseas countries where we have operations. The availability and reliability of our EDA Cloud platform and other technology systems depend on telecommunication carriers and other third-party providers for digital data transmission and storage capacity, including bandwidth and server storage, among other things. If we are unable to enter into or renew agreements with these providers on acceptable terms, or if any of our existing agreements with such providers are terminated as a result of our breach or otherwise, our ability to provide our solutions to our customers could be adversely affected. Frequent service interruptions could frustrate customers and discourage them from using our solutions, which could cause us to lose customers and harm our operating results.

Failure to keep pace with the rapidly changing technologies in a timely manner, or at all, may affect our established position in B2C export e-commerce supply chain solutions industry.

Our continued success and competitiveness depend on our ability to adapt to and keep pace with the rapidly changing technologies. Our ability to innovate, research and develop allows us to meet the evolving market needs for B2C export e-commerce supply chain solutions. We have continuously invested in the R&D of new technologies to maintain the growth of our business. These technologies are subject to continuous evolution and changes, and we cannot assure you that we will be able to keep up with changes in technological advancements in a timely manner or at a reasonable cost. We may be unable to accurately determine the needs of our customers and the trends in the B2C export e-commerce supply chain solutions industry or to design and implement the appropriate features and functionality of our EDA Cloud platform and technology infrastructure in a timely and cost-effective manner. If we are unable to maintain, improve and effectively utilize our technologies or to realize the expected results from our investment on R&D, our business performance, results of operations, growth prospects and reputation could be materially and adversely affected.

Moreover, changes in governmental regulations and industry standards may impose more stringent performance with respect to our operational efficiency which may require us to adopt new technologies, perform upgrades of our technology infrastructure, or improve our existing technologies. Such changes could require substantial investments and increase our cost of solutions and expenses. We may adopt advanced technologies, including mature technologies available overseas, that turn out to be not suitable or optimal for us, or we may have to invest in R&D and solutions design efforts to test, modify and customize such technologies for local conditions. If we fail to keep up with these changes in technologies and our business operations, we may not be able to maintain or improve our competitive position, which will have a material adverse impact on our business, financial condition, results of operations and prospects.

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We deal with personal data. Any improper collection, storage, use or disclosure of such information could adversely affect our business and reputation.

During our course of business, we process personal and transactional data, including names, address, phone numbers and other contact information of our customers and end-consumers of an order placed and delivered through our B2C export e-commerce supply chain solutions. There may also be confidential information in relation to the contents of the items delivered. We face inherent risks in collecting, handling and protecting large volume of data, including protecting the data stored in our system, detecting and prohibiting unauthorized data share and transfer, preventing attacks on our system by outside parties or fraudulent behavior or improper use by our employees, and maintaining and updating our database. Our reputation could be materially and adversely harmed if there is any system failure, security breach or third-party attacks or attempts to illegally obtain the data that results in any actual or perceived release of user data. We may also expose to potential legal liabilities under the applicable laws and regulations and could be subject to liability claims by customers.

We are subject to laws and regulations relating to the use, storage, transfer, disclosure and security of personally identifiable information in relation to our customers and employees in different jurisdictions where we have operations, including the relevant laws and regulations in the PRC, the United States, Canada, the United Kingdom, Germany and Australia. See “Regulatory Overview” for further details. Further, regulators have been increasingly focused on regulations in the areas of data security and data protection. Our compliance costs may significantly increase and we may be subject to heightened risks and challenges for potential breaches of data protection. If we are unable to manage these risks, we could become subject to penalties, fines, suspension of business and revocation of required licenses, and our reputation and results of operations could be materially and adversely affected.

Historical results of our Group/Shenzhen EDA Group may not be indicative of our future performance.

Shenzhen EDA Group’s revenue amounted to RMB631.9 million for FY2021 and our Group’s revenue amounted to RMB708.7 million and RMB1,209.3 million for FY2022 and FY2023, respectively. Such trend of the historical financial information only reflects the past performance of our Group/Shenzhen EDA Group under particular conditions. It does not have any positive implication, nor would it necessarily reflect our financial performance in the future, which will largely depend on, among others, our ability to secure new orders, control our costs and expenditures as well as general environment of the industry. Furthermore, Shenzhen EDA Group achieved a gross profit margin of 16.9% for FY2021 and our Group achieved a gross profit margin of 15.0% and 16.3% for FY2022 and FY2023, respectively. We may not be able to sustain the historical growth or gross profit margin of our Group/Shenzhen EDA Group for various reasons,

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including but not limited to, our ability to cope with the changing demand and requirements from customers, intense market competition and the regional and global economy slowdown. The profit margins and income of our solutions may fluctuate, and the historical revenue from the provision of our solutions in the past may not be indicative of our future revenue or profitability.

We are subject to risks associated with historical tri-party settlements with certain customers during the Track Record Period.

During the Track Record Period, certain of the customers of our Group/Shenzhen EDA Group prepaid, topped up and settled their account credits and payments with us through tri-party settlement arrangements, the details of which are set out in “Business — Historical Tri-Party Settlement Arrangements”. For FY2021, the amount of tri-party settlements accounted for 3.6% of Shenzhen EDA Group’s total revenue. For FY2022 and FY2023, the amount of tri-party settlements accounted for 2.7% and 0.3% of our Group’s total revenue, respectively. Since March 2023, we have completely discontinued all tri-party settlement arrangements.

Nevertheless, we were subject to various risks relating to these historical settlement arrangements during the Track Record Period, including possible claims from Payors for return of funds as they were not contractually indebted to us and possible claims from liquidators of third-party Payors. In the event of any claims from Payors or their liquidators, or legal proceedings (whether civil or criminal) instituted or brought against us in respect of payments, we will have to spend significant financial and managerial resources to defend against such claims and legal proceedings, and our financial condition and results of operations may as a result be adversely affected.

Our wide variety of accepted payment methods subjects us to third-party online payment platform payment processing-related risks.

We accept payments from customers using a variety of methods, mainly include bank transfers and payment through third-party online payment platforms. We generally engage online payment platform operators to process our customers’ payments. Our business may be disrupted if the online payment platform operators become unwilling or unable to provide these services to us.

The online payment platform operators we work with constantly monitor our merchants accounts. We also implement a fraud detection system which flags possible fraudulent transactions. Our credit online team reviews such identified possible fraudulent transactions on a case-by-case basis. However, we cannot assure you that the measures implemented by us to monitor our merchant accounts and to flag fraudulent transactions will always identify any fraud and to avoid future occurrence of such fraud on a timely manner, or at all.

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We are also subject to various rules, regulations and requirements, regulatory or otherwise, governing electronic funds transfers, which could change or be reinterpreted to make it difficult or impossible for us to comply. If we fail to comply with these rules or requirements, we may be subject to fines and higher transaction fees and lose our ability to accept credit and debit card payments from our customers, process electronic funds transfers, or facilitate other types of online payments, and our business and operating results could be adversely affected.

Our operations may be subject to transfer pricing adjustment.

During the Track Record Period, Shenzhen EDA acted as our Group's core business entity to enter into contracts with our customers and coordinate with Shenzhen Haolian and other relevant operating subsidiaries of our Group in different jurisdictions through EDA Development (HK) Limited for the provision of domestic and international warehousing and logistics services. EDA Development (HK) Limited, through itself and by engaging respective overseas subsidiaries of our Group, leases warehouses and provides logistics services in different countries, including the United States, Canada, the United Kingdom, Germany and Australia. Our overseas subsidiaries are the engagement parties for some third party logistic service providers, in particular, warehouse service providers. Such arrangement was set up as some of our service providers prefer to sign contracts with entities established in the country of which they operate out of. We expect that the transfer pricing arrangements will continue upon Listing. The aggregate service income incurred by Shenzhen EDA Group's subsidiaries involved under the transfer pricing arrangements amounted to approximately RMB585.6 million for FY2021, whereas that incurred by our Group's subsidiaries involved under the transfer pricing arrangements amounted to approximately RMB590.8 million and RMB910.3 million for FY2022 and FY2023, respectively.

According to regulations concerning transfer pricing between associated enterprises, related party transactions should comply with the arm's length principle. If the related party transactions fail to comply with the arm's length principle, the relevant tax authority has the power to make an adjustment following certain procedures. See "Regulatory Overview" for further details. In this regard, we have engaged Acclime Tax Advisory (Hong Kong) Limited (formerly known as RSM Tax Advisory (Hong Kong) Limited), an independent transfer pricing consultant, (the "**Transfer Pricing Consultant**"), which is an international professional accounting firm, to review our transfer pricing arrangements from an arm's length compliance perspective. The Transfer Pricing Consultant reviewed our intragroup transactions to determine whether the related party transactions are conducted on arm's length basis. Our Transfer Pricing Consultant are of the view that the related party transactions fall within their respective profit range of arm's length transactions and as a result, did not appear to create any challenges by the relevant tax authorities in our transfer pricing policy for the relevant years from the respective regulatory framework perspective. However, there is no assurance that the competent tax authorities would not subsequently challenge the appropriation of our transfer pricing arrangement or that the relevant regulations or

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standards governing such arrangement will not be subject to future changes. If a competent tax authority later determines that the transfer prices and terms that we have applied are not in compliance with the applicable transfer pricing rules and regulations, such authority may require us to re-assess the transfer prices, re-allocate the income, and/or adjust the taxable income, in order to reflect the accurate taxable income and/or pay all outstanding tax and statutory interest, if any. Any such reallocation or adjustment may result in a higher overall tax liability for us and may adversely affect our business, operation and financial results. We cannot assure you that we will not be challenged by any competent tax authority in relation any of our intra-group transactions in the future, and if so, our business operations could be adversely affected.

Our operations may be affected by concentrating our purchases from Supplier A.

For FY2021, the total cost amount in respect of service fees payable to Shenzhen EDA Group's largest supplier, Supplier A, amounted to RMB178.8 million, which accounted for 35.7% of total purchase. For FY2022 and FY2023, the total cost amount in respect of service fees payable to our largest supplier, Supplier A, amounted to RMB198.0 million and RMB372.4 million, respectively, which accounted for 35.0% and 37.4% of our total purchase, respectively.

If Supplier A is unable or unwilling to satisfy our order requirements in the future or terminates its framework agreement with us, we may experience an interruption in our operation, and have to seek alternative suppliers by that time. If the time for us to seek alternative suppliers is protracted, our business operations may be temporarily disrupted and our financial conditions may be adversely affected.

Our business is subject to a broad range of complex and changing laws and regulations in different jurisdictions where we operate. If we or our service providers are deemed to be not in compliance with any of these laws and regulations, and fail to obtain requisite approvals, licenses or permits, our business, reputation, financial condition and results of operations may be materially and adversely impacted.

Domestic and cross-border transportation of goods are subject to a number of governmental regulations, including licensing and financial security requirements, import and export regulations, security requirements, packaging regulations and notification requirements. These regulations and requirements are subject to change based on new legislation and regulatory initiatives, which could affect the economics of the B2C export e-commerce supply chain solutions industry by requiring changes in operating practices or influencing the demand for, and the cost of providing, B2C export e-commerce supply chain solutions. More specifically, international freights are subject to security and customs inspection and related procedures in countries of origin, destination, and certain transferral points. These inspection procedures can result in cargo seizures, delays in the loading, offloading, transferral, or delivery of products, and the levying of customs duties, fines or

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other penalties against us as well as damages of our reputation. Changes to existing inspection and security procedures could impose additional financial and legal obligations on us or our customers and may, in certain cases, render the transportation of certain types of cargo uneconomical or impractical. Any such changes or developments may have a material adverse effect on our business, financial condition and results of operations.

We are or will be subject to rules and regulations by various governing bodies, including, for example, the Stock Exchange, which together with the SFC is charged with the protection of investors and the oversight of companies whose securities are publicly traded, the various regulatory authorities in the PRC, Hong Kong and the Cayman Islands, and to new and evolving regulatory measures under applicable laws. Our efforts to comply with new and changing laws and regulations have resulted in and are likely to continue to result in, increased general and administrative expenses and a diversion of management time and attention from revenue generation to legal compliance. Moreover, such laws, regulations and standards are subject to varying interpretations, their application in practice may evolve over time as new guideline becomes available. This evolution may result in continuing uncertainty regarding compliance matters and additional costs necessitated by ongoing revisions to our disclosure and governance practices. If we fail to address and comply with these regulations and subsequent changes, we may be subject to penalty and our business may be harmed.

In addition, our business is subject to rigorous regulations, and we are required to possess various registrations, approvals and licenses, such as the registration of Non-Vessel Operating Common Carriers (無船承運業務備案表) and Archival Filing of International Freight Forwarders* (國際貨運代理企業備案) that are material to our business and operations in the opinion of our Directors. See the section headed “Business — Licenses, Approvals and Permits” for further details. We cannot assure you that we can successfully obtain, maintain, update or renew all required registrations, approvals and licenses in the future in a timely fashion or at reasonable operating costs. In the event that we fail to renew or obtain relevant registrations, approvals and licenses or such registrations, approvals and licenses are revoked or withdrawn, or that any competent government authority considers that we operate our business without certain requisite registrations, approvals and licenses, or otherwise fail to comply with applicable regulatory requirements, we may be subject to administrative actions and penalties, including fines, confiscation of our income, revocation of our licenses or permits, or, in severe cases, cessation of certain businesses.

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The preferential income tax treatment that we enjoy and the government grants that we receive in the PRC may be altered or terminated. Any discontinuation, reduction or delay of any government grant or preferential tax treatment could have a material and adverse impact on our business.

In FY2021, Shenzhen EDA Group received government grants of RMB4.0 million and in FY2022 and FY2023, our Group received government grants of RMB1.2 million and RMB0.2 million, respectively. We cannot assure you that Chinese policies on preferential tax treatment will not change or that any preferential tax treatment we enjoy or will be entitled to enjoy will not be terminated.

The PRC subsidiary of our Group/Shenzhen EDA Group, Shenzhen EDA was recognized as a “High and New Technology Enterprise” in December 2021 and has been entitled to a preferential PRC corporate income tax rate of 15% since January 2021. Since the qualification for preferential income tax treatment will only be valid for three years and is subject to further review for renewal, we cannot assure you that Shenzhen EDA will continue to be accredited as a “High and New Technology Enterprise” upon expiration of the relevant certificate in the future. Also, another one of our PRC subsidiaries, Shenzhen Haolian, is entitled to a preferential corporate income tax rate of 15% in Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone since August 1, 2023. If Shenzhen EDA fails to renew this qualification in time or at all, or if any change or termination of preferential tax treatment for Shenzhen EDA and Shenzhen Haolian occurs, the increase in our tax charge could materially and adversely affect our results of operations and financial condition.

We may be subject to additional tax obligations in the foreign jurisdictions where we operate.

As the Latest Practicable Date, we contracted 57 overseas warehouses in the United States, Canada, the United Kingdom, Germany and Australia to store our customers’ packages before we deliver them to the end-consumers, and we had fulfilled all our income tax obligations and did not have any unresolved income tax issues or disputes with the relevant tax authorities in these jurisdictions. Our Group’s tax filing positions are based on interpretations of tax laws applicable to us as well as underlying rules and regulations of relevant jurisdiction with respect to transfer pricing. We cannot assure you that we will not be subject to additional income tax obligations in such jurisdictions in the future which could materially and adversely affect our results of operations and financial condition.

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We may not be able to prevent others from unauthorized use of our intellectual properties, which could harm our business and competitive position.

We regard our proprietary technologies, licensed trademarks, copyrights, patents, domain names, know-how and similar intellectual properties to be critical to our business operations. As of the Latest Practicable Date, we were the registered owner of 15 trademarks, seven patents, five domain names and 24 copyrights in the PRC which our Directors believe are material to our business operations. We rely on a combination of intellectual property laws and measures, including confidentiality, invention assignment and non-compete agreements with our employees, to protect our proprietary rights. However, the functionality of our system might be reproduced and our source code might be copied. In addition, any of our intellectual property rights may be challenged, invalidated, circumvented or misappropriated.

Monitoring the unauthorized use of intellectual properties is difficult and costly, and the steps we have taken may not fully prevent the infringement or misappropriation of our intellectual property rights. From time to time we may have to resort to litigation to enforce our intellectual property rights, which could result in substantial costs and diversion of our resources, and may materially and adversely affect our business.

We may experience damage to the reputation and recognition of our corporate reputation and image, including negative publicity against us.

We believe our corporate reputation and image will play an increasingly important role in enhancing our competitiveness and maintaining business growth. Any actual or perceived deterioration of the quality of our solutions, which is based on a range of factors including customer satisfaction, rate of accident, could subject us to damages such as loss of important customers. Further, any failure to conduct marketing and promotional activities, manage relationships with our customers and business partners, and manage complaints and events of negative publicity, maintain positive perception of our Company, our peers and the B2C export e-commerce supply chain solutions industry in general may negatively impact our brand image and corporate reputation. Any negative publicity against us, our solutions, operations, Directors, senior management, employees, business partners or our peers could adversely affect customer perception of our brand, cause damages to our corporate reputation and result in decreased demand for our solutions. If we are unable to promote our brand image and protect our corporate reputation, we may not be able to maintain and expand our customer base, and our business, financial condition and results of operations may be adversely affected.

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We are dependent on our key management personnel, and any inability to develop or retain our key management personnel may have a negative impact on our operations. Also, if we are unable to attract, train and retain qualified personnel, our business may be materially and adversely affected.

We believe our success, to a large extent, depends upon the continuing efforts of our employees, particularly our Directors and members of our senior management team. For further details of their expertise and experience, see the section headed “Directors and Senior Management”. We rely on our key management in many important aspects of our business including sales and marketing, maintenance of customer relationships and management of our operations. We also rely on our experienced management team to ensure sound decision-making and smooth business operations. If one or more members of our Directors and senior management are unable or unwilling to continue their employment with us, we may not be able to substitute them in a timely manner, or at all. We may incur additional expenses to recruit and retain qualified replacements. In addition, our management may join a competitor or form a competing company. We can provide no assurance that we will be able to successfully enforce our contractual rights included in employment agreements with our management. As a result, our business may suffer the loss of services of one or more members of our management, and our financial condition and results of operations may be materially and adversely affected.

Our future success depends, to a significant extent, on our ability to attract, train and retain qualified personnel, particularly management, technological and operational personnel with local expertise in the B2C export e-commerce supply chain solutions industry. According to Frost & Sullivan, overseas local expertise resources are one of the entry barriers into the B2C export e-commerce supply chain solutions market. We cannot assure you that we will be able to attract or retain qualified local personnel that we need in order to achieve our business goals and further grow our business.

Our risk management system may not be adequate or effective to detect potential risks in our business, and our business operations could be materially and adversely affected due to such failure.

Our risk management system may not be sufficiently effective in identifying, managing and preventing all risks if external circumstances change substantially or extraordinary events take place, for example, we may fail to accurately report our financial results, meet our reporting obligations or prevent frauds. Furthermore, our new business initiatives may give rise to additional risks that are currently unknown to us, despite our efforts to anticipate such issues. If our risk management system fails to detect potential risks in our business as intended or is otherwise exposed to weaknesses and deficiencies, our business, financial condition and results of operations could be materially and adversely affected.

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Our risk management also depends on effective implementation by our employees. There can be no assurance that such implementation by our employees will always function as intended or such implementation will not involve any human errors, mistakes or intentional misconduct. If we fail to implement our policies and procedures in a timely manner, or fail to identify risks that affect our business with sufficient time to plan for contingencies for such events, our business, financial condition and results of operations could be materially and adversely affected, particularly with respect to the maintenance of our relevant approvals and licenses granted by governments. In addition, our risk management hinges on the proper and reliable functioning of our internal technologies, which among others, assist us in data collection and analysis, send us automated alerts and automate many of our risk assessment and mitigation tasks. Any disruptions and failure in our internal technologies could increase our risk exposure and our business and financial condition and results of operations could be materially and adversely affected.

We may be required by relevant government authorities to contribute additional housing funds and social security contributions, or be imposed of late payment fees or fines.

We make social security and housing fund contributions for our employees. During the Track Record Period and up to the Latest Practicable Date, social security and housing fund contributions for some of our employees had not been made in full in accordance with the relevant PRC laws and regulations. Pursuant to relevant PRC laws and regulations, any failure to make timely and adequate contribution of social security or housing fund contributions for its employees may trigger an order of correction from a competent authority requiring the employer to make up the full contribution of such overdue social security or housing funds within a specified period of time and to pay a late fee for the social insurance aspect, and the competent authority may further impose fines or penalties. However, we cannot assure you that the competent authority will not require us to make contribution of overdue social security or housing funds or to pay any overdue fine or penalty related thereto.

During the Track Record Period, we engaged third-party human resources agencies to pay social security and housing fund contributions for certain employees. We have such arrangements primarily because these employees worked outside of the cities where our operating entities are registered and third-party human resources agencies were engaged to pay social security and housing fund contributions for these employees in cities where they worked. Pursuant to the agreements entered into between our Company or our relevant PRC subsidiaries and such third-party human resources agencies, such human resources agencies have the obligation to pay social security and housing fund contributions for our relevant employees. If such human resources agencies fail to pay the social security or housing fund contributions for and on behalf of our employees as required by applicable PRC laws and regulations in the future, we may be subject to additional contributions, late payment fees and/or penalties imposed by the relevant PRC

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authorities for failing to discharge our obligations in relation to payment of social security and housing fund contributions as an employer or be ordered to rectify. This in turn may adversely affect our financial condition and results of operations.

Our insurance coverage may not be adequate.

We have obtained or caused relevant counterparties to obtain insurance to cover certain potential risks and liabilities. We maintain various insurance policies at both local and global operational levels to provide insurance coverage relating to third-party liability, transportation risks, property loss and damage for our warehouses, equipment and stored goods, business disruptions and workers' compensation for injury and death, and various other areas. In addition, we are required to make contributions to mandatory social insurance funds for our employees to provide pension, unemployment, work-related injury and medical insurance, as well as housing provident funds, under the applicable PRC laws and regulations. For details, see "Business — Insurance". In addition, our suppliers maintain various insurance policies which cover the cargos and products being transported. There can be no assurance that our insurance coverage is sufficient to prevent us from any loss or that we will be able to successfully claim our losses under our current insurance policies on a timely basis, or at all. If we incur any loss that is not covered by our insurance policies, or the compensated amount is significantly less than our actual loss, our business, financial condition and results of operations could be materially and adversely affected. Even if our insurance coverage is adequate to cover our direct losses, we may not be able to take remedial actions or other appropriate measures. Furthermore, our claim records may affect the premiums which insurance companies may charge us in the future.

We face risks related to natural disasters, severe communicable diseases and other outbreaks, if uncontrolled, which could significantly disrupt our operations.

The outbreak of any severe communicable disease in the PRC or other parts of the world, if uncontrolled, could have an adverse effect on our operations and the overall business sentiment and environment. As various countries and cities have taken measures to contain the pandemic by, including but not limited to the quarantines, lockdown of cities, closing of offices and public venues, travel and transportation restrictions, and export restrictions and other commutable diseases globally may adversely impact the global supply chain due to (i) port congestion and shortage of local transportation which may result in delay of services; (ii) shrink in labor supply for freight and logistics industry resulting from lockdown of cities and quarantine policies that limit the flow of labor force; and (iii) interruptions to warehouse operations.

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Such impacts may cause our customers to reduce their spending on the solutions we provide and thus affect our financial performance. In the event that certain countries impose bans on cargo transportations, it would lead to reduction in international flow of goods and affect the business of our customers. As a result, our customer's demand for our solutions may be reduced and our business, financial conditions and results of operations could be adversely affected.

If any of our employees is contracted with any severe communicable diseases, it could adversely affect or disrupt our operations as we may be required to close our offices and suspend our operations at the warehouses to prevent the spread of the disease and/or to quarantine the facilities of our customers which our employees have visited. We may be required to engage subcontractors to support our operations and take extra hygiene precautions for our operations, which may result in higher costs.

We are uncertain as to when the outbreak of a pandemic will be contained, and we also cannot predict if the impact of an outbreak will be short-lived or long-lasting. As a result, our operations may be impacted by potential delays in business activities, commercial transactions and general uncertainties surrounding the duration of the government's extended business and travel restrictions in response to the outbreak of a pandemic. National or global economic downturns resulting from the outbreak may have a negative impact on our strategies and our business, financial condition and results of operations may be materially and adversely affected.

Similarly, natural disasters, acts of war, terrorist activities, threats of war or terrorist activity, social unrest and corresponding heightened travel security measures instituted in response, as well as geopolitical uncertainty and international conflicts and tension, may affect regional and national economic development in areas where we operate and our business, financial condition and results of operations may be materially and adversely affected. In addition, we may not be adequately prepared in terms of contingency planning or have recovery measures in place to deal with a major incident or crisis. As a result, our operational continuity and our reputation may be materially and adversely affected.

We are exposed to credit risks in respect of our trade receivables.

Shenzhen EDA Group had trade receivables which amounted to RMB44.2 million as of December 31, 2021, whereas our Group has trade receivables which amounted to RMB70.4 million and RMB142.4 million as of December 31, 2022 and 2023, respectively. During the Track Record Period, the credit period granted to customers of our Group/Shenzhen EDA Group is generally due by the tenth day of billing, extending up to two months for some of the core customers of our Group/Shenzhen EDA Group (with which we dedicate specialized sales effort owing to the fact that they are customers which contribute more than RMB3 million to the revenue for the year). Shenzhen EDA Group's trade receivables turnover days were 24 days for FY2021 and our Group's

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trade receivables turnover days were 30 days and 32 days for FY2022 and FY2023, respectively. See “Financial information — Description of certain items of statements of financial position — Trade receivables” for further details on our trade receivables.

Should (i) our customers fail to settle relevant receivables in full; or (ii) there be a change in their payment policies resulting in a longer settlement period for the amount due, our business, financial condition and results of operations could be materially and adversely affected.

There can be no assurance that our credit control policies and measures implemented will be adequate to protect us against material credit risks and enable us to avoid losses. We may make allowances for doubtful debts based on certain assumptions, estimates and assessments about the recoverability of our trade receivables, including the creditworthiness and past collection history of our customers. However, such collectability estimates may prove to be inaccurate or there may be a change in the underlying basis of such assumptions, estimates and assessments. In the event that we are required to make future adjustments or our actual losses exceed our allowances, this could result in a material and adverse effect on our results of operations and financial condition.

We are subject to foreign exchange risks.

Our Company’s functional currency is RMB and each subsidiaries of our Group determines its own functional currency, while some of our business transactions with our customers and suppliers are denominated in other currencies, including but not limited to US dollars. We are exposed to certain foreign exchange risks in respect of depreciation or appreciation amongst the currencies other than our functional currencies. In addition, we have intra-group balances with several subsidiaries denominated in foreign currency, which also expose us to foreign currency risk. As we currently do not hedge foreign currency exposure in general, any significant changes in the exchange rate between RMB and other currencies may result in substantial loss for us. Shenzhen EDA Group recorded net foreign exchange loss of RMB1.3 million for FY2021. Shall we face significant volatility in these foreign exchange rates and we cannot procure any specific foreign exchange control measures to mitigate such risks, our results of operations and financial performance shall be adversely affected.

We may revise pricing methodologies from time to time. If we fail to control our costs or price favorably, our long-term growth and competitiveness would be materially and adversely affected.

We may adjust our pricing methodologies from time to time. While we have been and will continue to set prices of our solutions based on historical operating experience and the prevailing market conditions, our assessments may not be accurate or there may be errors in our pricing

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algorithms, resulting in the underpricing or overpricing of our solutions. Any such changes to our pricing methodologies could materially and adversely affect our ability to attract or retain customers and suppliers.

To maintain competitive pricing, narrow our loss margin and achieve profit margin, we must continuously and effectively control our costs. We have implemented cost control measures, for example, to reduce our operation costs by contracting more warehouses with a variable fee and thus having to incur a relatively lower capital commitment in terms of fees incurred from the use of the warehouses, human resources and infrastructure and to control our selling and distribution expenses and administrative expenses despite a significant growth in our revenue during the Track Record Period. However, the measures we have adopted or will adopt in the future may not be as effective as expected. There can be no assurance that we will not be forced, through competition, regulation or otherwise, to reduce delivery fees we pay to our suppliers, reduce the fees we charge our customers, or increase our marketing and other expenses to attract and retain customers and suppliers in response to competitive pressures. If we are not able to effectively control our costs based on market conditions, our profitability and cash flow may be materially and adversely affected.

Our business is subject to seasonal patterns associated with the B2C export e-commerce supply chain solutions industry.

The B2C export e-commerce supply chain solutions industry we engage in is subject to some degree of seasonal sales fluctuations as international freights generally are lower during and after the winter holiday season because many of our e-commerce vendors customers transport goods and stock inventories prior to the winter holiday season. For further details, see the section headed “Business — Seasonality”. If we were to experience a lower-than-expected revenue during any such period, whether from a general decline in economic conditions or other factors beyond our control, our expenses may not be offset, which would have a disproportionately adverse impact on our operating results and financial condition for that period.

We incurred net current liabilities as of December 31, 2021.

Our Group had recorded net current liabilities of RMB49.3 million as of December 31, 2021, primarily due to the balances of amounts due to the immediate holding company and a shareholder, in aggregate, of RMB95.0 million arising from initial investment in and acquisition of Shenzhen EDA Group, which is one-off in nature and not expected to occur again in the future. For further details, see “Financial Information — Description of Certain Items of Consolidated Statements of Financial Position” in this prospectus. We cannot assure you that we will not have a net current liabilities position in the future. The net current liabilities position, if recurs in the future, would

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expose us to liquidity risk which could restrict our ability to make necessary capital expenditure or develop business opportunities, and our business, operating results and financial condition could be materially and adversely affected.

We may incur impairment loss on our intangible assets and goodwill, which could negatively affect our results of operations and financial condition.

Our intangible assets primarily consist of technologies and customer relationship. As of December 31, 2022 and 2023, our Group had intangible assets of RMB66.0 million and RMB58.6 million, respectively and goodwill of RMB76.4 million and RMB76.4 million, respectively. During FY2021, Shenzhen EDA Group did not record any impairment loss on its intangible assets and goodwill. During FY2022 and FY2023, we did not record any impairment loss on our intangible assets and goodwill. For a detailed discussion of the impairment testing, please refer to “Financial Information — Other intangible Assets” and “Financial Information — Goodwill” of this prospectus. Change in business prospects of investments may result in impairment on our intangible assets and goodwill, which could negatively affect our results of operations. There is no assurance that we will not incur impairment loss on our intangible assets and goodwill. Any significant impairment of our intangible assets and goodwill could have a material adverse effect on our business, financial condition and results of operations.

We are subject to fair value changes of our financial assets at fair value through profit or loss.

Any profit or loss arising from fair value changes of our financial assets are taken directly to the consolidated statements of profit or loss. Our financial assets may incur negative fair value change in the future, which may adversely affect our profitability. Our results may fluctuate due to increases or decreases in the appraised fair value of our financial assets. However, fair value gains do not change our overall cash position or our liquidity as long as we continue to hold such financial assets.

Shenzhen EDA Group recorded financial assets at fair value of RMB30.2 million as of December 31, 2021, whereas our Group recorded financial assets at fair value of RMB3.1 million as of December 31, 2022. As of December 31, 2023, our Group did not record any financial assets at fair value. For FY2021, Shenzhen EDA Group did not record any fair value change of financial assets. For FY2022, our Group recorded a fair value gain of RMB61,000 on financial assets. For FY2023, our Group recorded a fair value gain of RMB42,000 on financial assets. We cannot assure the changes in market conditions (if any) will continue to create fair value gains on our financial assets at fair value through profit or loss at previous levels or at any level at all, or that the fair value of our financial assets will not decrease in the future or that our financial assets will increase substantially or at all.

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RISKS RELATING TO CONDUCTING OUR BUSINESS IN THE PRC

The interpretation and implementation of laws of the PRC may affect the protection available to us and to our Shareholders.

The PRC legal system is based on written statutes and court decisions have limited precedential value. The PRC legal system is under the process of development, and laws and regulations are subject to amendment from time to time. As a result, Shareholders need to form a reasonable expectation regarding the legal protections available to them under the PRC system.

From time to time, we may have to resort to administrative and judicial proceedings to enforce our legal rights. Since PRC judicial and administrative authorities may interpret and implement statutory and contractual terms, sometimes the outcome of an administrative or judicial proceeding may subject to PRC judicial and administrative authorities' interpretation and implementation of such terms.

Furthermore, the PRC legal system is based, in part, on government policies and internal rules, which the PRC administrative authorities have certain discretion in interpreting and implementing. The interpretation and implementation of such policies and rules may affect our contractual, property and procedural rights, as well as our business, results of operations and financial condition.

Policies regarding currency conversion may impact our ability to use capital effectively.

The conversion of Renminbi into foreign currency has to comply with the relevant laws and regulations, and conversion and remittance of foreign currencies are subject to PRC foreign exchange regulations. There is no assurance that, under a certain exchange rate, we will have sufficient foreign currencies to meet our foreign exchange requirements. Under the current PRC foreign exchange regulatory system, foreign exchange transactions under the current account conducted by us, including the payment of dividends following completion of the Global Offering, do not require prior approval from SAFE, but we are required to present documentary evidence of such transactions and conduct such transactions at designated foreign exchange banks within the PRC that have the requisite licenses to carry out foreign exchange business. Foreign exchange transactions under the capital account conducted by us, however, must be approved in advance by SAFE. There is no assurance that we will be able to receive these approvals in time, or at all. This could restrict the ability of our PRC subsidiaries to obtain debt or equity financing in foreign currencies.

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The existing foreign regulations allow us, following completion of the Global Offering, to pay dividends in foreign currencies without prior approval from SAFE by complying with certain procedural requirements. However, there is no assurance that the PRC government will continue to adopt this policy going forward. If we fail to fulfill the requirements of the PRC foreign exchange control system, we may not be able to pay dividends in foreign currencies to our Shareholders.

Fluctuation in the value of the Renminbi may have a material adverse effect on our business.

A large portion of our revenue, liabilities and assets are denominated in Renminbi. However, following the Global Offering, we may also maintain a significant portion of the proceeds from the offering in Hong Kong dollars before they are used in our PRC operations. The value of Renminbi against US\$ or Hong Kong dollars is affected by, among other factors, changes in political and economic conditions and the foreign exchange policies adopted by the PRC government and will likely continue to fluctuate in the future. Under the current policy, the Renminbi is pegged against a basket of currencies, as determined by the PBOC, against which it can rise or fall within stipulated ranges each day. As a result of the historical and any future changes in currency policy, the exchange rate may become volatile, the Renminbi may be revalued further against the US\$ or other currencies or the Renminbi may be permitted to enter into a full or limited free float, which may result in an appreciation or depreciation in the value of the Renminbi against the US\$ or other currencies. Fluctuations in exchange rates may adversely affect the value, translated or converted into US\$ or Hong Kong dollars (which are pegged to the US\$), of our cash flows, revenues, earnings and financial position, and the value of, and any dividends payable to us by our PRC subsidiaries. For example, an appreciation of the Renminbi against the US\$ or the Hong Kong dollars would make any new Renminbi denominated investments or expenditures more costly to us, to the extent that we need to convert US\$ or Hong Kong dollars into Renminbi for such purposes. In addition, our Company is a holding company and we may have to rely on dividends paid by our operating subsidiaries in the PRC to make dividend payments in Hong Kong dollars to Shareholders. Depreciation of Renminbi against Hong Kong dollars will therefore have an impact on the Hong Kong dollars amount Shareholders could receive as dividend payments.

Inflation in the PRC could negatively affect our profitability and growth.

The PRC government has implemented policies from time to time to control inflation, such as restricting the availability of credit by imposing tighter bank lending policies or higher interest rates. The PRC government may take similar measures in response to future inflationary pressures. Rampant inflation without the PRC government's mitigation policies would likely increase our costs, thereby materially reducing our profitability. There is no assurance that we will be able to pass any additional costs to our customers. On the other hand, such control measures may also lead to slower economic activity and we may see reduced demand for our properties.

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Our ability to access credit and capital markets may be adversely affected by factors beyond our control.

Interest rate increases by the PBOC or market disruptions may increase our cost of borrowing or adversely affect our ability to access sources of liquidity upon which we may use to finance our operations and satisfy our obligations as they become due. We intend to continue to make investments to support our business growth and may require additional funds to respond to business challenges. There can be no assurance that the anticipated cash flow from our operations will be sufficient to meet all of our cash requirements, or that we will be able to secure external financing at competitive rates, or at all. Any such failure may adversely affect our ability to finance our operations, meet our obligations or implement our growth strategy.

You may experience difficulty in effecting service of legal process, enforcing foreign judgments or bringing original actions in the PRC based on foreign laws against us and our Directors and senior management.

The majority of our senior management members reside in the PRC, and substantially all of the assets of those people and of our Group are located in the PRC. Therefore, it may be difficult for investors to effect service of process upon those persons inside the PRC. However, judgments rendered by Hong Kong courts may be recognized and enforced in the PRC if the requirements set forth by the Arrangements for Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Cases between Courts of the Mainland and Hong Kong Special Administrative Region (《最高人民法院關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排》) are met.

We may be considered a “resident enterprise” under the EIT Law and income tax on the dividends that we receive from our PRC operating subsidiaries may increase.

Our Company was incorporated in the Cayman Islands. We conduct our business through operating subsidiaries in the PRC. Under the EIT Law, enterprises established under the laws of foreign countries or regions and whose “de facto management bodies” are located within the PRC are considered “resident enterprises” and thus will generally be subject to enterprise income tax at the rate of 25% on their global income. On 6 December 2007, the State Council adopted the Regulation on the Implementation of EIT Law (《中華人民共和國企業所得稅法實施條例》), effective as of 1 January 2008, which defines the term “de facto management bodies” as “bodies that substantially carry out comprehensive management and control on the business operation, employees, accounts and assets of enterprises”. Currently, our management is primarily based in the PRC, and may continue to be based in the PRC in the future. In April 2009, the PRC State Administration of Taxation promulgated a circular to clarify the definition of “de facto management bodies” for enterprises incorporated overseas with controlling shareholders being

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onshore enterprises or enterprise groups in the PRC. However, it remains unclear how the tax authorities will treat an overseas enterprise invested or controlled by another overseas enterprise and ultimately controlled by PRC individual resident(s), as in our case.

If we were considered a PRC resident enterprise, we would be subject to enterprise income tax at the rate of 25% on our global income, and any dividend or gain on the sale of our Shares received by our non-resident enterprise Shareholders may be subject to a withholding tax at a rate of up to 10%. In addition, it remains unclear under the EIT Law as to the detailed qualification requirements for the exemption of dividend payments between qualified PRC resident enterprises from enterprise income tax and whether dividend payments by our PRC operating subsidiaries to us would meet such qualification requirements if we were considered a PRC resident enterprise for this purpose. If our global income were to be taxed under the EIT Law, our financial position and results of operations would be materially and adversely affected.

Under the EIT Law and its implementing rules, dividend payments from PRC subsidiaries to their foreign shareholders, if the foreign shareholder is not deemed as a PRC tax resident enterprise under the EIT Law, are subject to a withholding tax at the rate of 10%, unless the jurisdiction of such foreign shareholders has a tax treaty or similar arrangement with the PRC and the foreign shareholder obtains approval from competent local tax authorities for application of such tax treaty or similar arrangement.

We invest in our PRC operating subsidiaries through our Hong Kong subsidiaries. Pursuant to the Arrangement Between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation on Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) (the “**Double Tax Avoidance Arrangement**”) and other applicable PRC laws, our Hong Kong subsidiaries will be subject to a withholding tax at a rate of 5% on dividends received from our PRC operating subsidiaries. However, the SAT promulgated the Circular of the State Taxation Administration on Matters Concerning “Beneficial Owners” in Tax Treaties (《國家稅務總局關於稅收協定中「受益所有人」有關問題的公告》) (“**Circular 9**”) on 3 February 2018, effective as of 1 April 2018, which provides guidance for determining whether a resident of a contracting state is the “beneficial owner” of an item of income under China’s tax treaties and similar arrangements. According to Circular 9, a beneficial owner generally must be engaged in substantive business activities and an agent will not be regarded as a beneficial owner and, therefore, will not qualify for these benefits. It is possible, however, that under Circular 9 our Hong Kong subsidiaries would not be considered the “beneficial owner” of any such dividends, and that such dividends would as a result be subject to income tax withholding at the rate of 10% rather than the favorable 5% rate applicable under the Double Tax Avoidance Arrangement and other applicable PRC laws. In that case, our financial position and results of operations would be materially and adversely affected.

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There are uncertainties with respect to indirect transfers of assets (including equity interests) of our PRC subsidiaries.

In February 2015, the SAT issued the Announcement on Certain Issues Concerning Enterprise Income Tax for Indirect Transfer of Assets by Non-Resident Enterprises (《關於非居民企業間接轉讓財產企業所得稅若干問題的公告》) (as amended on 17 October 2017 and 29 December 2017) (“Circular 7”), which abolished certain provisions in the Notice on Strengthening the Administration of Enterprise Income Tax on Non-Resident Enterprises (《關於加強非中國居民企業股權轉讓所得企業所得稅管理的通知》) (“Circular 698”), which was previously issued by the SAT in December 2009, as well as certain other rules providing clarification on Circular 698. Circular 7 provides comprehensive guidelines relating to, and also heightens the PRC tax authorities’ scrutiny over, indirect transfers by a non-resident enterprise of assets (including equity interests) of a PRC resident enterprise (“PRC Taxable Assets”).

Circular 7 specifies that the PRC tax authorities are entitled to reclassify the nature of an indirect transfer of PRC Taxable Assets when a non-resident enterprise transfers PRC Taxable Assets indirectly by disposing of equity interests in an overseas holding company directly or indirectly holding such PRC Taxable Assets by disregarding the existence of such overseas holding company and considering the transaction to be a direct transfer of PRC Taxable Assets if such transfer is deemed to have been conducted for the purposes of avoiding PRC enterprise income taxes and without any other reasonable commercial purpose. It remains unclear whether any exemptions under Circular 7 will be applicable to the transfer of our Shares on a public market by our non-resident enterprise Shareholders or to any future acquisition by us outside of the PRC involving PRC Taxable Assets. As a result, the PRC tax authorities may deem any transfer of our Shares by our Shareholders that are non-resident enterprises, or any future acquisition by us outside of the PRC involving PRC Taxable Assets to be subject to the foregoing regulations, which may subject our Shareholders or us to additional PRC tax reporting obligations or tax liabilities.

You may be subject to PRC income tax on dividends from us or on any gain realized on the sale or other disposition of our Shares under PRC law.

Under the EIT Law and EIT Law Implementation Rules, subject to any applicable tax treaty or similar arrangement between the PRC and your jurisdiction of residence that provides for a different income tax arrangement, PRC withholding tax at the rate of 10% is normally applicable to dividends from sources within the PRC payable to investors that are non-PRC resident enterprises, which do not have an establishment or place of business in the PRC, or which have such establishment if the relevant income is not effectively connected with the establishment. Any gain realized on the transfer of shares by such investors is subject to 10% PRC income tax if such gain is regarded as income derived from sources within the PRC unless a treaty or similar arrangement otherwise provides. Under the PRC Individual Income Tax Law (《中華人民共和國個

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人所得稅法》) and its implementation rules, dividends from sources within the PRC paid to foreign individual investors who are not PRC residents are generally subject to a PRC withholding tax at a rate of 20%, and gains from PRC sources realized by such investors on the transfer of shares are generally subject to 20% PRC income tax, in each case, subject to any reduction or exemption set forth in applicable tax treaties and PRC laws.

SAFE regulations may impact our ability to finance our PRC subsidiaries effectively with the net proceeds from the Global Offering, which may affect the value of your investment and may make it more difficult for us to pursue growth through acquisitions.

We may finance our equity controlled PRC subsidiaries with the net proceeds from the Global Offering through overseas shareholder loans or additional capital contributions, which require registration with or approvals from PRC government authorities. Any overseas shareholder loans to our PRC subsidiaries must be registered with the local branch of SAFE as a procedural matter, and such loans cannot exceed the difference between the total amount of investment our PRC subsidiaries are approved to make under the relevant PRC laws and their respective registered capital. In addition, the amounts of the capital contributions must be filed with the Ministry of Commerce of the PRC or its local counterpart. In addition, the PRC government also restricts the convertibility of foreign currencies into Renminbi and use of the proceeds.

On 30 March 2015, SAFE promulgated the Circular on Reforming the Administration Measures on Conversion of Foreign Exchange Registered Capital of Foreign-invested Enterprises (《國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知》(the “**Circular 19**”), which took effect and replaced previous SAFE regulations from 1 June 2015. SAFE further promulgated the Circular of the State Administration of Foreign Exchange on Reforming and Regulating Policies on the Control over Foreign Exchange Settlement of Capital Accounts (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》) (the “**Circular 16**”), effective on 9 June 2016, which, among other things, amended certain provisions of Circular 19. According to SAFE Circular 19 and SAFE Circular 16, the flow and use of the Renminbi capital converted from foreign currency dominated registered capital of a foreign-invested company is regulated such that Renminbi capital may not be used for business beyond its business scope or to provide loans to persons other than affiliates unless otherwise permitted under its business scope. Violations of the applicable circulars and rules may result in severe penalties, including substantial fines as set forth in the Foreign Exchange Administration Regulations. For further details, see “Regulatory Overview — Sources of Information — Foreign Currency Exchange — Regulations on Foreign Exchange Registration of Overseas Investment by PRC Residents”. The applicable foreign exchange circulars and rules may significantly limit our ability to convert, transfer and use the net proceeds from the Global Offering or any offering of additional equity securities in the PRC, which may adversely affect our business, financial condition and results of operations. We cannot assure you that we will be able to complete the necessary government registrations or obtain the

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necessary government approvals on a timely basis, or at all, with respect to making future loans or capital contributions to our PRC subsidiaries with the net proceeds from the Global Offering. If we fail to complete such registrations or obtain such approvals, our ability to contribute additional capital to fund our PRC operations may be negatively affected, which could adversely and materially affect our liquidity and our ability to fund and expand our business.

RISKS RELATING TO THE SPIN-OFF AND THE GLOBAL OFFERING

There is no existing public market for our Shares and their liquidity and market price may fluctuate.

Prior to the Global Offering, there has not been a public market for our Shares. We have applied for the Listing of and dealing in our Shares on the Stock Exchange. However, even if approved, we cannot assure you that (i) an active and liquid public trading market for our Shares will develop following the Global Offering, or (ii) if it does develop, it will be sustained following the completion of the Global Offering; or (iii) the market price of our Shares will not decline below the Offer Price. The financial market in Hong Kong and other countries have in the past experienced significant price and volume fluctuations. Volatility in the price of our Shares may be caused by factors outside our control and may be unrelated or disproportionate to our operating results. Accordingly, we cannot assure you that the liquidity and market price of our Shares will not fluctuate. The trading volume and price of our Shares may be subject to significant volatility in response to, among others, the following factors:

- variations in our financial position and/or results of operations;
- changes in securities analysts' estimates of our financial position and/or results of operations, regardless of the accuracy of information on which their estimates are based;
- changes in investors' perception of us and the investment environment generally;
- loss of visibility in the markets due to lack of regular coverage of our business;
- strategic cooperation or acquisition;
- industrial or environmental accidents, litigation or loss of key personnel;
- changes in laws and regulations that impose limitations on our industry;
- fluctuations in the market prices of our properties;

RISK FACTORS

- announcements made by us or our competitors;
- changes in pricing adopted by us or our competitors;
- release or expiry of lock-up or other transfer restrictions on our Shares;
- the liquidity of the market for our Shares; and
- general economic and other factors.

The Offer Price Range for our Shares was the result of, and the Offer Price will be the result of, negotiations among us and the Sole Overall Coordinator and the Sole Global Coordinator (for itself and on behalf of the Underwriters and the Capital Market Intermediaries) and may not be indicative of prices that will prevail in the trading market after the Global Offering. Therefore, our Shareholders may not be able to sell their Shares at prices equal to or greater than the price paid for their Shares purchased in the Global Offering.

Moreover, shares of other companies listed on the Stock Exchange with significant operations and assets in the PRC have experienced price volatility in the past, and it is possible that our Shares may be subject to changes in price not directly related to our performance.

Prospective investors of our Shares may experience dilution if our Company issues additional Shares in the future.

We may need to raise additional funds in the future to finance expansions of our operations or new acquisitions. If additional funds are raised through issuance of new Shares or other securities that may be converted into the Shares other than on a pro rata basis to our existing Shareholders, the percentage ownership of the existing Shareholders may be reduced and Shareholders may experience subsequent dilutions. In addition, any such new securities may have preferred rights, options or pre-emptive rights that make them more valuable than or that take priority over those conferred by the Shares. Prospective investors of our Shares may also experience further dilution in the net tangible assets book value per Share if our Company offers or issues new Shares at a price lower than the then net tangible assets book value per Share.

RISK FACTORS

Grant of options under the share option schemes and the award of RSUs may affect our Company's results of operations and the exercise of such options and the award of RSUs will dilute the Shareholders' percentage of ownership in our Company.

We have granted share options under the Pre-IPO Share Option Scheme and awarded RSUs under the Pre-IPO RSU Plan for the purpose of incentivizing our management. The fair value of the options at the date on which they were granted with reference to the valuer's valuation will be charged as share-based compensation, which may materially and adversely affect our Company's results of operations. The exercise of options granted under the Pre-IPO Share Option Scheme and options that may be granted under the Post-IPO Share Option Scheme and the award of RSUs under the Pre-IPO RSU Plan and Post-IPO RSU Plan will result in dilution in the percentage of ownership of the Shareholders and the net asset value per Share. See also "Statutory and General Information" in Appendix IV to this prospectus for further details.

Our Shareholders may experience difficulties in enforcing their shareholder rights because we are incorporated under Cayman Islands laws, which may provide different protection to minority shareholders than the laws of Hong Kong and other jurisdictions. You may face difficulties in protecting your interests under the laws of the Cayman Islands.

We are a company incorporated in the Cayman Islands and our corporate affairs are governed by, among other things, our Articles of Association, Cayman Companies Act and common law of the Cayman Islands. The rights of Shareholders to take action against our Directors, actions by minority Shareholders and the fiduciary responsibilities of our Directors to us under Cayman Islands law are to a large extent governed by the common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as from English common law, which has persuasive, but not binding, authority on a court in the Cayman Islands. The laws of the Cayman Islands relating to the protection of the interests of minority shareholders differ in some respects from those in Hong Kong and other jurisdictions. Such differences may mean that our minority Shareholders may have less protection than they would have under the laws of Hong Kong or other jurisdictions. See "Summary of the Constitution of our Company and Cayman Companies Act" in Appendix III to this prospectus for further details.

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

Immediately following the Global Offering, our Controlling Shareholders will continue to exercise significant influence over all matters requiring Shareholders' approval, including the election of Directors and the approval of significant corporate transactions. They will also have veto power with respect to any shareholder action or approval requiring a majority vote except

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where they are required by relevant rules to abstain from voting. Such concentration of ownership also may have the effect of delaying, preventing or deterring a change in control of our Group that would otherwise benefit our Shareholders. The interests of our Controlling Shareholders may not always align with our Company or your best interests. If the interests of our Controlling Shareholders conflict with the interests of our Company or our other Shareholders, or if our Controlling Shareholders choose to cause our business to pursue strategic objectives that conflict with the interests of our Company or other Shareholders, our Company or those other Shareholders, including you, may be disadvantaged as a result.

Our management has significant discretion as to how to use the net proceeds of the Global Offering, and you may not necessarily agree with how we use them.

Our management may use the net proceeds from the Global Offering in ways that you may not agree with or that do not yield a favorable return to our Shareholders. By investing in our Shares, you are entrusting your funds to our management, upon whose judgment you must depend, for the specific uses we will make of the net proceeds from the Global Offering. See “Future Plans and Use of Proceeds” in this prospectus for further details.

Future sales or perceived sales or conversion of substantial amounts of our securities in the public market could adversely affect the market price of our Offer Shares and our ability to raise capital in the future, or may result in dilution of your shareholding.

The market price of our Shares could decline as a result of future sales of substantial amounts of our Shares or other securities relating to our Shares in the public market, or the issuance of new Shares or other securities relating to our Shares or the perception that such sales or issuances may occur. Future sales, or perceived sales, of substantial amounts of our securities, including any future offerings, could materially and adversely affect the prevailing market price of our Shares and our ability to raise capital in the future at a time and at a price which we deem appropriate. In addition, our Shareholders would experience a dilution in their holdings upon the issuance of additional securities for any purpose. If additional funds were raised through our issuance of new equity or equity-linked securities other than on a pro-rata basis to existing Shareholders, the percentage ownership of such Shareholders could be reduced and such new securities might confer rights and privileges that take priority over those conferred by the Offer Shares.

A certain number of our Offer Shares held by existing Shareholders are or will be subject to contractual and/or legal restrictions on disposal for a period of time after completion of the Global Offering. See “Underwriting — Underwriting Arrangements and Expenses — Undertakings given to the Hong Kong Underwriters” in this prospectus for further details. After the lapse of the

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abovementioned restrictions, future sales or perceived sales of substantial amounts of our Shares, or the possibility of such sales by us, could negatively impact the market price of our Shares and our ability to raise equity capital in the future.

There can be no assurance if and when we will pay dividends in the future.

Distribution of dividends shall be formulated by our Board and will be subject to Shareholders' approval. A decision to declare or to pay any dividends and the amount of any dividends will depend on various factors, including but not limited to our results of operations, cash flows and financial condition, operating and capital expenditure requirements, distributable profits as determined under HKFRS, our Articles of Association, market conditions, our strategic plans and prospects for business development, contractual limits and obligations, payment of dividends to us by our operating subsidiaries, taxation, relevant laws and regulations and any other factors determined by our Board from time to time to be relevant to the declaration or suspension of dividend payments. As a result, there can be no assurance whether, when and in what form we will pay dividends in the future or that we will pay dividends in accordance with our dividend policy. See "Financial Information — Dividends and Dividend Policy" in this prospectus for further details of our dividend policy. Our dividend policy should not be taken as indicative of our dividend policy in the future.

You should read the entire prospectus and we strongly caution you not to place any reliance on any information contained in the press articles, other media and/or research analyst reports regarding us, our business, our industry, the Spin-off and the Global Offering.

There has been, prior to the publication of this prospectus, and there may be subsequent to the date of this prospectus but prior to the completion of the Global Offering, press, media, and/or research analyst coverage regarding us, our business, our industry, the Spin-off and the Global Offering. You should rely solely upon the information contained in this prospectus in making your investment decisions regarding our Shares and we do not accept any responsibility for the accuracy or completeness of the information contained in such press articles, other media and/or research analyst reports nor the fairness or the appropriateness of any forecasts, views or opinions expressed by the press, other media and/or research analyst regarding the Shares, the Spin-off, the Global Offering, our business, our industry or us. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information, forecasts, views or opinions expressed or any such publications. To the extent that such statements, forecasts, views or opinions are inconsistent or conflict with the information contained in this prospectus, we disclaim them. Accordingly, prospective investors are cautioned to make their investment decisions on the basis of information contained in this prospectus only and should not rely on any other information.

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Forward-looking statements contained in this prospectus are subject to risks and uncertainties.

This prospectus contains certain forward-looking statements and information relating to us that are based on the beliefs of our management as well as assumptions made by and information currently available to our management. When used in this prospectus, the words “aim”, “anticipate”, “believe”, “could”, “estimate”, “expect”, “going forward”, “intend”, “may”, “might”, “plan”, “project”, “propose”, “seek”, “should”, “target”, “will”, “would” and the negative of these words and other similar expressions, as they relate to us or our management, are intended to identify forward-looking statements. Such statements reflect the current views of our management with respect to future events, operations, profitability, liquidity and capital resources and are not a guarantee of future performance. These statements are subject to certain risks, uncertainties and assumptions, including the other risk factors as described in this prospectus. Subject to the ongoing disclosure obligations of the Listing Rules or other requirements of the Stock Exchange, we do not intend publicly to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. Investors should not place undue reliance on such forward-looking statements and information.

We cannot guarantee the accuracy of certain facts and statistics contained in this prospectus.

Certain facts and statistics in this prospectus have been derived from various official government and other publications generally believed to be reliable. We believe that the sources of such information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading in any material respect or that any fact has been omitted that would render such information false or misleading in any material respect. Information derived from official government sources has not been independently verified by us or any of the Sole Sponsor, the Sole Overall Coordinator, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, the Capital Market Intermediaries or any of our or their respective directors, officers or representatives or any other person involved in the Global Offering and no representation is given as to its accuracy. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice, the facts and statistics in this prospectus may be inaccurate or may not be comparable to facts and statistics produced with respect to other economies. Further, we cannot assure you that they are stated or compiled on the same basis or with the same degree of accuracy (as the case may be) in other jurisdictions. As a result, you should not unduly rely upon such facts and statistics contained in this prospectus.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

In preparation for the Listing, our Company has applied for the following waivers from strict compliance with the relevant provisions of the Listing Rules.

MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rule 8.12 of the Listing Rules, we must have a sufficient management presence in Hong Kong. This normally means that at least two of our executive Directors must be ordinarily resident in Hong Kong. One of our executive Directors is ordinarily resident in Hong Kong. Since substantially all of the business operations of our Group are managed and conducted outside of Hong Kong, and most of our executive Directors ordinarily reside in the PRC, we do not have, and for the foreseeable future will not have, sufficient management presence in Hong Kong for the purpose of satisfying the requirement under Rule 8.12 of the Listing Rules. Accordingly, we have applied for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements under Rule 8.12 of the Listing Rules. We will ensure that there is an effective channel of communication between us and the Stock Exchange by way of the following arrangements:

- (a) we have appointed Mr. Liu Yong and Mr. Cheung Man Yu, as our authorized representatives for the purposes of Rule 3.05 of the Listing Rules to serve as our principal channel of communication with the Stock Exchange. We have provided the Stock Exchange with their contact details, and they will be available to meet with the Stock Exchange within a reasonable period of time upon the request of the Stock Exchange and will be readily contactable by telephone, facsimile and email;
- (b) as and when the Stock Exchange wishes to contact our Directors on any matters, each of our authorized representatives will have means to contact all of our Directors promptly at all times. We will implement measures such that (i) each Director must provide his or her mobile phone number, office phone number, facsimile number and email address to our authorized representatives and the Stock Exchange; and (ii) in the event that a Director expects to travel or otherwise be out of office, he or she will provide the phone number of the place of his or her accommodation to our authorized representatives. We have provided the Stock Exchange with the contact details of each Director to facilitate communication with the Stock Exchange;
- (c) each Director who is not ordinarily resident in Hong Kong possesses or can apply for valid travel documents to visit Hong Kong and can meet with the Stock Exchange within a reasonable period of time;

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

- (d) we have appointed a compliance adviser, Opus Capital Limited, pursuant to Rules 3A.19 of the Listing Rules, which will act as our additional and alternative channel of communication with the Stock Exchange, and its representative(s) will be fully available to answer enquiries from the Stock Exchange. The compliance adviser will advise our Company on on-going compliance requirements and other issues arising under the Listing Rules and other applicable laws and regulations in Hong Kong after the Listing, and will have access at all times to our authorized representatives, our Directors and the other senior management of our Company to ensure that it is in a position to provide prompt responses to any queries or requests from the Stock Exchange in respect of our Company; and
- (e) any meeting between the Stock Exchange and our Directors will be arranged through our authorized representatives or compliance adviser or directly with our Directors within a reasonable time frame. We will inform the Stock Exchange promptly in respect of any changes in our authorized representatives and compliance adviser.

WAIVER IN RESPECT OF CONTINUING CONNECTED TRANSACTIONS

We have entered into a transaction which would constitute a partially-exempt continuing connected transaction of our Company under the Listing Rules upon the Listing. We have applied for, and the Stock Exchange has granted, a waiver from strict compliance with certain requirements set out in Chapter 14A of the Listing Rules for such continuing connected transaction. For further details of such continuing connected transaction and the waiver, see the section headed “Connected Transactions” in this prospectus.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which our Directors (including any proposed director who is named as such in this prospectus) collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (Winding-Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules and the Listing Rules for the purpose of giving information to the public with regard to our Group. Our Directors, having made all reasonable enquiries confirm that, to the best of their knowledge and belief, the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this prospectus misleading.

THE GLOBAL OFFERING AND THE PROSPECTUS

This prospectus is published solely in connection with the Hong Kong Public Offer and the Lesso Preferential Offering, which form part of the Global Offering. For applicants under the Hong Kong Public Offer and for the Lesso Qualifying Shareholder(s) under the Lesso Preferential Offering, this prospectus set out the terms and conditions of the Hong Kong Public Offer and the Lesso Preferential Offering. See “How to Apply for Hong Kong Offer Shares and Lesso Reserved Shares” in this prospectus for further details of the procedures for applying for the Hong Kong Offer Shares and Lesso Reserved Shares.

The Hong Kong Offer Shares and Lesso Reserved Shares are offered solely on the basis of the information contained and representations made in this prospectus on the terms and subject to the conditions set out herein and therein. No person is authorized to give any information in connection with the Global Offering or to make any representation not contained in this prospectus and any information or representation not contained herein and therein must not be relied upon as having been authorized by our Company, the Sole Sponsor, the Sole Overall Coordinator, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, the Capital Market Intermediaries, any of their respective directors, agents, employees or advisers or any other party involved in the Global Offering.

Neither the delivery of this prospectus nor any offering, sale or delivery made in connection with our Shares shall, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in our affairs since the date of this prospectus or imply that the information contained in this prospectus is correct as of any date subsequent to the date of this prospectus.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Global Offering are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding, disposing of, dealing in or exercising any rights in relation to, the Shares. None of us, the Sole Sponsor, the Sole Overall Coordinator, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, the Capital Market Intermediaries, any of our or their affiliates or any of their respective directors, officers, employees or agents or any other person or party involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription for, purchase, holding, disposition of, dealing in, or exercising any rights in relation to, the Shares.

WEBSITE

The contents of any website mentioned in this prospectus do not form a part of this prospectus.

GLOBAL OFFERING AND LISTING

Issuer	EDA Group Holdings Limited
Global Offering	Global Offering of initially 97,625,000 Offer Shares (subject to adjustment and excluding the Shares to be issued pursuant to the exercise of the Over-Allotment Option) comprising (i) Hong Kong Public Offer of initially 9,763,000 Offer Shares (subject to adjustment) and (ii) International Placing of initially 87,862,000 Offer Shares (subject to adjustment and excluding the Shares to be issued pursuant to the exercise of the Over-Allotment Option).
Offer Price Range	Not more than HK\$3.06 and not less than HK\$2.28 per Offer Share
Over-Allotment Option	Up to 14,643,000 additional Shares to be offered by our Company, representing approximately 15% of the Offer Shares initially offered under the Global Offering. See “Structure and Conditions of the Global Offering” for further details.
Lock-up undertakings by our Company and our Controlling Shareholders	See “Underwriting — Underwriting Arrangements and Expenses — Undertakings given to the Stock Exchange pursuant to the Listing Rules” and “Underwriting — Underwriting Arrangements and Expenses — Undertakings given to the Hong Kong Underwriters” for further details.
Board lot	1,000 Shares
Practice Note 15 of the Listing Rules	The Spin-off is not subject to shareholders’ approval of Lesso. Lesso is required to comply with the requirements of Practice Note 15 of the Listing Rules which, among other things, require us to offer the Assured Entitlements to Lesso Qualifying Shareholder(s). For further details of the Lesso Qualifying Shareholders’ Assured Entitlements, see “Structure and Conditions of the Global Offering — The Lesso Preferential Offering” in this prospectus.

GLOBAL OFFERING AND LISTING

Exchange rate conversion

Solely for your convenience, in this prospectus, unless otherwise stated, unless we indicate otherwise, amounts denominated in RMB have been translated into Hong Kong dollars at an exchange rate of RMB0.91 to HK\$1.00 and amounts denominated in HK\$ have been translated into US\$ at an exchange rate of HK\$7.81 to US\$1.00. Such conversions shall not be construed as representations that amounts in RMB and/or US\$ were or could have been or could be converted into Hong Kong dollars at such rates or any other exchange rates on such date or any other date.

Dividend policy

See “Financial Information — Dividends and Dividend Policy”. Unless we determine otherwise, dividends, if declared, will be paid in Hong Kong dollars to our Shareholders, as recorded in our register of members, by ordinary post, at our Shareholders’ own risks, to the registered address of each such Shareholder, or in the case of joint holders, the holder whose name stands first in our register of members in respect of the joint holding, or to such person and to such address as the holder or joint holders may in writing direct.

Voting rights

Each Share entitles its holder to one vote on a poll at our Shareholders’ meeting. See “Summary of the Constitution of our Company and Cayman Company Act” in Appendix III to this prospectus.

Stamp duty

All Shares issued by us pursuant to applications made in the Global Offering will be registered on our register of members to be maintained by our Hong Kong Share Registrar, Tricor Investor Services Limited, in Hong Kong. Our principal register of members will be maintained by our Principal Share Registrar, Tricor Services (Cayman Islands) Limited, in the Cayman Islands. Only Shares registered on our Company’s register of members in Hong Kong may be traded on the Stock Exchange.

No stamp duty is payable by applicants in the Global Offering.

GLOBAL OFFERING AND LISTING

Dealings in our Shares registered on our Company's register of members in Hong Kong will be subject to Hong Kong stamp duty.

Register of members

Our Company's branch share register in Hong Kong will be maintained by the Hong Kong Share Registrar. All of the Shares issued pursuant to the Global Offering will be registered on our branch share register in Hong Kong.

Application for the Listing on the Stock Exchange

We have applied to the Stock Exchange for the granting of the listing of, and permission to deal in, the Shares to be issued by us pursuant to the Global Offering (including the additional Shares which may be issued pursuant to the exercise of the Over-Allotment Option, the Shares which may be issued pursuant to the exercise of the options granted under the Pre-IPO Share Option Scheme and any options that may be granted under the Post-IPO Share Option Scheme, and the vesting of the RSUs granted under the Pre-IPO RSU Plan and any RSU(s) which may be granted under the Post-IPO RSU Plan).

Dealings in the Shares on the Stock Exchange are expected to commence on Tuesday, May 28, 2024. No part of our share or loan capital is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought on the Stock Exchange or any other stock exchange as of the date of this prospectus. All the Offer Shares will be registered on our register of members in Hong Kong maintained by the Hong Kong Share Registrar in order to enable them to be traded on the Stock Exchange.

GLOBAL OFFERING AND LISTING

Under Section 44B(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, any allotment made in respect of any application will be invalid if the listing of, and permission to deal in, the Shares on the Stock Exchange is refused before the expiration of three weeks from the date of the closing of the application lists, or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to our Company by or on behalf of the Stock Exchange.

Restrictions on offers and sales of the Offer Shares

Each person acquiring the Hong Kong Offer Shares under the Hong Kong Public Offer and the Lesso Reserved Shares under the Lesso Preferential Offering, respectively, will be required to, or be deemed by his acquisition of the Hong Kong Offer Shares to, confirm that he is aware of the restrictions on offers and sales of the Offer Shares described in this prospectus that he is not acquiring, and has not been offered, any Offer Shares in circumstances that contravene any such restrictions.

No action has been taken to permit a public offer of the Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering and sales of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom. In particular, the Offer Shares have not been publicly offered or sold, directly or indirectly, in the PRC or the United States.

GLOBAL OFFERING AND LISTING

Potential investors for Offer Shares should consult their financial advisers and take legal advice, as appropriate, to inform themselves of, and to observe, all applicable laws and regulations of any relevant jurisdiction. Potential investors for the Offer Shares should inform themselves as to the relevant legal requirements of applying for the Offer Shares and any applicable exchange control regulations and applicable taxes in the countries of their respective citizenship, residence or domicile.

Fully underwritten

The Listing is sponsored by the Sole Sponsor and the Global Offering is managed by the Sole Overall Coordinator and the Sole Global Coordinator. The Hong Kong Public Offer is fully underwritten by the Hong Kong Underwriters pursuant to the Hong Kong Underwriting Agreement. The International Placing Agreement relating to the International Placing is expected to be entered into on or about the Price Determination Date, subject to determination of the pricing of the Offer Shares. If, for any reason, the International Placing Agreement is not entered into or the Offer Price is not agreed, the Global Offering will not proceed and will lapse. See “Underwriting” for further information regarding the Underwriters and the underwriting arrangements.

Price Determination Date

On or around Friday, May 24, 2024, and in any event, no later than 12:00 noon on Friday, May 24, 2024.

If, for any reason, the Sole Overall Coordinator and the Sole Global Coordinator (for itself and on behalf of the Underwriters and the Capital Market Intermediaries) and our Company are unable to reach an agreement on the Offer Price on or before 12:00 noon on Friday, May 24, 2024, the Global Offering (including the Hong Kong Public Offer) will not become unconditional and will not proceed and will lapse.

GLOBAL OFFERING AND LISTING

Admission to CCASS

Subject to the Stock Exchange granting of the listing of, and permission to deal in, our Shares on the Stock Exchange and compliance with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or on any other date as determined by HKSCC.

Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second settlement day (as defined in the Listing Rules) after any trading day. You should seek the advice of your stockbroker or other professional adviser for details of those settlement arrangements as such arrangements will affect your rights and interests.

All necessary arrangements have been made for the Shares to be admitted into CCASS. All activities under CCASS are subject to the General Rules of HKSCC and HKSCC Operational Procedures in effect from time to time.

Language

If there is any inconsistency between the English version and the Chinese translation of this prospectus, the English version of this prospectus shall prevail. For ease of reference, the names of Chinese laws and regulations, governmental authorities, institutions, natural persons or other entities (including certain of our subsidiaries) have been included in this prospectus in both the Chinese and English languages, and in the event of any inconsistency, the Chinese versions shall prevail.

Rounding of figures

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be arithmetic aggregation of the figures preceding them.

Procedures for applying for Hong Kong Offer Shares and Lessor Reserved Shares

See “How to Apply for Hong Kong Offer Shares and Lessor Reserved Shares” in this prospectus.

GLOBAL OFFERING AND LISTING

Conditions of the Global Offering See “Structure and Conditions of the Global Offering — Conditions of the Global Offering”.

Commencement of dealings in the Shares Dealing in the Shares on the Stock Exchange are expected to commence at 9:00 a.m. on Tuesday, May 28, 2024. Shares will be traded in board lots of 1,000.

The stock code for the Shares is 2505.

We will not issue any temporary documents of title.

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

DIRECTORS

Name	Address	Nationality
<i>Executive Directors</i>		
Liu Yong (劉勇)	2B, Building 2, Shanhai Cuilu, Liwan Road, Nanshan District, Shenzhen City, Guangdong Province, PRC	Chinese
Li Qin (李勤)	Room 2803, Building A, Yulongyuan, No. 3058, Nanxin Road, Nanshan District, Shenzhen City, Guangdong Province, PRC	Chinese
Cheung Man Yu (張文宇)	RM 10, 31/F, Lung Sing House, Kam Lung Court, Ma On Shan, NT, Hong Kong	Chinese
<i>Non-executive Directors</i>		
Zuo Manlun (左滿倫)	Flat D, 59/F, Block 3, Sorrento, No. 1 Austin Road West, Tsim Sha Tsui, Kowloon, Hong Kong	Chinese
Luo Jianfeng (羅建峰)	Flat A, 11/F, Wah Shing Building, 21 Castle Peak Road, Sham Shui Po, Kowloon, Hong Kong	Chinese

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Name	Address	Nationality
<i>Independent Non-executive Directors</i>		
Chan Kwok Cheung Kevin (陳國璋)	Flat D, 39/F, Tower II Sorrento 1 Austin Road West Tsim Sha Tsui, Kowloon, Hong Kong	Canadian
Ng Cheuk Him (吳卓謙)	Flat C, 7/F Block 11 Whampoa Garden Bauhinia Mansions Kowloon Hong Kong	Chinese
Wong Ping Yee Natalis (王秉怡)	House 3 Villa Monticello, 12 Chuk Kok Road, Sai Kung, New Territories Hong Kong	Chinese

For further information regarding our Directors, see “Directors and Senior Management” in this prospectus.

PARTIES INVOLVED IN THE GLOBAL OFFERING

Sole Sponsor	CMB International Capital Limited 45th Floor, Champion Tower 3 Garden Road Central Hong Kong
Sole Overall Coordinator and Sole Global Coordinator	CMB International Capital Limited 45th Floor, Champion Tower 3 Garden Road Central Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

**Joint Bookrunners, Joint Lead
Managers and Capital Market
Intermediaries**

CMB International Capital Limited
45th Floor, Champion Tower
3 Garden Road
Central
Hong Kong

ABCI Capital Limited
(Only as a Joint Bookrunner)
11/F, Agricultural Bank of China Tower
50 Connaught Road Central
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CORPORATE INFORMATION

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Headquarters and principal place of business in the PRC	21/F, Block A Daoxing Science and Technology Innovation Centre Xingdong Community Xin'an Street Bao'an District Shenzhen PRC
Principal place of business in Hong Kong	Unit 03, 12/F Tower 2 South Seas Centre 75 Mody Road Kowloon, Hong Kong
Company's Website	www.edayun.cn <i>(the information contained on the website does not form part of this prospectus)</i>
Company Secretary	Mr. Cheung Man Yu (張文宇) (HKICPA) RM 10, 31/F, Lung Sing House Kam Lung Court Ma On Shan, NT Hong Kong
Authorized Representatives	Mr. Liu Yong (劉勇) 2B, Building 2, Shanghai Cuilu Liwan Road Nanshan District, Shenzhen City Guangdong Province PRC Mr. Cheung Man Yu (張文宇) RM 10, 31/F, Lung Sing House Kam Lung Court Ma On Shan, NT Hong Kong

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Audit Committee	Mr. Ng Cheuk Him (吳卓謙) (<i>chairman</i>) Mr. Luo Jianfeng (羅建峰) Mr. Chan Kwok Cheung Kevin (陳國璋)
Remuneration Committee	Mr. Chan Kwok Cheung Kevin (陳國璋) (<i>chairman</i>) Mr. Wong Ping Yee Natalis (王秉怡) Mr. Liu Yong (劉勇)
Nomination Committee	Mr. Liu Yong (劉勇) (<i>chairman</i>) Mr. Wong Ping Yee Natalis (王秉怡) Mr. Ng Cheuk Him (吳卓謙)
Principal Share Registrar and Transfer Office in the Cayman Islands	Tricor Services (Cayman Islands) Limited Third Floor, Century Yard, Cricket Square P.O. Box 902 Grand Cayman, KY1-1103 Cayman Islands
Hong Kong Share Registrar	Tricor Investor Services Limited 17/F, Far East Finance Centre 16 Harcourt Road Hong Kong
Principal Bank	Bank of China Limited, Qianhaiwan Branch Floor 1, Trading Center Qianhai Enterprise Residence, Special Zone Pavilion No. 63, Qianwan 1st Road, Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone Shenzhen PRC

INDUSTRY OVERVIEW

The information presented in this section, unless otherwise indicated, is derived from various government publications and other publications, and from the Frost & Sullivan Report prepared by Frost & Sullivan, an independent third-party industry consultant commissioned by us. We believe that the sources of the information in this “Industry Overview” section are appropriate sources for such information, and we have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. We also believe there is no adverse change in the market information since the date of the Industry Report which may qualify, contradict or have an impact on the information in this section. However, the information derived from official government sources has not been independently verified by us, the Sole Sponsor, the Sole Overall Coordinator, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, the Capital Market Intermediaries or any other party involved in the Global Offering, other than Frost & Sullivan, and no representation is given as to its accuracy. The information and statistics may not be consistent with other information and statistics compiled. For a discussion of risks relating to our industry, see “Risk Factors — Risks relating to our business and industry”.

THE B2C EXPORT E-COMMERCE MARKET IN THE PRC

B2C export e-commerce refers to e-commerce activities that exchange products, services, and information between businesses and individual consumers across different borders.

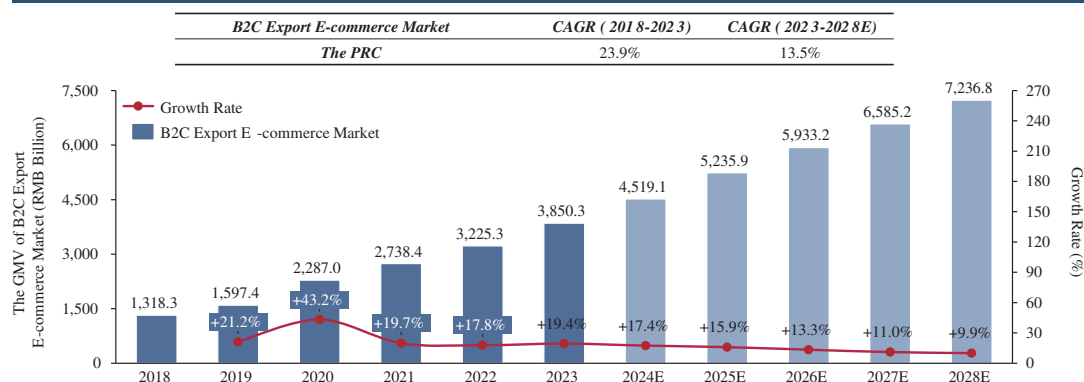
Since 2013, the B2C export e-commerce market has grown rapidly as driven by the further improvement of payment system, improved cross-border logistics delivery efficiency, increase in the number of new B2C export e-commerce platforms and the gradually formed habits of online shopping among global consumers.

The GMV of B2C export e-commerce market in the PRC increased rapidly, growing at a CAGR of 23.9% from RMB1,318.3 billion in 2018 to RMB3,850.3 billion in 2023.

In the future, the GMV of the B2C export e-commerce market in the PRC is expected to reach RMB7,236.8 billion in 2028 with a CAGR of 13.5% from 2023 to 2028 mainly driven by (1) the continued growth of the global economy (2) the increase in global consumer purchasing power and (3) the further strengthened international trade and economic cooperation between countries.

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The GMV of B2C Export E-commerce Market (The PRC), 2018 – 2028E



Note:

1. The market size of the B2C export e-commerce market refers to the sum of GMV of all cross-border e-commerce platforms.
2. GMV, which refers to gross merchandise value, is a way of measuring the total value of all e-commerce sales over a selected time period.

Source: CIECC and Frost & Sullivan Analysis

Despite the projected growth, the e-commerce vendors in the B2C export e-commerce market face the following key pain points:

- **Fragmented information:** The cost and availability of each component of the supply chain solutions, such as domestic collection, sorting, and transportation, are affected by many variables. Without supply chain visibility and control, it is difficult for e-commerce vendors to consolidate all information relating to different stakeholders and the logistical procedures involved.
- **Order management:** Most e-commerce vendors need to implement an omni-channel strategy to cater for orders from multiple e-commerce platforms. It is difficult to consolidate all consumer orders from various e-commerce platforms without the support of proper business processes and technological infrastructure.
- **Limited knowledge of local regulations:** Trading activities of e-commerce vendors are strictly regulated by different local regulations such as taxation, commodity access, trade policies and customs, etc.. E-commerce vendors, especially players which are new to the industry, are generally unfamiliar with such local regulations. Limited knowledge of local regulations proves to be a challenge to e-commerce vendors which plan to expand to new geographical areas.

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- ***Demand for fast delivery to end-consumers:*** Traditionally, without pre-sale stock stored in overseas warehouses, most e-commerce vendors can only deliver their goods directly from the PRC after orders have been placed by consumers overseas. As a result, the consumers need to endure long shipping times, which discourages them from ordering goods from e-commerce vendors. To retain their consumers, e-commerce vendors have to provide competitive shipping times similar to those of the local sellers, such as same-day or next-day delivery.
- ***High cost of after-sale services:*** E-commerce vendors normally face difficulties in dealing with product exchange and returns. For example, they may have to incur considerable cost and endure lengthy shipping period when processing product exchanges or return requests. The lengthened process for product exchange and returns generally results in a poor shopping experience for end-consumers and a costly after-sales services for e-commerce vendors.

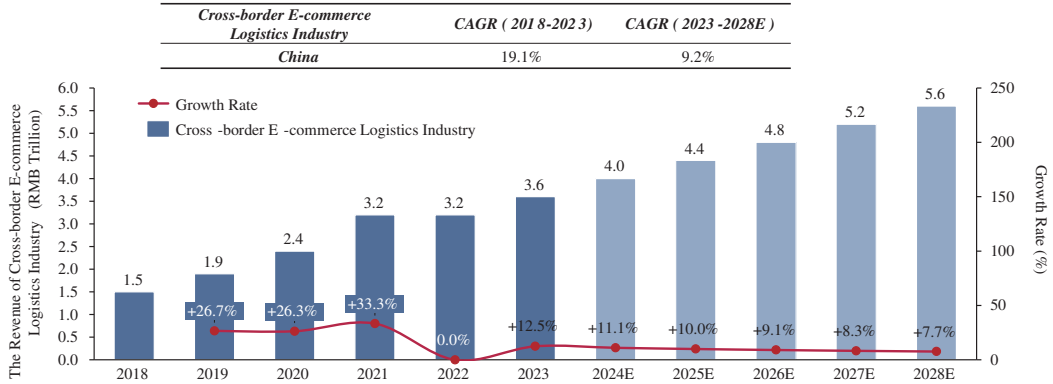
CROSS-BORDER E-COMMERCE LOGISTICS INDUSTRY IN THE PRC

With the e-commerce and technological advances, consumers can now purchase products from anywhere in the world. The process of shipping products overseas requires specialized logistics services to handle the complexities of international shipping, customs clearance, and other related services. This has led to the development of cross-border e-commerce logistics services. After China's accession to the WTO in 2001, the development of logistics in China has gradually shifted from traditional logistics to modern logistics.

Driven by economic growth, the logistics experienced a high-quality development. The market size of cross-border e-commerce logistics includes revenues generated by both domestic and non-PRC-based logistics providers for cross-border e-commerce logistics. The market size of cross-border e-commerce logistics increased from RMB1.5 trillion in 2018 to RMB3.6 trillion in 2023, representing a CAGR of 19.1%. After the COVID-19 outbreak, ports had experienced congestion and extended unloading cycles. In addition, in March 2021, the Suez Canal obstruction resulted in insufficient capacity in short term, leading to a shortage of market supply and skyrocketing shipping rates. The outbreak of COVID-19 and the Suez Canal blockage had an impact on the global shipping industry, affecting domestic transport providers, retailers, manufacturers, and other related groups. Therefore, the market size of cross-border e-commerce logistics industry reached RMB3.2 trillion in 2021. By 2028, the figure is expected to reach RMB5.6 trillion, with a CAGR of 9.2% from 2023 to 2028.

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The Revenue of Cross-border E-commerce Logistics Industry (China), 2018 – 2028E

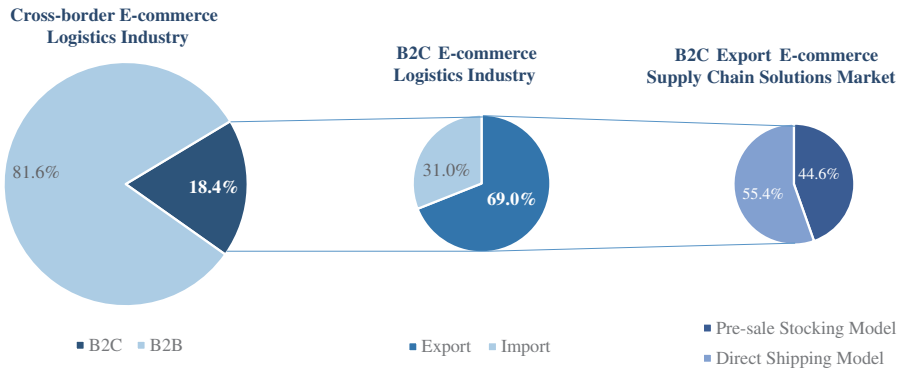


Source: General Administration of Customs, Frost & Sullivan

As illustrated by figures in 2023, according to the type of e-commerce, cross-border e-commerce logistics industry can be divided into B2C e-commerce logistics industry and B2B e-commerce logistics industry, which accounted for 18.4% and 81.6%, respectively. Moreover, B2C e-commerce logistics industry can be further divided into export and import, which accounted for 69.0% and 31.0% in 2023, respectively.

As one of the segments of cross-border e-commerce logistics industry, the B2C export e-commerce supply chain solutions market accounted for 11.9% in cross-border e-commerce logistics industry in 2023. Moreover, the pre-sale stocking model and the direct shipping model of the B2C export e-commerce supply chain solutions market, which accounted of 5.3% and 6.6% in cross-border e-commerce logistics industry in 2023, respectively.

The Revenue of Cross-border E-commerce Logistics Industry (China), 2023



Source: General Administration of Customs, Frost & Sullivan

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B2C EXPORT E-COMMERCE SUPPLY CHAIN SOLUTIONS MARKET IN THE PRC

In recent years, the rapid growth of the B2C export e-commerce market has stimulated demands for B2C export e-commerce supply chain solutions which can address the complicated, fragmented and costly process of delivery of goods to end-consumers overseas. B2C export e-commerce supply chain solutions refer to the supply chain solutions provided during the entire process of B2C e-commerce export. Therefore, there are many opportunities emerging for participants in the B2C export e-commerce supply chain solutions market, especially for providers who can provide end-to-end solutions that can cover goods transportation, customs declaration and clearance services, warehousing, demand forecasting, and inventory management.

There are two models adopted by B2C export e-commerce supply chain solutions providers, namely (i) the direct shipping model and (ii) the pre-sale stocking model.

Direct shipping model is considered as the traditional method of cross-border shipping by which merchandise is shipped to end-consumers directly from the domestic warehouses of the e-commerce vendors upon the orders being placed. It provides more flexibility to e-commerce vendors given that it removes the risk of stagnant overseas inventory.

Pre-sale stocking model, which is a relatively new model in the industry, refers to the model by which e-commerce vendors first transport their goods to the overseas warehouses in the destination regions in advance for stocking, such that they can deliver the goods directly from the overseas warehouses to the consumers when the end-consumers place orders. This model helps e-commerce vendors bridge the distance between the end-consumers and the goods, improve the quality control of goods, become more time-effective, and allow e-commerce vendors to provide after-sales services such as products returns and exchanges to its end-consumers at a lower cost and quicker turnaround time.

Value Chain Analysis of B2C Export E-commerce Supply Chain Solutions Market

Direct shipping refers to the international shipping process from domestic sellers to overseas individual consumers, which usually takes two to four weeks. After receiving logistics orders from export e-commerce vendors, the B2C export e-commerce supply chain solutions providers carry out the corresponding business processes, which involve domestic collection, customs declaration and clearance, cross-border transportation and delivery of goods to individual consumers.

INDUSTRY OVERVIEW

The below graph displays the value chain of the B2C export e-commerce supply chain solutions adopting the direct shipping model:



Source: Frost & Sullivan Analysis (including interviews conducted by Frost & Sullivan with experts from major market players and reviews on the annual reports and prospectus of other market participants regarding their positions in the B2C export e-commerce supply chain solutions market and their principal businesses)

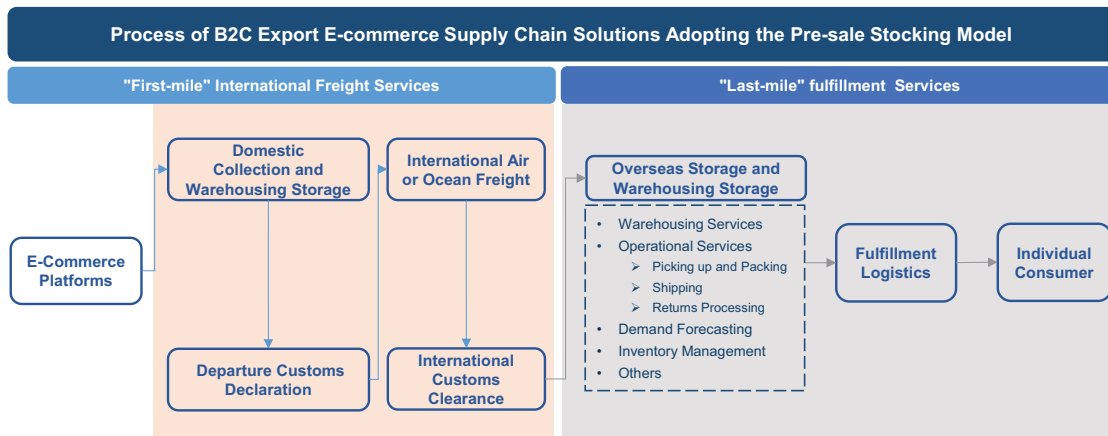
In contrast to direct shipping model, under the pre-sale stocking model, the B2C export e-commerce supply chain solutions providers ship the goods from sellers to the overseas warehouses in advance as pre-sale stock in the destination regions, then deliver the goods directly from the overseas warehouses upon the placing of orders by end-consumers. The services can be divided into “first-mile” international freight and “last-mile” fulfillment services.

“First-mile” international freight services refer to the transport services of goods from vendors to the port of entry of imports. The services of “first-mile” international freight generally include domestic collection services, domestic warehousing storage services, customs declaration and clearance services and cross-border transportation services. Under the pre-sale stocking model, B2C export e-commerce supply chain solutions providers integrate the whole supply chain by outsourcing the whole process to third-party logistics providers which have the ability to provide “first-mile” international freight services.

“Last-mile” fulfillment services involve delivery from overseas warehouses to individual consumers. For “last-mile” fulfillment services, the B2C export e-commerce supply chain solutions providers under the pre-sale stocking model offer warehousing services and other value-added services, including operational services such as picking up and packing, shipping and return processing services, demand forecasting and inventory management services, and other ancillary services such as distribution services and after-sale services that support vendors in selling their products, and co-operate with the fulfillment logistics to deliver goods to individual consumers.

INDUSTRY OVERVIEW

The below graph displays the value chain of the B2C export e-commerce supply chain solutions adopting the pre-sale stocking model:



Source: Frost & Sullivan Analysis (including interviews conducted by Frost & Sullivan with experts from major market players and reviews on the annual reports and prospectus of other market participants regarding their positions in the B2C export e-commerce supply chain solutions market and their principal businesses)

Major Participant Analysis

There are various types of participants in the market, including end-to-end export e-commerce supply chain solutions providers, international freight forwarding service providers, air/ocean carriers and "last-mile" fulfillment service providers.

The end-to-end export e-commerce supply chain solutions providers are focused more on value added services by digitalizing the whole process of value chain. The e-commerce enterprises rely on these solutions providers in wish to delivery their products to their overseas end consumers through a track-able solution. On top of that, for some of the e-commerce enterprises that already have their own supply chain infrastructure, end-to-end export e-commerce supply chain solutions providers are also able to supplement their transportation and warehouse capacity during the peak season.

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Major Participants	Business Scope/service Features	Market Position
End-to-end Export E-commerce Supply Chain Solutions Providers	<ul style="list-style-type: none"> End-to-end export e-commerce supply chain solutions providers, leveraging on third-party logistics service providers, ship the goods from sellers to port of entry of import or end consumers, which consist of "first-mile" international freight services and "last-mile" fulfillment service. Based on the advantages of comprehensiveness and flexibility, end-to-end export e-commerce supply chain solutions providers can cater to every stage of the product logistics and fulfillment life cycle and have the capacity to provide value-added services. 	<ul style="list-style-type: none"> The vast majority of end-to-end export e-commerce supply chain solutions providers focus on information consolidation and digitalization of the whole process and do not have their own logistics infrastructures.
International Freight Forwarding Service Providers	<ul style="list-style-type: none"> Generally, leveraging the air or ocean carriers, the international freight forwarding service providers focus on the "first-mile" which in charges of the goods shipping from one region to the other region through air or ocean. 	<ul style="list-style-type: none"> International freight forwarding service providers do not have their own shipping capacity. They consolidate shipping capacities from various air or ocean carriers. They collaborate with end-to-end export e-commerce supply chain solutions providers in order to receive more orders from customers.
Air or Ocean Carriers	<ul style="list-style-type: none"> Air or ocean carriers traditionally provide shipping service from port of export to port of import through air or ocean, which focus on delivery "first-mile" international freight services. 	<ul style="list-style-type: none"> Air or ocean carriers invest heavily to build their own shipping logistics network and infrastructure, and provide logistics services to other industry participants. Except few large enterprises, most air or ocean carriers focus on one area of the value chain to save cost.
"Last-mile" Fulfillment Service Providers	<ul style="list-style-type: none"> "Last-mile" fulfillment service providers generally deliver goods from port or overseas warehouse to end customer, which focus on "last-mile" delivery. 	<ul style="list-style-type: none"> "Last-mile" fulfillment service providers construct their local logistics network and infrastructure, and provide logistics services to other industry participants. Due to heavy investment, most "last-mile" fulfillment service providers focus on part of the value chain to achieve operational efficiency.

Source: Frost & Sullivan Analysis (including interviews conducted by Frost & Sullivan with experts from major market players and reviews on the annual reports and prospectus of other market participants regarding their positions in the B2C export e-commerce supply chain solutions market and their principal businesses)

Market Size of B2C Export E-commerce Supply Chain Solutions Market by Service Models

The export e-commerce supply chain solutions market grew significantly during the past few years. Particularly, the market size of B2C export e-commerce supply chain solutions market increased more swiftly, with a CAGR of 27.3% from RMB136.9 billion in 2018 to RMB457.1 billion in 2023. Between 2019 and 2020, the outbreak of the COVID-19, which boosted the demand for online shopping, was the main driving factor behind the significant rise in the demand for B2C export e-commerce supply chain solutions. In 2028, the market size is projected to reach RMB761.6 billion, with a CAGR of 10.7% from 2023 to 2028. Generally, B2C export e-commerce supply chain solutions market can be divided into the pre-sale stocking model and the direct shipping model.

Pre-sale stocking model

In recent years, pre-sale stocking model is becoming more popular, as it can provide individual consumers with faster and more predictable delivery times which could optimize their shopping experience. During 2018 to 2023, the market size of the B2C export e-commerce supply chain solutions adopting the pre-sale stocking model increased from RMB48.6 billion to RMB203.9 billion with a CAGR of 33.2%.

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Between 2019 and 2021, during the outbreak of the COVID-19, not only did end-consumers develop an online shopping habit, many e-commerce vendors also realized the advantages of the pre-sale stocking model due to the occurrence of pandemic-caused port congestions and prolonged cargo unloading cycles in 2021. Correspondingly, the market size of B2C export e-commerce supply chain solutions adopting the pre-sale stocking model experienced a sharp rise during 2019 to 2021.

However, in 2022, with the recovery of the COVID-19, offline shopping gradually resumed and the market size of the B2C export e-commerce supply chain solutions with pre-sale stocking model slightly decreased. Furthermore, since the Houthis have seized and launched aerial attacks against merchant and naval vessels in the Red Seas in October 2023, vessels have to bypass the Suez Canal and navigate around South Africa's Cape of Good Hope. As a result, seaborne transportation from the PRC to Middle East was affected, leading to higher freight rates, lower shipping capacity and longer transportation times.

With a CAGR of 13.7% from 2023 to 2028, the market size of B2C export e-commerce supply chain solutions adopting the pre-sale stocking model is projected to reach RMB387.0 billion in 2028.

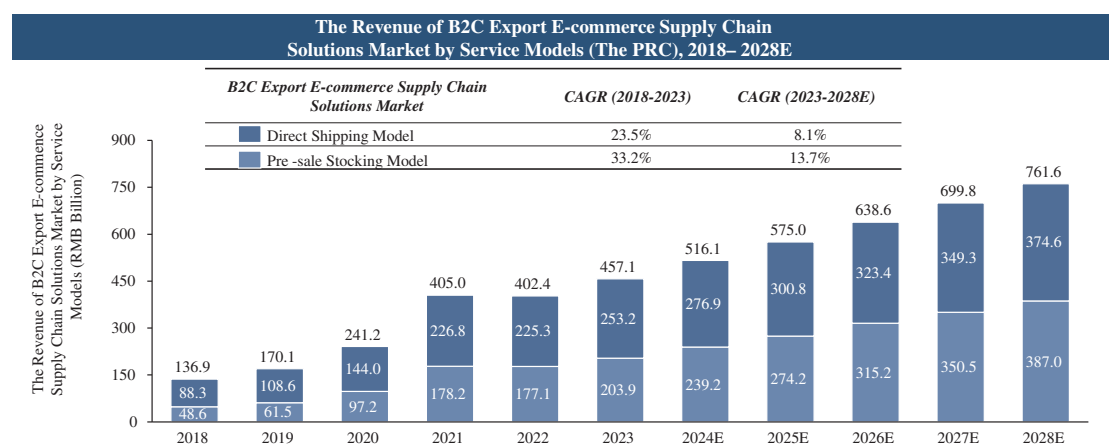
Direct shipping model

From 2018 to 2023, the market size of the B2C export e-commerce supply chain solutions with direct shipping model grew at a CAGR of 23.5% from RMB88.3 billion to RMB253.2 billion. Affected by the declining freight rate, the market size experienced a downward trend in 2022. However, with the Israeli-Palestinian conflict which took place in the second half of 2023 and the extreme weather such as heavy rain and snow in the U.S. from October 2023, the air freight rate had an increase. Accordingly, the market size of B2C export e-commerce supply chain solutions adopting the direct shipping model is predicted to reach RMB374.6 billion in 2028, with a CAGR of 8.1% from 2023 to 2028.

The expected recovery of the market size of B2C export e-commerce supply chain solutions adopting the direct shipping model was based on the following assumptions: (i) The direct shipping mode usually adopt air shipping and its market size is closely tied with the air freight rate. The freight rate has experienced a rapid growth during COVID-19 due to an increased demand arising from popularity of online shopping and resumed to normal post pandemic given the growing supply for the air shipping capacity. Since the pandemic, the cross-border flights were gradually resuming and alleviating the shortage of air shipping capacity, the freight rate resumed to around US\$3,500 per tonne in the first half of 2023, similar to the freight rate range prior to the outbreak of COVID-19. As the second half of the year is usually the peak season for e-commerce, freight rates are expected to increase compared to the first half of the year. Meanwhile, from

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October 2023, the U.S. experienced the effects of extreme weather such as heavy rain and snow, which reduced the supply for the air shipping capacity, increasing air freight rates as a result. At the same time, due to the Israeli-Palestinian conflict, air freight rate started to improve in the second half of 2023. However, as the end of the conflict is uncertain, it is expected that air freight rate will continue to increase, resulting in further development of the market of B2C export e-commerce supply chain solutions adopting the direct shipping model in the future. (ii) In the post-COVID-19 period, the infrastructure of B2C export e-commerce supply chain solutions were further developed. As a result, the market size of B2C export e-commerce supply chain solutions for direct shipping is expected to continue grow in the future.



Source: Drewry, ICAO Air Transport Report, Freightos FBX, SCFI and Frost & Sullivan Analysis

Entry Barriers

Industry knowledge: The value chain of the B2C export e-commerce supply chain solutions market is highly complicated with different local regulations and various types of service providers involved, such as freight forwarding service providers and fulfillment logistics service providers. The existing experienced B2C export e-commerce supply chain solutions providers in the market have already accumulated extensive industry knowledge, thus they could overcome the underlying obstacles and mitigate uncertainties during the provision of services such as arrival and customs declaration and clearance services, warehousing and storage services. However, it is difficult for new entrants to accumulate sufficient industry knowledge within a short period of time, which creates an entry barrier for them.

Developing long-term collaboration relationships with customers and market participants: The long-term collaboration and diverse client base contribute to a sustainable demand for B2C export e-commerce supply chain solutions. Specifically, the large customer base and solid customer relationships guarantee an ever-increasing scale and frequency of orders, allowing market players to fully utilize resources and infrastructure. Over time, the experienced

INDUSTRY OVERVIEW

B2C export e-commerce supply chain solutions providers have developed symbiotic relationships with freight forwarding service providers and maintained deep collaboration relationships with “last-mile” fulfillment service providers in this market. It is difficult for new entrants to build the same level of cooperative relationships with customers and market participants in the short term.

Technology: Application of technologies such as big data and digitalization technologies in the provision of B2C export e-commerce supply chain solutions enables solutions providers to consolidate and analyze information from different sources, optimize service quality and promote efficiency. The continued adoption of these technologies provides both e-commerce vendors as well as consumers with higher operational efficiency and service quality. However, new entrants are normally unable to proficiently apply these technologies within a short period of time due to limited resources and industry experience.

Overseas local expertise: Overseas local expertise is another entry barrier for new entrants. For example, along with the long-term operation, the B2C export e-commerce supply chain solutions providers have accumulated local knowledge and professional experience in the overseas market, which greatly improves these solutions providers’ operational efficiency. In addition, a comprehensive network can meet customers’ ever-changing demands by providing flexible and diverse e-commerce supply chain solutions. However, it is difficult for new entrants to build their own pool of overseas local resources in the B2C export e-commerce supply chain solutions market in the short run.

Competitive Landscape of B2C Export E-commerce Supply Chain Solutions Market in the PRC

The B2C export e-commerce supply chain solutions market in the PRC is rather fragmented with more than 4,000 market players, among which some adopt the direct shipping model and some adopt the pre-sale stocking model. Sometimes, for the convenience of the customers, B2C export e-commerce supply chain solutions providers adopt both the direct shipping model and the pre-sale stocking model. Compared with the industry participants focusing on small packages, those B2C export e-commerce supply chain solutions providers which focus on medium and large packages generally have some differential advantages, such as higher gross profit margins and customer loyalty. Deliverers of medium and large parcels generally charge a premium as medium and large parcels come in more shapes and sizes, which need to be attended to with special care. Regardless, the e-commerce vendors are willing to choose a B2C export e-commerce supply chain solutions provider which has the industry expertise to handle medium and large parcels and ensure the efficiency of the warehousing and outbound process. Therefore, the B2C export e-commerce supply chain solutions providers focusing on medium and large parcels usually have more

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bargaining power than others and gain a higher gross profit margin. In terms of revenue in 2023, the top 10 B2C export e-commerce supply chain solutions providers in the PRC accounted for approximately 9.1%.

In terms of revenue in 2023, our Group ranked sixth among all B2C export e-commerce supply chain solutions providers primarily utilizing pre-sale stocking model in the PRC, with a market share of approximately 0.5%. Our Group accounted for approximately 0.1% of the entire export e-commerce supply chain solutions market in the PRC in 2023. In addition, our Group is one of the largest B2C export e-commerce supply chain solutions providers adopting the partnered overseas warehousing model in the PRC.

**Top 10 B2C Export E-commerce Supply Chain Solutions Providers
of B2C Export E-commerce Supply Chain Solutions with Pre-sale
Stocking Model (the PRC), 2023**

Ranking	Company Name	Market Share (%)
1	Shenzhen YKD Technology Co., Ltd.	2.0%
2	4PX Worldwide Express Co., Ltd.	1.6%
3	Winit (Shanghai) Information Technology Co., Ltd.	1.5%
4	Western Post (SZ) Co., Ltd	1.2%
5	Wuyouda (Ningbo) Logistics Technology Co., Ltd.	0.9%
6	Our Group	0.5%
7	YQN Logistics Co., Ltd	0.5%
8	Locktek Ergonomic Technology Corp.	0.5%
9	World Depot Inc.	0.2%
10	Guangzhou BFE Co., Ltd.	0.2%
Top 10		9.1%

Notes:

1. All B2C export e-commerce supply chain solutions providers in the list are third-party companies.

Source: Annual Reports, Interviews Conducted by Frost & Sullivan with Experts from Leading Market Players and Frost & Sullivan Analysis

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Major Drivers

Government support: In recent years, the PRC government introduced some supportive policies to drive the development of the B2C export e-commerce supply chain solutions market. For example, the General Office of the People’s Government of Guangdong Province issued “Notice on a Number of Policy Measures to Promote the High-quality Development of Cross-border E-commerce*” (《關於推進跨境電商高質量發展若干政策措施的通知》) in 2021 striving to build 500 overseas warehouses with a total area exceeding 4 million sq.m., and gradually form a professional and intelligent overseas warehouse network. Additionally, the Ministry of Commerce issued “Notice of Several Policy Measures to Support the Stable Development of Foreign Trade (《支持外貿穩定發展若干政策措施的通知》)” in 2022, further drive social capital and coordinate the use of foreign trade development special funds and other existing funding channels to jointly support the development of cross-border e-commerce, overseas warehouses, and other new forms of foreign trade. Moreover, “the Report on the Work of the Government (《政府工作報告》)” in 2023 encourages to develop of new forms of foreign trade that the government plans to set up 152 new cross-border e-commerce pilot zones and support the construction of a number of overseas warehouses. Thus, the government’s supportive policies have stimulated the development of the B2C export e-commerce supply chain solutions market.

Rapid development of B2C export e-commerce market: The increased cross-border online shopping activities and rapid development of e-commerce continue to drive the demand for B2C export e-commerce supply chain solutions. The development of the internet further accelerated changes in overseas consumers’ shopping habits and the booming demand for online shopping stimulated growth of the export e-commerce market, which in turn created opportunities for the growth of B2C export e-commerce supply chain solutions market. In addition, according to the General Administration of Customs in the PRC, in the first two months of 2024, the exports of goods trade in the PRC reached RMB3.75 trillion, with an increase of 10.3% from the same period in 2023. With the growth of exports of goods trade, the market of cross-border export e-commerce is also expanding. More goods enter the international market by e-commerce platforms, which drives the growth of demand for B2C export e-commerce supply chain solutions.

The popularity of pre-sale stocking model: In recent years, more e-commerce vendors prefer to engage B2C export e-commerce supply chain solutions providers who adopt the pre-sale stocking model. Under the pre-sale stocking model, goods are shipped directly from the overseas warehouses after a consumer has placed an order, which shortens the delivery time of “last-mile” fulfillment services. In addition, under this model, the B2C export e-commerce supply chain solutions providers offer after-sale services such as product returns and exchange services, resulting in an improvement of overall efficiency.

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Application of new technologies: The application of new technologies, such as SaaS solution and big data, has been promoting B2C export e-commerce supply chain solutions providers to save costs and improve efficiency. For example, the application of SaaS solution enables B2C export e-commerce supply chain solutions providers to offer more services such as supply chain visibility and control, supporting sellers' omni-channel operation through consolidating all orders. Moreover, the use of intelligent robots in goods sorting and goods storing plays an important role in achieving the reduction in labor costs. In addition, the application of big data and other technologies enables B2C export e-commerce supply chain solutions providers to optimize the overall path of B2C export e-commerce supply chain solutions, which could save cost and help clients shorten the lead time of their goods.

Market Trends

Integrated supply chain solution platform: The B2C export e-commerce supply chain solutions market is complex and involves multiple parties including end-to-end export e-commerce supply chain solutions providers, international freight forwarding service providers, air or ocean carriers, and "last-mile" fulfillment service providers, etc., therefore, it is especially important for B2C export e-commerce supply chain solutions providers to obtain and integrate the scattered resources of the whole value chain to form an end-to-end one-stop B2C export e-commerce supply chain solution platform in the future. The integrated platform can facilitate real-time data integration and sharing, thus reduce the time required for each process, ensure better supply chain timeliness, further gain customer recognition, and ultimately achieve the goal of increasing revenue. In addition, the B2C export e-commerce supply chain solutions providers could offer value-added services, such as providing advice on stocking to help sellers optimize stocking and merchandise selections.

Digitalization: In recent years, digitalization creates strong growth potential for the B2C export e-commerce supply chain solutions market. B2C export e-commerce supply chain solutions providers leverage various types of digital applications such as SaaS and IoT to simplify transaction processes, improve supply chain solutions efficiency and increase consumer stickiness. With the support of digitalization tools, solutions providers in the market gradually reduce their operating cost, which could in turn increase their profit.

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Popularity of partnered overseas warehousing model: In recent years, the partnered warehousing model is becoming more popular and it is expected to be widely adopted by the B2C export e-commerce supply chain solutions providers in the future, mainly due to the following advantages. Firstly, the service providers under the partnered warehousing model can save rental cost of the overseas storage and warehousing, thus reducing the capital expenditure. Moreover, the partnered warehousing model is scalable allowing B2C export e-commerce supply chain solutions providers to easily expand its existing network of warehouses, especially for those who have solid technology foundation and strong management capabilities. Therefore, it is expected that more and more industry participants will prefer to choose the partnered warehousing model in the future.

Cost Analysis

The main cost for most B2C export e-commerce supply chain solutions providers is freight rate of seaborne transportation and “last-mile” fulfillment delivery fee.

Before 2020, the freight rate of seaborne transportation from the PRC maintained steady and was kept under US\$1,400 per FEU. The global outbreak and spread of the COVID-19 in 2020 led to a surge in online shopping. Consequently, as major ports had limited capacity to deal with the huge increase in freight volume, there was an uneven distribution of seaborne freight capacity globally during the epidemic era, which had eventually led to an increase of the freight rate of seaborne transportation. The freight rate of seaborne transportation rose and peaked at US\$2,489.1 per FEU in 2023 from US\$1,357.8 per FEU in 2018, with a CAGR of 12.9%. As recovery of shipping capacity, the China Average Composite Containerized Freight Index had been decreased since August 2022. However, since the Houthis have seized and launched aerial attacks against merchant and naval vessels in the Red Seas in October 2023, vessels have to bypass the Suez Canal and navigate around South Africa’s Cape of Good Hoper. As a result, seaborne transportation from the PRC to Middle East was affected, leading to higher freight rates, lower shipping capacity and longer transportation times. The PRC freight rate of seaborne transportation is predicted to increase to US\$3,171.3 per FEU in 2028, with a CAGR of 5.0% from 2023 to 2028.

A continuous increase in the average “last-mile” fulfillment delivery fee in the United States has been witnessed in recent years, which results in a growing cost for B2C export e-commerce supply chain solutions providers. From 2018 to 2023, the average “last-mile” fulfillment delivery fee in the United States increased from US\$6.8 per parcel in 2018 to US\$8.5 per parcel in 2023, with a CAGR of 4.6% from 2018 to 2023. In 2028, the average “last-mile” fulfillment delivery fee in the United States is expected to reach US\$10.9 per parcel, with an expected CAGR of 5.1% from 2023 to 2028.

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SOURCES OF INFORMATION

We have commissioned Frost & Sullivan, an independent market researcher and consultant, to analyze and report on, the export e-commerce market in the PRC and the B2C export e-commerce supply chain solutions market. Frost & Sullivan is an independent global consulting firm founded in 1961 in New York. Frost & Sullivan provides market research on a variety of industries, among other things. The information from Frost & Sullivan disclosed in this prospectus is extracted from a report commissioned by us for a fee of RMB750,000, and is disclosed with the consent of Frost & Sullivan (the “**F&S Report**”).

We have included certain information from the F&S Report in this prospectus because our Directors believe that such information facilitates an understanding of the relevant market by potential investors. The market research process for the F&S Report has been undertaken through detailed primary research which involves discussing the status of the B2C export e-commerce market in the PRC, and the B2C export e-commerce supply chain solutions market with leading market participants and industry experts. Secondary research involved reviewing company reports, independent research reports and data based on Frost & Sullivan’s own research database.

Analysis and forecasts contained in the F&S Report are based on the following major assumptions at the time of compiling such report: (i) the global economy and the PRC economy are likely to maintain a steady growth in the next decade; (ii) the PRC’s social, economic, and political environment is likely to remain stable in the forecast period; (iii) the COVID-19 will affect the market stability in the short term; and (iv) market drivers such as increasing urbanization rate, policy supports from governments, growing of economy, stable growth of foreign trade, continuous development of network technology and others will drive the development of the B2C export e-commerce supply chain solutions market. Our Directors confirm that after taking reasonable care, there has no material adverse change in the overall market information since the date of the F&S Report that would materially qualify, contradict or have an impact on such information.

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PRC

Below sets forth a summary of the most significant rules and regulations that affect our business activities in China or the rights of our Shareholders to receive dividends and other distribution from us.

Foreign Investment

The establishment, operation and management of companies in China are governed by the PRC Company Law (《中華人民共和國公司法》), which was promulgated in 1993 and most recently amended on October 26, 2018. The PRC Company Law applies to both PRC domestic companies and foreign investment companies. On March 15, 2019, the National People’s Congress approved the Foreign Investment Law of the PRC (《中華人民共和國外商投資法》), and on December 26, 2019, the State Council promulgated the Implementing Rules of the Foreign Investment Law (《中華人民共和國外商投資法實施條例》), or the Implementing Rules, to further clarify and elaborate the relevant provisions of the Foreign Investment Law. The Foreign Investment Law and the Implementing Rules both took effect on January 1, 2020 and replaced the Sino-foreign Equity Joint Venture Law (《中華人民共和國中外合資經營企業法》), the Sino-foreign Cooperative Joint Venture Law (《中華人民共和國中外合作經營企業法》) and the Wholly Foreign-owned Enterprise Law (《中華人民共和國外資企業法》), together with their respective implementing rules. Pursuant to the Foreign Investment Law, “foreign investments” refer to any direct or indirect investment activities conducted by foreign investors (including foreign natural persons, foreign enterprises or other foreign organizations) in the PRC, which include any of the following circumstances: (i) foreign investors setting up foreign-invested enterprises in the PRC solely or jointly with other investors, (ii) foreign investors obtaining shares, equity interests, property portions or other similar rights and interests of enterprises within the PRC, (iii) foreign investors investing in new projects in the PRC solely or jointly with other investors, and (iv) other forms of investments as specified in laws, administrative regulations, or as stipulated by the State Council. The Implementing Rules introduce a see-through principle and further provide that foreign invested enterprises that invest in the PRC shall also be governed by the Foreign Investment Law and the Implementing Rules.

According to the Foreign Investment Law, the State Council shall promulgate or approve a list of special administrative measures for access of foreign investments, or the negative list. The Foreign Investment Law grants national treatment to foreign-invested entities, except for those foreign-invested entities that operate in industries deemed to be either “restricted” or “prohibited” in the negative list. The Foreign Investment Law provides that foreign investors shall not invest in the “prohibited” industries, and shall meet certain requirements as stipulated under the negative list for making investment in “restricted” industries. On December 27, 2021, MOFCOM and NDRC

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promulgated the Special Administrative Measures (Negative List) for Foreign Investment Access (Edition 2021) (《外商投資准入特別管理措施(負面清單) (2021年版)》), or the Negative List (2021), which became effective on January 1, 2022.

On December 30, 2019, MOFCOM and SAMR promulgated the Measures for the Reporting of Foreign Investment Information (《外商投資信息報告辦法》) which was effect on January 1, 2020, repealing the Provisional Administrative Measures on Establishment and Modifications (Filing) for Foreign Investment Enterprises (《外商投資企業設立及變更備案管理暫行辦法》). Where foreign investors carry out investment activities directly or indirectly within China, foreign investors or foreign-funded enterprises shall report investment information to commerce departments.

The NDRC and MOFCOM jointly promulgated the Measures for the Security Review of Foreign Investment (《外商投資安全審查辦法》), or the Security Review Measures on the Foreign Investment on December 19, 2020, which came into effect on January 18, 2021. Pursuant to the Security Review Measures on the Foreign Investment, the NDRC and MOFCOM will establish a working mechanism office in charge of the security review of foreign investment, and any foreign investment which has or would possibly have an impact on the national security shall be subject to security review by such working mechanism office. The Security Review Measures on the Foreign Investment define foreign investment as direct or indirect investment by foreign investors in the PRC, which includes (i) investment in new onshore projects or establishment of wholly foreign owned onshore companies or joint ventures with foreign investors; (ii) acquiring equity or asset of onshore companies by merger and acquisition; and (iii) onshore investment by and through any other means. It further require that foreign investors or their domestic affiliates to apply for clearance of national security review with the working mechanism office before they conduct any investment into any of the following fields: (i) investment in the military industry or military-related industry or other areas related to national defense and security, and investment in areas in proximity of defense facilities or military establishment; and (ii) investment in any important agricultural product, important energy and resources, critical equipment manufacturing, important infrastructure, important transportation services, important cultural products and services, important information technologies and internet products and services, important financial services, critical technologies and other important fields which concern the national security where actual control over the invested enterprise is obtained.

International Freight Forwarding

Pursuant to the Regulations of the People's Republic of China on Managements of International Freight Forwarders (《中華人民共和國國際貨物運輸代理業管理規定》), which was promulgated by the Ministry of Foreign Trade & Economic Cooperation (“MOFTEC”, replaced by the Ministry of Commerce) on June 29, 1995, and the Detailed Rules for the Implementation of the

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Regulations of the People’s Republic of China on the Administration of the International Freight Forwarding Industry (《中華人民共和國國際貨物運輸代理業管理規定實施細則》) which was promulgated by the MOFCOM on January 1, 2004, the international freight forwarders referred to in the regulations mean those trades entrusted by consignors and consignees of exports and imports conduct international freight forward and related businesses for their clients and collect enumerations for their services in their own names or in the name of their consignors. International freight forwarders must obtain the status of a legal body as an enterprise of the People’s Republic of China according to law. According to the characteristics of the trade the establishment of an international freight forwarder must acquire the following conditions: (1) It has competent professional to engage in international freight forwarding; (2) It has a fixed site for business and necessary facilities; (3) It has stable sources of and markets for exports and imports.

Pursuant to the (Interim) Measures for the Archival Filing of International Freight Forwarders (《國際貨運代理企業備案(暫行)辦法》), which was promulgated by the MOFCOM on March 2, 2005 and lastly amended on August 18, 2016, all international freight forwarders and their branches (hereinafter referred to as international freight forwarders) that are legally registered at the state administrative department of industry and commerce shall go through the archival filing and registration at the Ministry of Commerce or an organ entrusted by the Ministry of Commerce.

Freight Transportation

Pursuant to the Provisions on the Administration of Road Freight Transport and Stations (《道路貨物運輸及站場管理規定》), which was promulgated by the Ministry of Transport on June 16, 2005 and lastly amended on November 10, 2023, applicants for engaging in freight forwarding (agency) and other freight related services shall file an application with the local road transportation administrative body after completing relevant registration procedures with the market regulation authority according to law.

NVOCC Business

According to the Regulations of the People’s Republic of China on International Ocean Shipping (《中華人民共和國國際海運條例》), which was promulgated by the State Council on December 11, 2001 and lastly amended on July 20, 2023, and Detailed Rules for the Implementation of the Regulations of the People’s Republic of China on International Maritime Transportation (《中華人民共和國國際海運條例實施細則》) which was promulgated by the Ministry of Transport on January 20, 2003 and lastly amended on November 10, 2023, the “non-vessel shipping business” refers to the international ocean shipping business operations of a non-vessel shipping operator to accept the cargo of the shipper as the carrier, take the freight

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charges from the shipper by issuing his own bills of lading or other transport documents, ship the international ocean goods through international shipping operators and bear the responsibilities of the carrier.

To operate non-vessel shipping business within the territory of China, the non-vessel shipping operator shall establish an enterprise with legal status within the territory of China according to law, file with the competent department of transport under the people's government of the province, autonomous region or municipality directly under the central government for record within 15 days after starting business.

If any business operator fails to complete the filing formalities as required by the applicable laws and regulations, the competent department of transport of the State Council or the competent department of transport under the people's government of the province, autonomous region or municipality directly under the central government shall order it to make up the filing formalities within a prescribed time limit; if it fails to do so within the prescribed time limit, a fine of no less than RMB 10,000 but no more than RMB 50,000 shall be imposed on it, and its corresponding qualifications shall be canceled.

House Leasing

On December 1, 2010, the Ministry of Housing and Urban-Rural Development promulgated the Administrative Measures for Commodity Housing Tenancy (《商品房屋租賃管理辦法》), which became effective on February 1, 2011. According to such measures, landlords and tenants are required to enter into lease contracts which should generally contain specified provisions, and lease contracts should be registered with the construction (real estate) authorities at municipal or county level where the leased property located within 30 days after its conclusion. If the landlords and tenants fail to go through the registration procedures, both landlords and tenants may be subject to fines. Where the provisions of these measures are violated, the competent construction (real estate) departments of the people's governments of the municipalities directly under the central government, cities and counties shall order the violators to make corrections within a specified time limit. Where the individual failed to make correction within the stipulated period, a fine of not more than RMB1,000 shall be imposed; where the organization failed to make correction within the stipulated period, a fine ranging from RMB1,000 to RMB10,000 shall be imposed.

Overseas Offering and Listings

On February 17, 2023, with the approval of the State Council, CSRC, released the Overseas Listing Trial Measures and five supporting guidelines, which became effective on March 31, 2023. According to the Overseas Listing Trial Measures, (1) domestic companies that seek to offer or list

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securities overseas, both directly and indirectly, should fulfill the filing procedure and report relevant information to the CSRC; if a domestic company fails to complete the filing procedure or conceals any material fact or falsifies any major content in its filing documents, such domestic company may be subject to administrative penalties, such as order to rectify, warnings, fines, and its controlling shareholders, actual controllers, the person directly in charge and other directly liable persons may also be subject to administrative penalties, such as warnings and fines; (2) if the issuer meets both of the following conditions, the overseas offering and listing shall be determined as an indirect overseas offering and listing by a domestic company (recognition with the principle of substance over form): (a) any of the total assets, net assets, revenues or profits of the domestic operating entities of the issuer in the most recent accounting year accounts for more than 50% of the corresponding figure in the issuer's audited consolidated financial statements for the same period; (b) its major operational activities are carried out in China or its main places of business are located in China, or the senior managers in charge of operation and management of the issuer are mostly Chinese citizens or are domiciled in China; and (3) where a domestic company seeks to indirectly offer and list securities in an overseas market, the issuer shall designate a major domestic operating entity responsible for all filing procedures with the CSRC, and where an issuer makes such application, in an overseas market, the issuer shall submit filings with the CSRC within three business days after such application is submitted.

The Overseas Listing Trial Measures also set forth the issuer's reporting obligations in the event of occurrence of material events (the "**Material Events**") after the Overseas Offering and Listing. The issuer shall submit a detailed report to the CSRC within three working days after the occurrence and public announcement of the relevant Material Event, including (1) changes in the controlling rights; (2) being subject to investigation, punishment or other measures by overseas securities regulatory authorities or the relevant authorities; (3) changing listing status or changing the listing board; and (4) voluntary or compulsory termination of listing. Besides, if any material change in the principal business and operation of the issuer after its Overseas Offering and Listing makes the issuer no longer within the scope of record-filing, the issuer shall submit a special report and a legal opinion issued by a PRC domestic law firm to the CSRC within three working days after the occurrence of the relevant change to provide an explanation of the relevant situation.

According to the Overseas Listing Trial Measures, the PRC domestic enterprises engaging in Overseas Offering and Listing activities shall strictly comply with the laws, administrative regulations, and relevant provisions of the PRC government on foreign investment, State-owned assets, industry regulation, overseas investment, etc., shall not disrupt domestic market order, and shall not harm national interests, public interest and the legitimate rights and interests of domestic investors. The PRC domestic enterprise that conducts Overseas Offering and Listing shall (1) formulate its articles of association, improve its internal control system and standardize its corporate governance, financial affairs and accounting activities in accordance with the PRC Company Law, the PRC Accounting Law and other PRC laws, administrative regulations and

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applicable provisions; and (2) abide by the legal system of the PRC on confidentiality and take necessary measures to implement the confidentiality responsibility, shall not divulge any state secret or the work secrets of state authorities, and shall also comply with laws, administrative regulations and the relevant provisions of the PRC where involved in the overseas provision of personal information and important data.

In addition, the Overseas Listing Trial Measures provides the circumstances where the Overseas Offering and Listing is explicitly prohibited, including the following situations: (1) such securities offering and listing is explicitly prohibited by provisions in laws, administrative regulations and relevant state rules; (2) the Overseas Offering and Listing may endanger national security as reviewed and determined by competent authorities under the State Council in accordance with law; (3) the PRC domestic enterprise, or its controlling shareholder(s) and the actual controller, have committed relevant crimes such as corruption, bribery, embezzlement, misappropriation of property or undermining the order of the socialist market economy during the latest three years; (4) the PRC domestic enterprise is currently under investigations for suspicion of criminal offenses or major violations of laws and regulations, and no conclusion has yet been made thereof; or (5) there are material ownership disputes over equity held by the controlling shareholder(s) or by other shareholder(s) that are controlled by the controlling shareholder(s) and/or actual controller.

On the same day, the CSRC also held a press conference for the release of the Overseas Listing Trial Measures and issued the Notice on Administration for the Filing of Overseas Offering and Listing by Domestic Companies (《關於境內企業境外發行上市備案管理安排的通知》), which, among others, clarify that (1) on or prior to the effective date of the Overseas Listing Trial Measures, domestic companies that have already submitted valid applications for overseas offering and listing but have not obtained approval from overseas regulatory authorities or stock exchanges may reasonably arrange the timing for submitting their filing applications with the CSRC, and must complete the filing before the completion of their overseas offering and listing; (2) a six-month transition period will be granted to domestic companies which, prior to the effective date of the Overseas Listing Trial Measures, have already obtained the approval from overseas regulatory authorities or stock exchanges (such as the completion of hearing in the market of Hong Kong or the completion of registration in the market of the United States), and which are not required to re-perform such regulatory procedures, but have not completed the indirect overseas listing; if domestic companies fail to complete the overseas listing within such six-month transition period, they shall file with the CSRC according to the requirements; and (3) the CSRC will solicit opinions from relevant regulatory authorities and complete the filing of the overseas listing of companies with contractual arrangements which duly meet the compliance requirements, and support the development and growth of these companies by enabling them to utilize two markets and two kinds of resources.

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Furthermore, on February 24, 2023, the CSRC, Ministry of Finance, National Administration of State Secrets Protection (國家保密局) and National Archives Administration of China (中華人民共和國國家檔案局) released the Provisions on Strengthening the Confidentiality and Archives Administration Related to the Overseas Securities Offering and Listing by Domestic Enterprises (《關於加強境內企業境外發行證券和上市相關保密和檔案管理工作的規定》), and which are not, which aims to expand the applicable scope of the regulation to indirect overseas offerings and listings by PRC domestic companies and emphasize the confidentiality and archive management duties of PRC domestic companies during the process of overseas offerings and listings. According to the Archives Rules, during an overseas offering and listing, if a domestic company needs to provide or publicly disclose to securities companies, securities service providers and overseas regulators, any materials that contain relevant state secrets, state agencies' work secrets or have an adverse impact on the national security or public interests, the domestic company shall complete the relevant filing and/or approval and other regulatory procedures.

M&A

On August 8, 2006, the MOFCOM, the State-owned Assets Supervision and Administration Commission, the SAT, the SAIC (currently known as the SAMR), the CSRC, and the SAFE jointly adopted the Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors, or the M&A Rules, which were amended by the MOFCOM on June 22, 2009. The M&A Rules require in some instances that the MOFCOM be notified in advance of any change-of-control transaction in which a foreign investor takes control of a PRC domestic enterprise where any of the following situations exist: (1) the transaction involves an important industry in China, (2) the transaction may affect national economic security, or (3) the PRC domestic enterprise has a well-known trademark or historical Chinese trade name in China. The M&A Rules, among other things, also require that (1) PRC entities or individuals obtain MOFCOM approval before they establish or control an SPV overseas, provided that they intend to use the SPV to acquire their equity interests in a PRC company at the consideration of newly issued share of the SPV, or Share Swap, and list their equity interests in the PRC company overseas by listing the SPV in an overseas market; (2) the SPV obtains MOFCOM's approval before it acquires the equity interests held by the PRC entities or PRC individual in the PRC company by Share Swap; and (3) the SPV obtains CSRC approval before it lists overseas.

The M&A Rules further require that the MOFCOM be notified in advance of any change-of-control transaction in which a foreign investor acquires control of a PRC domestic enterprise or a foreign company with substantial PRC operations, if certain thresholds under the Provisions on Thresholds for Prior Notification of Concentrations of Undertakings, issued by the State Council, are triggered. Moreover, the Anti-Monopoly Law promulgated by the SCNPC requires that transactions which are deemed concentrations and involve parties with specified turnover thresholds be cleared by the MOFCOM before they can be completed.

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On July 6, 2021, General Office of the State Council of the PRC together with another authority jointly promulgated the Opinions on Lawfully and Strictly Cracking Down Illegal Securities Activities, or the Securities Activities Opinions, which called for the enhanced administration and supervision of overseas-listed China-based companies, proposed to revise the relevant regulation governing the overseas issuance and listing of shares by such companies and clarified the responsibilities of competent domestic industry regulators and government authorities.

Foreign Currency Exchange

Pursuant to the Administrative Regulations of the People's Republic of China on Foreign Exchange (《中華人民共和國外匯管理條例》) (the “**Administrative Regulations on Foreign Exchange**”), promulgated by the State Council on January 29, 1996, effective on April 1, 1996 and last amended on August 5, 2008, Renminbi is freely convertible into other currencies for current account items, including the distribution of dividends, interest payments, trade and service-related foreign exchange transactions, but not for capital account items, such as direct investments, loans, repatriation of investments and investments in securities outside of China, unless prior approval is obtained from SAFE and prior registration with SAFE is made.

Pursuant to the Circular of SAFE on Further Improving and Adjusting Foreign Exchange Administration Policies for Direct Investment (《國家外匯管理局關於進一步改進和調整直接投資外匯管理政策的通知》) (the “**SAFE Circular No. 59**”) promulgated by SAFE on November 19, 2012, which became effective on December 17, 2012 and was further amended on May 4, 2015, October 10, 2018 and December 30, 2019, approval is not required for the opening of an account entry in foreign exchange accounts under direct investment. SAFE Circular No. 59 also simplified the capital verification and confirmation formalities for foreign invested entities, the foreign capital and foreign exchange registration formalities required for the foreign investors to acquire equities from Chinese party, and further improved the administration on exchange settlement of foreign exchange capital of foreign invested entities.

On March 30, 2015, SAFE promulgated the Circular 19 which was effective on June 1, 2015 and amended on December 30, 2019 and March 23, 2023. SAFE further promulgated the Circular 16 on June 9, 2016 and amended the Circular 16 on December 4, 2023, which, among other things, amends certain provisions of the Circular 19. According to the Circular 19 and the Circular 16, foreign-invested enterprises are allowed to settle 100% of their foreign exchange capitals and foreign debts from foreign currency into Renminbi on a discretionary basis, and the flow and use of the Renminbi capital converted from foreign currency denominated registered capital or foreign debt of a foreign-invested company is regulated such that Renminbi capital may not be used for business beyond its business scope or to provide loans to persons other than affiliates unless otherwise permitted under its business scope. Violations of the Circular 19 or Circular 16 could result in administrative penalties.

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In addition, SAFE promulgated the Circular on Printing and Distributing the Provisions on Foreign Exchange Administration over Domestic Direct Investment by Foreign Investors and the Supporting Documents (《關於印發〈外國投資者境內直接投資外匯管理規定〉及配套文件的通知》) in May 2013, which was amended on October 10, 2018 and December 30, 2019, and specifies that the administration by SAFE or its local branches over direct investment by foreign investors in the PRC shall be conducted by way of registration and banks shall process foreign exchange business relating to the direct investment in the PRC based on the registration information provided by SAFE and its branches.

On February 13, 2015, SAFE promulgated Notice of SAFE on Further Simplifying and Improving Policies for the Foreign Exchange Administration of Direct Investment (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》) (the “**Circular 13**”) which became effective on June 1, 2015 and was amended on December 30, 2019. The Circular 13 delegates the authority to enforce the foreign exchange registration in connection with the inbound and outbound direct investment under relevant SAFE rules to certain banks and therefore further simplifies the foreign exchange registration procedures for inbound and outbound direct investment.

On January 26, 2017, SAFE promulgated the Notice on Improving the Check of Authenticity and Compliance to Further Promote Foreign Exchange Control (《關於進一步推進外匯管理改革完善真實合規性審核的通知》) (the “**Circular 3**”) which stipulates several capital control measures with respect to the outbound remittance of profit from domestic entities to offshore entities, including (1) under the principle of genuine transaction, banks shall check board resolutions regarding profit distribution, the original version of tax filing records and audited financial statements; and (2) domestic entities shall hold income to account for previous years’ losses before remitting the profits. Moreover, pursuant to the Circular 3, domestic entities shall make detailed explanations of the sources of capital and utilization arrangements, and provide board resolutions, contracts and other proof when completing the registration procedures in connection with an outbound investment.

On October 23, 2019, SAFE issued Circular Regarding Further Promotion of the Facilitation of Cross-Border Trade and Investment (《國家外匯管理局關於進一步促進跨境貿易投資便利化的通知》), which was amended by Circular Regarding Further Deepening the Reform to Promote the Facilitation Cross-Border Trade and Investment (《國家外匯管理局關於進一步深化改革促進跨境貿易投資便利化的通知》) issued on December 4, 2023 pursuant to which all foreign-invested enterprises can make domestic equity investments with their capital funds in accordance with the applicable laws.

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Regarding the regulation of foreign exchange current account items, Administrative Regulations on Foreign Exchange stipulates that the foreign exchange receipts and payments under current account items shall be based on true and legitimate transactions, and financial institutions engaging in conversion and sale of foreign currencies shall, pursuant to the provisions of the foreign exchange control department of the State Council, carry out reasonable examination of the veracity of transaction documents and the consistency of the transaction documents and the foreign exchange receipts and payments.

Regulations on Foreign Exchange Registration of Overseas Investment by PRC Residents

On July 4, 2014, SAFE promulgated the Circular on Issues concerning Foreign Exchange Administration over the Overseas Investment and Financing and Round-trip Investment by Domestic Residents via Special Purpose Vehicles (《關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) (the “**Circular 37**”) for the purposes of simplifying the approval process, and for the promotion of the cross-border investment. The Circular 37 supersedes the Notice on Relevant Issues on the Foreign Exchange Administration of Raising Funds through Overseas Special Purpose Vehicle and Investing Back in China by Domestic Residents (《關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知》), and revises and regulates the relevant matters involving foreign exchange registration for round-trip investment. Under Circular 37, (1) a resident in mainland China must register with the local SAFE branch before he or she contributes assets or equity interests in an overseas special purpose vehicle (an “**Overseas SPV**”) that is directly established or indirectly controlled by the PRC resident for the purpose of conducting investment or financing; and (2) following the initial registration, PRC resident must update his or her SAFE registration when the Overseas SPV undergoes Material Events relating to any change of basic information (including change of such PRC citizens or residents, name and operation term, increases or decreases in investment amount, transfers or exchanges of shares, or mergers or divisions).

Pursuant to Circular 13, the aforementioned registration shall be directly reviewed and handled by qualified banks, and SAFE and its branches shall perform indirect regulation over the foreign exchange registration via qualified banks.

Failure to comply with the registration procedures set forth in the Circular 37 may result in restrictions being imposed on the foreign exchange activities of the relevant onshore company, including the payment of dividends and other distributions to its offshore parent or affiliate, and may also subject relevant PRC residents to penalties under PRC foreign exchange administration regulations. Moreover, failure to comply with the various SAFE registration requirements described above could result in liability under PRC law for evasion of foreign exchange controls.

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Outbound Investments by Enterprises

Pursuant to the Administrative Measures on Outbound Investments (《境外投資管理辦法》), which was promulgated by the MOFCOM on March 16, 2009, lastly amended on September 6, 2014 and effective on October 6, 2014, overseas investments of enterprises involving sensitive countries and regions and sensitive industries shall be subject to examination and approval by the competent department of commerce and other overseas investments of enterprises shall be subject to filing. The competent department of commerce shall carry out the administration of overseas investments of enterprises through the overseas investment administration system (境外投資管理系統), and issue to enterprises which have obtained filing or approval a Certificate of Overseas Investments of Enterprises (《企業境外投資證書》).

Pursuant to the Administrative Measures for the Outbound Investments by Enterprises (《企業境外投資管理辦法》) (the “**Enterprise Outbound Investments Measures**”) which was promulgated by the NDRC on December 26, 2017, and became effective on March 1, 2018, projects subject to approval are sensitive projects to be carried out by investors either directly or through overseas enterprises controlled thereby and the approval authority is NDRC. Projects subject to filing are non-sensitive projects directly carried out by investors.

Intellectual Property

Copyright and Software Product

Pursuant to the Copyright Law of the PRC (《中華人民共和國著作權法》) promulgated by the SCNPC on September 7, 1990 and lastly amended on November 11, 2020, and the Implementing Regulations of the Copyright Law of the PRC (《中華人民共和國著作權法實施條例》) promulgated by the State Council on August 2, 2002 and lastly amended on March 1, 2013, the PRC nationals, legal persons, and other organizations shall, enjoy copyright in their works, whether published or not, which include, among others, works of literature, art, natural science, social science, engineering technology and computer software.

In order to further implement the Computer Software Protection Regulations (《計算機軟件保護條例》) which were promulgated by the State Council and effective on October 1, 1991 and lastly amended on January 30, 2013, the National Copyright Administration of China issued the Computer Software Copyright Registration Procedures (《計算機軟件著作權登記辦法》) on February 20, 2002, which applies to software copyright registration, license contract registration and transfer contract registration. The National Copyright Administration of China shall be the competent authority for the nationwide administration of software copyright registration. And the Copyright Protection Center of China, or the CPCC is designated as the software registration

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authority. The CPCC shall grant registration certificates to the Computer Software Copyrights applicants which conform to the provisions of both the Computer Software Copyright Registration Measures and the Computer Software Protection Regulations.

Trademark

Registered trademarks are protected under the Trademark Law of the PRC (《中華人民共和國商標法》), which was promulgated by the SCNPC on August 23, 1982 and lastly amended on April 23, 2019, and the Implementation Regulation of the PRC Trademark Law (《中華人民共和國商標法實施條例》) which was promulgated by the State Council on August 3, 2002 and amended on April 29, 2014. Trademarks are registered with the Trademark office of National Intellectual Property Administration under the SAMR, formerly the Trademark Office of the SAMR. Where registration is sought for a trademark that is identical or similar to another trademark which has already been registered or given preliminary examination and approval for use in the same or similar category of commodities or services, the application for registration of this trademark may be rejected. Trademark registrations are effective for a renewable ten-year period, unless otherwise revoked.

Patent

According to the Patent Law of the PRC (《中華人民共和國專利法》) which were promulgated by the SCNPC on March 12, 1984 and lastly amended on October 17, 2020 and the revised version of which became effective on June 1, 2021 and the Implementation Regulation of the PRC Patent Law (《中華人民共和國專利法實施細則》) which were promulgated by the State Council on June 15, 2001, lastly amended on December 11, 2023 and became effective on January 20, 2024, the China National Intellectual Property Administration (the “CNIPA”) is responsible for administering patents in the PRC. The patent administration departments of provincial or autonomous regions or municipal governments are responsible for administering patents within their respective jurisdictions. The Patent Law of the PRC and its implementation rules provide for three types of patents, “invention,” “utility model” and “design.” Invention patents, design patents and utility model patents are valid respectively for 20 years, 15 years and 10 years, from the date of application. The Chinese patent system adopts a “first come, first file” principle, which means that where more than one person files a patent application for the same invention, a patent will be granted to the person who files the application first. To be patentable, invention or utility models must meet three criteria: novelty, inventiveness and practicability. A third-party player must obtain consent or a proper license from the patent owner to use the patent. Otherwise, the use constitutes an infringement of the patent rights.

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Domain Name

Internet domain name registration and related matters are primarily regulated by the Measures on Administration of Internet Domain Names (《互聯網域名管理辦法》) which were promulgated by the MIIT on August 24, 2017 and effective on November 1, 2017 and the Implementing Rules on the Registration of National Top-level Domain Names (《國家頂級域名註冊實施細則》) which were promulgated by China Internet Network Information Center and effective on June 18, 2019. Domain name owners are required to register their domain names, and the MIIT is in charge of the administration of PRC internet domain names. The domain name services follow a “first come, first file” principle. Applicants for registration of domain names shall provide their true, accurate and complete information of such domain names to and enter into registration agreements with domain name registration service institutions. The applicants will become the holders of such domain names upon the completion of the registration procedure.

Tax

Enterprise Income Tax

Pursuant to the EIT Law, which was promulgated by SCNPC on March 16, 2007, effective on January 1, 2008 and amended on February 24, 2017 and December 29, 2018, and the Implementation Rules on the EIT Law (《中華人民共和國企業所得稅法實施條例》), which was promulgated by the State Council on December 6, 2007, and effective on January 1, 2008, and amended on April 23, 2019, enterprises are classified into resident enterprises and non-resident enterprises. PRC resident enterprises typically pay an enterprise income tax at the rate of 25% while non-PRC resident enterprises without any branches in the PRC should pay an enterprise income tax in connection with their income from the PRC at the tax rate of 10%. According to the EIT Law, the EIT tax rate of a high and new technology enterprise is 15%. Pursuant to the Administrative Measures for the Recognition of High and New Technology Enterprises (《高新技術企業認定管理辦法》) which were promulgated by Ministry of Science and Technology, Ministry of Finance (the “MOF”) and the SAT on January 29, 2016 and effective on January 1, 2016, the Certificate of a High and New Technology Enterprise is valid for three years.

The Notice Regarding the Determination of Chinese-Controlled Offshore Incorporated Enterprises as People’s Republic of China Tax Resident Enterprises on the Basis of De Facto Management Bodies (《關於境外註冊中資控股企業依據實際管理機構標準認定為居民企業有關問題的通知》) promulgated by SAT on April 22, 2009, took effect on January 1, 2008, and amended on December 29, 2017, sets out the standards and procedures for determining whether the “de facto management body” of an enterprise registered outside of mainland China and controlled by mainland Chinese enterprises or mainland Chinese enterprise groups is located within mainland China.

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On July 27, 2011, the SAT issued a trial version of the Administrative Measures for Enterprise Income Tax of Chinese-Controlled Offshore Incorporated Resident Enterprises (《境外註冊中資控股居民企業所得稅管理辦法(試行)》), which came into effect on September 1, 2011 and was last amended on June 15, 2018, to clarify certain issues in the areas of resident status determination, post-determination administration and competent tax authorities' procedures.

The EIT Law and the implementation rules provide that an income tax rate of 10% will normally be applicable to dividends payable to investors that are “non-resident enterprises,” and gains derived by such investors, which (a) do not have an establishment or place of business in the PRC or (b) have an establishment or place of business in the PRC, but the relevant income is not effectively connected with the establishment or place of business to the extent such dividends and gains are derived from sources within the PRC. Such income tax on the dividends may be reduced pursuant to a tax treaty between China and other jurisdictions. Pursuant to the Double Tax Avoidance Arrangement promulgated by the SAT on August 21, 2006, and other applicable PRC laws, if a Hong Kong resident enterprise is determined by the competent PRC tax authority to have satisfied the relevant conditions and requirements under such Double Tax Avoidance Arrangement and other applicable laws, the 10% withholding tax on the dividends the Hong Kong resident enterprise receives from a PRC resident enterprise may be reduced to 5% upon receiving approval from in-charge tax authority. However, based on the Notice on Certain Issues with Respect to the Enforcement of Dividend Provisions in Tax Treaties (《關於執行稅收協定股息條款有關問題的通知》) which was promulgated and effective on February 20, 2009 by the SAT, if the relevant PRC tax authorities determine, in their discretion, that a company benefits from such reduced income tax rate due to a structure or arrangement that is primarily tax-driven, such PRC tax authorities may adjust the preferential tax treatment. The Circular 9 which was issued on February 3, 2018 by the SAT and effective on April 1, 2018 describes factors in favor of and factors not conducive to the determination of an applicant's status as a “beneficial owner.”

The Announcement of the State Administration of Taxation on Several Issues Concerning the Enterprise Income Tax on Indirect Property Transfer by Non-resident Enterprises (《國家稅務總局關於非居民企業間接轉讓財產企業所得稅若干問題的公告》) (the “**SAT Bulletin 7**”) issued by the SAT on February 3, 2015 and last amended on December 29, 2017, extends its tax jurisdiction to transactions involving the transfer of taxable assets through offshore transfer of a foreign intermediate holding company. Pursuant to SAT Bulletin 7, where a non-resident enterprise indirectly transfers properties such as equity in PRC resident enterprises without any justifiable business purposes and aiming to avoid the payment of enterprise income tax, such indirect transfer must be reclassified as a direct transfer of equity in PRC resident enterprise. To assess whether an indirect transfer of PRC taxable properties has reasonable commercial purposes, all arrangements related to the indirect transfer must be considered comprehensively and factors set forth in SAT

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Bulletin 7 must be comprehensively analyzed in light of the actual circumstances. In addition, SAT Bulletin 7 has introduced safe harbors for internal group restructurings and the purchase and sale of equity through a public securities market.

The Announcement of the State Administration of Taxation on Issues Concerning the Withholding of Non-resident Enterprise Income Tax at Source (《國家稅務總局關於非居民企業所得稅源泉扣繳有關問題的公告》) (the “**SAT Bulletin 37**”) issued by the SAT on October 17, 2017 and amended on June 15, 2018, further clarifies the practice and procedure of the withholding of non-resident enterprise income tax.

According to the EIT Law, the EIT Implementation Rules (the “**EITIR**”), Law of the PRC Concerning the Administration of Tax Collection (《中華人民共和國稅收徵收管理法》) and Detailed Rules for the Implementation of the Law of the PRC on the Administration of Tax Collection (《中華人民共和國稅收徵收管理法實施細則》), related party transactions should comply with the arm’s length principle and if the related party transactions fail to comply with the arm’s length principle and results in the reduction of the enterprise’s taxable income, the tax authority are entitled to make a special adjustment within 10 years from the taxpaying year when the non-compliant related party transaction had occurred. Pursuant to such laws and regulations, any company entering into related party transactions with another company shall submit an annual related party transactions reporting form* (年度關聯業務往來報告表) to the tax authority.

Value-added Tax and Business Tax

Before August 2013 and pursuant to applicable PRC tax regulations, any entity or individual conducting business in the service industry is generally required to pay a business tax at the rate of 5% on the revenue generated from providing services. However, if the services provided are related to technology development and transfer, the business tax may be exempted subject to approval by the relevant tax authorities.

On November 16, 2011, the MOF and the SAT promulgated the Pilot Plan for Imposition of Value- Added Tax to Replace Business Tax (《營業稅改徵增值稅試點方案》). According to the Proposal, the general VAT calculation method will in principle apply to the transportation industry, the construction industry, the post and telecommunication industry, the modern service industry, the culture and sports industry, and the sale of real property and the transfer of intangible assets.

In March 2016, the MOF and the SAT jointly issued the Circular on Comprehensively Promoting the Pilot Program of the Collection of Value-added Tax in Lieu of Business Tax (《關於全面推開營業稅改徵增值稅試點的通知》), which was further amended on July 11, 2017, December 25, 2017 and March 20, 2019. Upon approval of the State Council, the pilot program of the collection of value-added tax in lieu of business tax shall be promoted nationwide in a

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comprehensive manner as of May 1, 2016, and all taxpayers of business tax engaged in the construction industry, the real estate industry, the financial industry, etc. shall be included in the scope of the pilot program with regard to payment of value-added tax instead of business tax.

According to the Provisional Regulation on Value-added Tax of the People's Republic of China (《中華人民共和國增值稅暫行條例》) promulgated by the State Council on December 13, 1993 and amended on November 10 2008, February 6, 2016, and November 19, 2017, and the Detailed Implementation Rules of the Provisional Regulation of the People's Republic of China on Value-added Tax (《中華人民共和國增值稅暫行條例實施細則》) promulgated by MOF on December 25, 1993 and amended on December 15, 2008 and October 28, 2011 (collectively, the “**VAT Law**”), all taxpayers selling goods, providing processing, repairing or replacement services or importing goods within the PRC shall pay value-added tax. Unless provided otherwise, for general VAT taxpayers selling services and intangible assets, the value-added tax rate is 6%.

On April 4, 2018, MOF and SAT jointly promulgated the Circular of the Ministry of Finance and the State Administration of Taxation on Adjustment of Value-Added Tax Rates (《財政部、稅務總局關於調整增值稅稅率的通知》) (the “**Circular 32**”) according to which, (1) for VAT taxable sales or importation of goods originally subject to value-added tax rates of 17% and 11% respectively, such tax rates shall be adjusted to 16% and 10%, respectively; (2) for purchase of agricultural products originally subject to deduction rate of 11%, such deduction rate shall be adjusted to 10%; (3) for purchase of agricultural products for the purpose of production and sales or consigned processing of goods subject to tax rate of 16%, the input VAT will be calculated at a 12% deduction rate; (4) for exported goods originally subject to tax rate of 17% and export tax refund rate of 17%, the export tax refund rate shall be adjusted to 16%; and (5) for exported goods and cross-border taxable acts originally subject to tax rate of 11% and export tax refund rate of 11%, the export tax refund rate shall be adjusted to 10%. Circular 32 became effective on May 1, 2018 and shall supersede any previously existing provisions in the case of any inconsistency.

Further, On March 20, 2019, the MOF, the SAT and the General Administration of Customs jointly issued the Announcement on Policies for Deepening the VAT Reform (《關於深化增值稅改革有關政策的公告》) (the “**Announcement 39**”) to further slash value-added tax rates. According to the Announcement 39, (1) for general VAT payers' sales activities or imports that are subject to VAT at an existing applicable rate of 16% or 10%, the applicable VAT rate is adjusted to 13% or 9% respectively; (2) for the agricultural products purchased by taxpayers to which an existing 10% deduction rate is applicable, the deduction rate is adjusted to 9%; (3) for the agricultural products purchased by taxpayers for production or commissioned processing, which are subject to VAT at 13%, the input VAT will be calculated at a 10% deduction rate; (4) for the exportation of goods or labor services that are subject to VAT at 16%, with the applicable export refund at the same rate, the export refund rate is adjusted to 13%; and (5) for the exportation of goods or cross-border

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taxable activities that are subject to VAT at 10%, with the export refund at the same rate, the export refund rate is adjusted to 9%. The Announcement 39 came into effect on April 1, 2019 and shall prevail in case of any conflict with existing provisions.

Dividend Withholding Tax

Pursuant to the EIT Law and its implementation rules, if a non-resident enterprise has not set up an organization or establishment in the PRC, or has set up an organization or establishment in the PRC but the income derived has no actual connection with such organization or establishment in the PRC, it will be subject to a withholding tax on its PRC-sourced income at a rate of 10%. Pursuant to the Double Tax Avoidance Arrangement, the withholding tax rate in respect to the payment of dividends by a PRC enterprise to a Hong Kong enterprise is reduced to 5% from a standard rate of 10% if the Hong Kong enterprise directly holds at least 25% of the PRC enterprise. Pursuant to the Notice of the State Administration of Taxation on the Issues concerning the Application of the Dividend Clauses of Tax Agreements (《國家稅務總局關於執行稅收協定股息條款有關問題的通知》) (the “**Circular 81**”), if the relevant PRC tax authorities determine, in their discretion, that a company benefits from such reduced income tax rate due to a structure or arrangement that is primarily tax-driven, such PRC tax authorities may adjust the preferential tax treatment. Furthermore, the SAT issued the Announcement of State Taxation Administration on Promulgation of the Administrative Measures on Non-resident Taxpayers Enjoying Treaty Benefits (《國家稅務總局關於發布〈非居民納稅人享受協定待遇管理辦法〉的公告》) (the “**SAT Circular 35**”) on October 14, 2019, which became effective on January 1, 2020. According to the SAT Circular 35, no approvals from the tax authorities are required for a non-resident taxpayer to enjoy treaty benefits, where a non-resident taxpayer self-assesses and concludes that it satisfies the criteria for claiming treaty benefits, it may enjoy treaty benefits at the time of tax declaration or at the time of withholding through the withholding agent, but it shall gather and retain the relevant materials as required for future inspection, and accept follow-up administration by the tax authorities. There are also other conditions for enjoying the reduced withholding tax rate according to other relevant tax rules and regulations. According to the Circular 9, when determining the applicant’s status of the “beneficial owner” regarding tax treatments in connection with dividends, interests or royalties in the tax treaties, several factors, including without limitation, whether the applicant is obligated to pay more than 50% of its income in twelve months to residents in third country or region, whether the business operated by the applicant constitutes the actual business activities, and whether the counterparty country or region to the tax treaties does not levy any tax or grant tax exemption on relevant incomes or levy tax at an extremely low rate, will be taken into account, and it will be analyzed according to the actual circumstances of the specific cases. The Circular 9 further provides that applicants who intend to prove his or her status of the “beneficial owner” shall submit the relevant documents to the relevant tax bureau according to the Administrative Measures on Non-resident Taxpayers Enjoying Treaty Benefits.

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Employment and Social Welfare

The Labor Contract Law

Pursuant to the PRC Labor Law (《中華人民共和國勞動法》) which was promulgated by the SCNPC on July 5, 1994, effective on January 1, 1995 and amended on August 27, 2009 and December 29, 2018, the PRC Labor Contract Law (《中華人民共和國勞動合同法》) which was promulgated by the SCNPC on June 29, 2007, effective on January 1, 2008 and amended on December 28, 2012, and the Implementing Regulations of the Employment Contracts Law (《中華人民共和國勞動合同法實施條例》) which were promulgated by the State Council and effective on September 18, 2008, labor relationships between employers and employees must be executed in written form. Wages may not be lower than the local minimum wage. Employers must establish a system for labor safety and sanitation, strictly abide by state standards and provide relevant education to its employees. Employees are also required to work in safe and sanitary conditions.

Social Insurance and Housing Fund

Under PRC laws, rules and regulations, including the Social Insurance Law (《中華人民共和國社會保險法》) which was promulgated by the State Council on October 28, 2010, effective on July 1, 2011 and amended on December 29, 2018, the Interim Regulations on the Collection and Payment of Social Security Funds (《社會保險費徵繳暫行條例》) which were promulgated by the State Council and effective on January 22, 1999 and amended on March 24, 2019, and the Regulations on the Administration of Housing Accumulation Funds (《住房公積金管理條例》) which were promulgated by the State Council, effective on April 3, 1999 and amended on March 24, 2002 and March 24, 2019, employers are required to contribute, on behalf of their employees, to a number of social security funds, including funds for basic pension insurance, unemployment insurance, basic medical insurance, occupational injury insurance, maternity leave insurance and housing accumulation funds. These payments are made to local administrative authorities and any employer who fails to contribute may be fined and ordered to pay the deficit amount.

Cybersecurity, Information Security, Privacy and Data

According to Decision of the SCNPC on Preserving Computer Network Security (《全國人大常委會關於維護互聯網安全的決定》) adopted on December 28, 2000 and amended on August 27, 2009, anyone commits crimes through internet, like spreading computer viruses to attack the computer system and the communications network, making use of the internet to spread rumors, libels to split the country and undermine unification of the State, infringing on citizens' freedom and privacy of correspondence, shall be subject to criminal responsibility.

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On 13 December 2005, the Ministry of Public Security issued the Regulations on Technological Measures for Internet Security Protection (《互聯網安全保護技術措施規定》), which took effect on 1 March 2006. These regulations require Internet service providers to adopt proper measures including anti-virus, data back-up and other related measures, and to keep records of certain information about their users for at least 60 days, and detect illegal information, stop transmission of such information, and keep relevant records.

Pursuant to the Ninth Amendment to the PRC Criminal Law (《中華人民共和國刑法修正案(九)》) issued by the SCNPC on August 29, 2015 and came into effect on November 1, 2015, any network service provider that fails to fulfill the obligations related to internet information security administration as required by applicable laws and refuses to rectify upon orders, will be subject to criminal liability for causing (i) any dissemination of illegal information in large scale; (ii) any leakage of the users' information with serious consequences; (iii) any loss of evidence of criminal activities with serious circumstances; or (iv) any other serious circumstances. In addition, any individual or entity that (i) sells or provides personal information to others unlawfully, or (ii) steals or illegally obtains any personal information, will be subject to criminal liability in serious circumstances.

On 8 May 2017, the Supreme People's Court and the Supreme People's Procuratorate released the Interpretations of the Supreme People's Court and the Supreme People's Procuratorate on Several Issues Concerning the Application of Law in the Handling of Criminal Cases Involving Infringement of Citizens' Personal Information (《最高人民法院、最高人民檢察院關於辦理侵犯公民個人信息刑事案件適用法律若干問題的解釋》) (the “**Interpretations**”), which came into effect on June 1, 2017. The Interpretations clarify several concepts regarding the crime of “infringement of citizens' personal information” stipulated by Article 253A of the PRC Criminal Law (《中華人民共和國刑法》), including “citizens' personal information”, “violation of relevant national provisions”, “provision of citizens' personal information” and “illegally obtaining any citizens' personal information by other methods”. In addition, the Interpretations specifies the standards for determining “serious circumstances” and “particularly serious circumstances” of this crime.

The PRC Cyber Security Law (《中華人民共和國網絡安全法》) (the “**Cyber Security Law**”), which was promulgated by the SCNPC on November 7, 2016 and came into effect on June 1, 2017, provides that China adopts a multi-level protection scheme, under which a network operator is required to perform obligations of security protection to ensure that the network is free from interference, disruption or unauthorized access, and prevent network data from being disclosed, stolen or tampered. The Cyber Security Law emphasizes that any individuals and organizations that use networks must not endanger network security or use networks to engage in unlawful activities such as those endangering national security, economic order and social order or infringing the reputation, privacy, intellectual property rights and other lawful rights and interests

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of others. The Cyber Security Law has also reaffirmed certain basic principles and requirements on personal information protection previously specified in other existing laws and regulations, including those described above. Any violation of the provisions and requirements under the Cyber Security Law may subject a network operator to warnings, fines, confiscation of illegal gains, revocation of licenses, cancelation of filings, closedown of websites or even criminal liabilities.

On October 21, 2019, the Supreme People's Court and the Supreme People's Procuratorate jointly issued the Interpretations on Certain Issues Regarding the Applicable of Law in the Handling of Criminal Case Involving Illegal Use of Information Networks and Assisting Committing Internet Crimes (《最高人民法院、最高人民檢察院關於辦理非法利用信息網絡、幫助信息網絡犯罪活動等刑事案件適用法律若干問題的解釋》), which came into effect on November 1, 2019, and further clarifies the meaning of internet service operators and the serious circumstance of the relevant crimes. Failure to comply with the above laws and regulations regarding cybersecurity, information security, privacy and data protection may subject the internet service providers or data handlers to administrative penalties including, without limitation, warnings, fines, suspension of business operation, shut-down of websites or apps, revocation of licenses and even criminal liabilities.

On 28 May 2020, the National People's Congress of the People's Republic of China (the "NPC") promulgated the Civil Code of the PRC (《中華人民共和國民法典》) (the "**Civil Code**"), which came into effect on January 1, 2021. Pursuant to the Civil Code, the personal information of a natural person shall be protected by the law. Any organization or individual that needs to obtain personal information of others shall obtain such information legally and ensure the security of such information, and shall not illegally collect, use, process or transmit personal information of others, or illegally purchase, sell, provide, or make public personal information of others.

The PRC Data Security Law (《中華人民共和國數據安全法》) (the "**Data Security Law**") was promulgated by the SCNPC on June 10, 2021, and came into effect on September 1, 2021. The Data Security Law requires the data handler to establish and improve a whole-process data security management system, organize data security education and training, and adopt corresponding technical measures and other necessary measures to safeguard data security. Any violation of the provisions and requirements under the Data Security Law may subject a data handler to rectifications, warnings, fines, suspension of the related business, revocation of licenses or even criminal liabilities.

The Administrative Provisions on Security Vulnerability of Network Products (《網絡產品安全漏洞管理規定》) (the "**Provisions**") was jointly promulgated by the MIIT, the Cyberspace Administration of China ("CAC") and the Ministry of Public Security on July 12, 2021 and became effective on September 1, 2021. Network product providers, network operators as well as organizations or individuals engaging in the discovery, collection, release and other activities of

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network product security vulnerability are subject to the Provisions and shall establish channels to receive information of security vulnerability of their respective network products and shall examine and fix such security vulnerability in a timely manner. In response to the Cyber Security Law, network product providers are required to report relevant information of security vulnerability of network products with the MIIT within two days and to provide technical support for network product users. Network operators shall adopt measures to examine and fix security vulnerability after discovering or acknowledging that their networks, information systems or equipment have security loopholes. According to the Provisions, the breaching parties may be subject to monetary fine as regulated in accordance with the Cyber Security Law. Since the Provisions is relatively new, uncertainties still exist in relation to its interpretation and implementation.

The PRC Personal Information Protection Law (《中華人民共和國個人信息保護法》) (the “**Personal Information Protection Law**”) was promulgated by the SCNPC on August 20, 2021 and came into effect on November 1, 2021. As the first systematic and comprehensive law specifically for the protection of personal information in the PRC, the Personal Information Protection Law requires, among others, that (i) the processing of personal information should have a clear and reasonable purpose which should be directly related to the processing purpose, in a method that has the least impact on personal rights and interests, and (ii) the collection of personal information should be limited to the minimum scope necessary to achieve the processing purpose to avoid the excessive collection of personal information. Entities handling personal information shall bear responsibilities for their personal information handling activities, and adopt necessary measures to safeguard the security of the personal information they handle. Any violation of the provisions and requirements under the Personal Information Protection Law may subject a personal information handler to rectifications, warnings, fines, suspension of the related business, revocation of licenses, being entered into the relevant credit record or even criminal liabilities.

In addition, on November 14, 2021, the Administration Regulations on Cyber Data Security (Draft for Comments) (《網絡數據安全管理條例(徵求意見稿)》) (the “**Cyber Data Security Draft**”) was proposed by the CAC for public comments until December 13, 2022. The Cyber Data Security Draft reiterates that data handlers which process the personal information of at least one million users must apply for a cybersecurity review if they plan listing of companies in foreign countries, and the Cyber Data Security Draft further requires the data handlers that carry out the following activities to apply for cybersecurity review in accordance with the relevant laws and regulations: (i) the merger, reorganization or division of internet platform operators that have gathered a large number of data resources related to national security, economic development and public interests affects or may affect national security; (ii) the listing of the data handler in Hong Kong affects or may affect the national security; and (iii) other data processing activities that affect or may affect national security. However, the Cyber Data Security Draft provides no further explanation or interpretation as to how to determine what “may affect national security”. As of the

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date of this Listing Document, there is no schedule as to when the Cyber Data Security Draft will be enacted. Substantial uncertainties exist with respect to its enactment timetable, final content, interpretation and implementation.

Pursuant to the Measures for the Security Assessment of Outbound Data (《數據出境安全評估辦法》), which were promulgated on July 7, 2022, and came into effect on September 1, 2022 by the CAC, to provide data abroad, a data handler falling under any of the following circumstances shall, through the local cyberspace administration at the provincial level, apply to CAC for security assessment of outbound data: (i) where a data handler provides critical data abroad; (ii) where a critical infrastructure operator or a data handler processing the personal information of more than one million people provides personal information abroad; (iii) where a data handler has provided personal information of 100,000 individuals or sensitive personal information of 10,000 individuals in total abroad since January 1 of the previous year; and (iv) other circumstances prescribed by the CAC for which application for security assessment for outbound data transfers is required.

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

HONG KONG

Import and Export

The Import and Export Ordinance (Chapter 60 of the Laws of Hong Kong) (the “**IEO**”) provides for the regulation and control of the import and export of articles into and from Hong Kong, along with the handling and carriage of such articles.

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Under Section 6C of the IEO, no person shall import any article prescribed in Schedule 1 of the Import and Export (General) Regulations (Chapter 60A of the Laws of Hong Kong) (the “**IER**”) except under and in accordance with an import license. Under Section 6D of the IEO, no person shall export any article specified in the second column of Schedule 2 of the IER except under and in accordance with an export license issued by the Director-General of Trade and Industry. Such import and export licenses are issued under Section 3 of the IEO.

Under Regulations 4 and 5 of the Import and Export (Registration) Regulations (Chapter 60E of the Laws of Hong Kong), any person who imports or exports any article other than an exempted article shall lodge an accurate and complete import or export declaration relating to such article using services provided by a specified body with the Commissioner of Customs and Excise (the “**Commissioner**”). Exempted articles include transshipment cargo, transit cargo, articles for personal use or gifts. The declaration must follow the requirements that the Commissioner may specify and lodged within 14 days of such import or export. Any person who is required to lodge an import or export declaration but fails to do so without reasonable excuse shall be liable on summary conviction to a fine of HK\$2,000, and, commencing on the day following the date of conviction, to a fine of HK\$100 in respect of every day the declaration is still not lodged.

Competition Ordinance (Chapter 619 of the Laws of Hong Kong)

The Competition Ordinance came into force on 14 December 2015. It prohibits and deters undertakings in all sectors from adopting anti-competitive conduct which has the object or effect of preventing, restricting or distorting competition in Hong Kong through the first and second conduct rule applying to all sectors and mergers rule which prohibits anti-competitive mergers and acquisitions involving carrier licensees under the Telecommunications Ordinance (Chapter 106 of the Laws of Hong Kong). The first conduct rule prohibits undertakings from making or giving effect to agreements or decisions or engaging in concerted practices that have as their object or effect of preventing, restricting or distorting of competition in Hong Kong. The second conduct rule prohibits a business with substantial market power from abusing that power by engaging in conduct that has as its object or effect of preventing, restricting or distorting of competition in Hong Kong.

Upon breach, the Competition Tribunal may impose penalties including pecuniary penalties, awards of damages, disqualification orders, prohibition orders and other orders on the offenders. If a pecuniary penalty is to be imposed, the maximum amount of such pecuniary penalty imposed is 10% of the turnover of the company concerned for up to three years in which the contravention occurs.

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Tax

The Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong) (the “**IRO**”) is an ordinance enacted for the purposes of imposing taxes on property, earnings and profits in Hong Kong.

The IRO provides, among other things, that profits tax shall be charged on every person carrying on a trade, profession or business in Hong Kong in respect of his or her assessable profits arising in or derived from Hong Kong for a year of assessment commencing on or after 1 April 2018, at the rate of 8.25% on any part of assessable profits up to HK\$2,000,000, and that of 16.5% on any part of assessable profits over HK\$2,000,000 for corporate taxpayers. The IRO also contains detailed provisions relating to, among other things, permissible deductions for outgoings and expenses, set-offs for losses and allowances for depreciations of capital assets.

Transfer Pricing

Section 20A of the IRO gives the Inland Revenue Department of Hong Kong (the “**IRD**”) a wide range of powers to collect tax due from non-residents. The IRD may also make transfer pricing adjustments by disallowing expenses incurred by Hong Kong residents under sections 16(1) and 17(1)(b) of the IRO and may also make additional assessments under section 60 of the IRO. The IRD may also challenge the entire arrangement under general anti-avoidance provisions according to sections 61 and 61A of the IRO.

The Inland Revenue (Amendment) (No. 6) Ordinance 2018 (the “**Amendment Ordinance**”) codifies the transfer pricing principles in relation to how the pricing for the supply of goods and services between associated parties should be determined and implemented, including, amongst others, the arm’s length principle for provision between associated persons, the separate enterprises principle for attributing income or loss of non-Hong Kong resident person, and the three-tier transfer pricing documentation relating to the master file, local file and country-by-country reporting. Departmental Interpretation and Practice Notes Nos. 45, 46, 48, 58, 59 and 60 issued by IRD set out its interpretations and practices in relation to transfer pricing and related issues.

Pursuant to the Amendment Ordinance, a person who have a Hong Kong tax advantage if taxed on the basis of a non-arm’s length provision (“**advantaged person**”) will have income adjusted upwards or loss adjusted downwards. Section 50AAF of the IRO stipulates that the advantaged person’s income or loss is to be computed as if arm’s length provision had been made or imposed instead of the actual provision. If the advantaged person fails to prove to the satisfaction of the assessor of the IRD that the person’s income or loss as stated in the person’s tax return is the arm’s length amount, the assessor of the IRD must estimate an amount as the arm’s

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length amount and, taking into account the estimated amount (a) make an assessment or additional assessment on the person; or (b) issue a computation of loss, or revise a computation of loss resulting in a smaller amount of computed loss, in respect of that person.

In this regard, we have engaged an independent transfer pricing consultant, (the “**Transfer Pricing Consultant**”), which is an international professional accounting firm, to review our transfer pricing arrangements from an arm’s length compliance perspective. Our Transfer Pricing Consultant is of the view that the related party transactions are conducted on arms’ length basis and as a result, did not appear to create any challenge by the relevant tax authorities in our transfer pricing policy for the relevant years from the respective regulatory framework perspective.

Part 9A of the IRO sets out the statutory provisions in relation to requisite transfer pricing documentation in Hong Kong, which require the preparation of country-by-country report, master file and local file if the Group meets certain thresholds.

In terms of country-by-country report obligation, our Group is currently below the threshold for reporting requirement. Further, our Group should not have master file or local file obligation in Hong Kong during the Track Record Period as the Hong Kong subsidiaries fall below the thresholds in terms of revenue, assets and number of employees. Our Group will comply with such obligations when they become applicable.

UNITED STATES

Foreign Investments

Foreign companies may directly invest in U.S. businesses and companies.

Employment

In certain states of the United States in which the U.S. entity have employees, the general rule is of employment at-will. Generally, absent a written employment contract to the contrary, an employee’s period of employment and/or other terms and conditions of employment can be terminated or modified at any time, for any reason or no reason (as long as such reason is not one of discrimination, harassment, retaliation, or other prohibited reason), with or without advanced notice. Absent a written employment contract to the contrary, severance pay is also not required by applicable federal or state laws.

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In the United States, certain employment laws also regulate other aspects of the employer-employee relationship and workplace activities. Federal, state and local laws often differ, with many state and local rules adding more stringent and employee-friendly requirements beyond those required under federal law. Among the aspects of the employer-employee relationship subject to applicable law are hours of work, minimum wages, worker classification, overtime wages for exceeding a set number of hours per week, immigration, equal employment opportunity and fair employment practices, prohibitions against discrimination, harassment, and retaliation, equal pay, employee benefits, mass layoffs, leave entitlements, collective bargaining, occupational safety and health, workers' compensation, unemployment benefits, and affirmative action. Key federal agencies responsible for the enforcement of these laws include the United States Department of Labor (“**DOL**”), the Equal Employment Opportunity Commission (“**EEOC**”), the National Labor Relations Board (“**NLRB**”), and the Immigration and Customs Enforcement (“**ICE**”) division of the Department of Homeland Security. Among the major such laws are:

- **Wage and Hour Laws.** The federal Fair Labor Standards Act of 1938 (“**FLSA**”) establishes standards for minimum wages, overtime, child labor, and employer recordkeeping. FLSA does not limit an employee’s work hours, but it does require covered workers who work more than forty (40) hours in a week to be paid at least 1½ times the regular rate of pay for hours worked in excess of 40 hours per week. Several states, such as California, set additional minimum wage, overtime, and double time requirements, and other conditions of employment, such as mandatory and timely meal periods and rest breaks, that exceed the federal standards. Likewise, New Jersey has also set a higher minimum wage for most employees.
- **Discrimination, Harassment, Retaliation, and Related Laws.** Title VII of the Civil Rights Act of 1964 (“**Title VII**”), along with several other similar federal laws enforced by the EEOC and the regulations adopted pursuant to those laws, protect employees from unlawful discrimination, harassment, and/or retaliation by covered employers based on legally protected classes such as race, color, sex, pregnancy or pregnancy-related conditions, religion, national origin, age, protected disability, or genetic information. States such as California and New Jersey additionally prohibit discrimination on the basis of sexual orientation, gender identity, gender expression, marital status, military or veteran status, and other characteristics. The federal Equal Pay Act of 1963 (“**EPA**”) makes it illegal to pay different wages to men and women if they perform equal work as deemed equal under the law in the same workplace. Many of these laws also make it illegal to retaliate against a person because the person complained about discrimination, filed a charge of discrimination, or participated in an employment discrimination investigation or lawsuit. Several states also set their own legally protected classes and other protections that may mirror or exceed the federal standards.

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- **Unpaid/Paid Leave Periods.** Employers who are covered by the federal Family and Medical Leave Act of 1993 (“**FMLA**”) or a state-law equivalent of the FMLA, including companies with 50 or more employees, are required to provide up to 12 weeks of unpaid, job-protected leave to eligible employees for the birth or adoption of a child or for the serious illness of the employee or a spouse, child or parent, or other qualifying events. Some states in which our Company has employees may have different requirements pertaining to FMLA, paid sick, or school-related parental leave for employees who are eligible for such leave or benefits. Many states also grant additional paid and unpaid job-protected leave for eligible employees experiencing pregnancy disability, childbirth or new child bonding, or related medical conditions.
- **Occupational Health and Safety.** The Occupational Safety and Health Act of 1970 (“**OSHA**”) and similar statutes and regulations adopted by the states and other local entities that concern occupational health and safety. For instance, California has enacted additional state-wide OSHA statutes and regulations that expand on federal OSHA requirements.
- **Collective Bargaining Laws.** The federal National Labor Relations Act of 1935 (“**NLRA**”) states and defines the rights of employees to organize and to bargain collectively with their employers through representatives of their own choosing or not to do so. To ensure that employees can freely choose their own representatives for the purpose of collective bargaining, or choose not to be represented, the NLRA establishes a procedure by which employees can exercise rights under the NLRA or establish workplace unions. Further, to protect the rights of employees and employers, and to prevent labor disputes that would adversely affect the rights of the public, the NLRA defines and prohibits certain practices of employers and unions as unfair labor practices.
- **U.S. Employment Eligibility Verification Laws.** The Immigration Reform and Control Act of 1986 (“**IRCA**”) prohibits covered employers from hiring or referring individuals who are not legally authorized to work in the United States. Employers are also required to verify and document the identity and employment authorization of new employees, and make all job offers contingent on such verification.
- **Layoffs/Plant Closings.** Employers who are covered by the federal Worker Adjustment and Retraining Notification Act of 1988 (“**WARN**”), generally those with 100 or more employees, or state-law equivalents of the WARN Act may be required to provide employees with early warning of impending layoffs or plant closings, in some cases, with sixty (60) days’ advance notice of such qualifying events.

REGULATORY OVERVIEW

- **Workers' Compensation for Job-Related Injuries.** There is no federal law applicable to private employers which mandates compensation paid to employees for job-related injuries or illnesses. States have adopted their own workers' compensation programs which may require employers to provide job modifications or alternative assignments, wage or income replacement benefits, or other payments for job-related injuries, illnesses, or death.
- **Benefit Plans.** The federal Employee Retirement Income Security Act of 1974 ("ERISA") regulates employers who offer pension or welfare benefit plans for their employees.
- **Affordable Care Act and Employer Mandates.** Under the Affordable Act ("ACA"), as of 2015, certain employers may be assessed penalties for failing to offer minimum essential coverage to full-time employees and their dependents, or for offering eligible employer-sponsored coverage that is not affordable or does not provide minimum value, as defined under implementing guidance. Under the ACA, employers subject to the employer mandate (those that employed, on average, at least 50 full-time employees on business days during the prior year) must report detailed information to the IRS concerning whether they offered coverage to employees, and, if so, additional information about the coverage.

Tax

- **Income Taxes.** The U.S. entity will be subject to U.S. federal income tax on their worldwide income. They will also be subject to, and required to file income tax returns, in the states where they operate. This will most certainly include California and New Jersey but may also include other states. Currently, corporations are taxed at a rate of 21% for U.S. federal income tax purposes. State tax rates vary, but taxes paid to states for taxes are deductible for U.S. federal income tax purposes. As U.S. corporations, the U.S. entity will be required to file a Form 1120 (either separately, or potentially collectively) annually. U.S. entity that is owned by a non-US owner, in certain years depending on intercompany transactions, may also need to file Forms 5472 to be included with the Form(s) 1120. In addition, the U.S. entity will have withholding requirements, at both a U.S. federal and state level, for amounts paid to their employees as well as responsibility for employer portions of U.S. federal payroll taxes.
- **Distributions.** Shareholder of the U.S. entity, may be subject to tax withholdings by the IRS for dividend distributions, as such payments are made to a non-U.S. person. The U.S. entity will be responsible for such withholdings and related filings as the "withholding agent".

HISTORY AND CORPORATE STRUCTURE

HISTORY OF OUR BUSINESS

The history of our business can be traced back to March 2014 when Shenzhen EDA, our key operating subsidiary, was founded by Mr. Liu Yong (our executive Director, the chairman of our Board and a controlling shareholder of our Group) with two Independent Third Parties in order to provide B2C export e-commerce supply chain solutions to e-commerce participants in the PRC.

Mr. Liu Yong has nearly 10 years of experience in the B2C export e-commerce supply chain solutions industry, and over 21 years of managerial experience in the technology sector. See “Directors and Senior Management” for further details of Mr. Liu Yong’s background and experience.

Lesso initially invested in Shenzhen EDA in 2020 and later acquired control over our Company in 2021. Prior to its initial investment, Lesso had already established its supply chain service platform business, a transnational platform tailor-made by Lesso for manufacturers based in the PRC engaged in the manufacturing of building materials and home improvement and consumer goods to penetrate overseas markets. In consideration of its potential, Lesso sought to acquire an interest in Shenzhen EDA in 2020. Subsequently in 2021, in light of Shenzhen EDA’s solid financial performance, Lesso decided to acquire control over our Group.

Following various share transfers since the establishment of Shenzhen EDA and immediately before the investments by Lesso in Shenzhen EDA as described below, in January 2020, the ownership structure of Shenzhen EDA was as follows:

Shareholder	Equity Interest	
	(RMB)	(%)
Mr. Liu Yong (劉勇) ⁽¹⁾	3,500,000	66.5
Mr. Zhang Jian (張健) ⁽²⁾	500,000	9.5
Zhongshang Dingnuo Enterprise Management Centre (Limited Partnership) (中山市鼎諾企業管理中心(有限合夥)) (“ Zhongshan Dingnuo ”) ⁽³⁾	500,000	9.5
Zhongshan Leda Enterprise Management Center (Limited Partnership) (中山市樂達企業管理中心(有限合夥)) (“ Zhongshan Leda ”) ⁽³⁾	500,000	9.5
Mr. Xiang Zhikang (向志康) ⁽⁴⁾	263,158	5.0

Notes:

(1) Mr. Liu Yong is our executive Director, the chairman of our Board and a controlling shareholder of our Group.

HISTORY AND CORPORATE STRUCTURE

- (2) Mr. Zhang Jian held his entire equity interest in Shenzhen EDA on behalf of Mr. Zhang Yunqing. The arrangement was devised for ease of administration regarding corporate actions of Mr. Zhang Yunqing's equity interest in Shenzhen EDA as Mr. Zhang Yunqing was based outside of the PRC. Mr. Zhang Jian is based in the PRC and is the brother of Mr. Zhang Yunqing. As of the Latest Practicable Date, the arrangement had ceased.
- (3) Each of Zhongshan Dingnuo and Zhongshan Leda is a limited partnership incorporated in the PRC, and is controlled by its executive partner, Mr. Liu Yong, our executive Director, the chairman of our Board and a Controlling Shareholder of our Group. The executive partner of Zhongshan Dingnuo is Mr. Liu Yong, and its limited partners are Mr. Song Kai, Ms. Lu Rong, Mr. Zhao Kaijie, Mr. Xu Bisheng, Mr. Shi Xuejin and Ms. Li Qin, our executive Director. Each of Ms. Lu Rong and Mr. Xu Bisheng is an employee of our Group. Each of Mr. Song Kai, Mr. Zhao Kaijie and Mr. Shi Xuejin is a former employee and an Independent Third Party of our Group. The executive partner of Zhongshan Leda is Mr. Liu Yong and its limited partner is Mr. Zhang Yunqing, our Shareholder.
- (4) Mr. Xiang Zhikang is an Independent Third Party of our Group.

For further details of the shareholding changes of Shenzhen EDA prior to the initial investment by Lesso, see “— Our Principal Operating Subsidiaries — 3. Shenzhen EDA” in this section.

Initial investment by Lesso

In February 2020, Lesso subscribed for and paid up an increased registered capital of Shenzhen EDA of approximately RMB1.1 million at a consideration of RMB20.0 million via capital injection by EDAHK. The consideration was determined after arms' length negotiations between the parties with reference to the profitability and growth prospects of Shenzhen EDA, and was fully paid in cash. Immediately after such capital increase, the registered capital of Shenzhen EDA was increased from approximately RMB5.2 million to approximately RMB6.3 million. At the relevant time, EDAHK was wholly owned by LS DiDi, which was in turn owned as to 51.0% by Samanea, an indirect wholly-owned subsidiary of Lesso, as to 21.9% by QCZC Group Limited, as to 15.9% by QCJJ Group Limited and as to 11.2% by QCBM Group Limited. Samanea was an indirect wholly-owned subsidiary of Lesso. QCZC Group Limited and QCJJ Group Limited are wholly owned by Ms. Tang Jia Jia, a director of four subsidiaries of Samanea, namely LS DiDi, Guangdong Qicheng Information Technology Co., Ltd, Guangzhou LS DiDi Technology Co., Ltd and Treasure Pathway Limited. QCBM Group Limited is wholly owned by Mr. Qian Yu Cheng, a director of each of LS DiDi and Guangdong Qicheng Information Technology Co., Ltd, both of which are subsidiaries of Samanea.

In the same month, EDAHK acquired further equity interest of approximately 5.0% in Shenzhen EDA from Mr. Xiang Zhikang (向志康) at a consideration of RMB5 million. Mr. Xiang is an Independent Third Party of our Group. The consideration was determined after arms' length negotiations between the parties with reference to the profitability and growth prospects of Shenzhen EDA, and was fully paid in cash.

HISTORY AND CORPORATE STRUCTURE

The table below is a summary of the ownership structure of Shenzhen EDA after completion of the aforesaid capital injection and acquisition of interest:

Shareholder	Equity Interest	
	(RMB)	(%)
Mr. Liu Yong ⁽¹⁾	3,500,000	55.4
Mr. Zhang Jian ⁽²⁾	500,000	7.9
Zhongshan Dingnuo ⁽³⁾	500,000	7.9
Zhongshan Leda ⁽³⁾	500,000	7.9
EDAHK	1,315,790	20.9

Notes:

- (1) Mr. Liu Yong is our executive Director, the chairman of our Board and a controlling shareholder of our Group.
- (2) Mr. Zhang Jian held his entire equity interest in Shenzhen EDA on behalf of Mr. Zhang Yunqing. The arrangement was devised for ease of administration regarding corporate actions of Mr. Zhang Yunqing's equity interest in Shenzhen EDA as Mr. Zhang Yunqing was based outside of the PRC. Mr. Zhang Jian is based in the PRC and is the brother of Mr. Zhang Yunqing. As of the Latest Practicable Date, the arrangement had ceased.
- (3) Each of Zhongshan Dingnuo and Zhongshan Leda is a limited partnership incorporated in the PRC, and is controlled by its executive partner, Mr. Liu Yong, our executive Director, the chairman of our Board and a Controlling Shareholder of our Group. The executive partner of Zhongshan Dingnuo is Mr. Liu Yong, and its limited partners are Mr. Song Kai, Ms. Lu Rong, Mr. Zhao Kaijie, Mr. Xu Bisheng, Mr. Shi Xuejin and Ms. Li Qin, our executive Director. Each of Ms. Lu Rong and Mr. Xu Bisheng is an employee of our Group. Each of Mr. Song Kai, Mr. Zhao Kaijie and Mr. Shi Xuejin is a former employee and an Independent Third Party of our Group. The executive partner of Zhongshan Leda is Mr. Liu Yong and its limited partner is Mr. Zhang Yunqing, our Shareholder.

Acquisition by Lesso

In January 2021, in order to acquire control of our business, Lesso through its then wholly-owned subsidiaries, Global Logistics and Samanea, entered into an agreement with Mr. Liu Yong and Shenzhen EDA (the “**2021 Agreement**”).

At the relevant time, Samanea was the sole shareholder of our Company, and Global Logistics was wholly owned by our Company. For further details of the shareholdings in our Company and Global Logistics, see “— Our Company” and “— Our Principal Operating Subsidiaries — 2. Global Logistics” in this section.

HISTORY AND CORPORATE STRUCTURE

Pursuant to the 2021 Agreement, the following steps were carried out:

1. Capital injection into Shenzhen EDA by Global Logistics

Pursuant to the 2021 Agreement, in April 2021, Global Logistics subscribed and paid up an increased registered capital of Shenzhen EDA of approximately RMB50.0 million at a consideration of approximately RMB50.0 million. The consideration was determined after arms' length negotiations between the parties with reference to the profitability and growth prospects of Shenzhen EDA. Immediately after such capital increase, the registered capital of Shenzhen EDA was increased from approximately 6.3 million to approximately RMB56.3 million, and Shenzhen EDA was held as to 88.8% by Global Logistics, as to 6.2% by Mr. Liu Yong, as to 2.3% by EDAHK, as to 0.9% by Mr. Zhang Jian, as to 0.9% by Zhongshan Dingnuo and as to 0.9% by Zhongshan Leda.

2. Transfer of equity interest in Shenzhen EDA to Global Logistics

During the period from July 2021 to December 2021, save for EDAHK, each of the shareholders of Shenzhen EDA transferred their entire equity interest in Shenzhen EDA to Global Logistics, at the consideration set out below:

Transferor	Equity Interest		Consideration
	(RMB)	(%)	(RMB)
Mr. Liu Yong ⁽¹⁾	3,500,000	6.2	15,535,000
Mr. Zhang Jian ⁽²⁾	500,000	0.9	2,217,500
Zhongshan Dingnuo ⁽³⁾	500,000	0.9	2,217,500
Zhongshan Leda ⁽³⁾	500,000	0.9	2,217,500

Notes:

- (1) Mr. Liu Yong is our executive Director, the chairman of our Board and a controlling shareholder of our Group.
- (2) Mr. Zhang Jian held his entire equity interest in Shenzhen EDA on behalf of Mr. Zhang Yunqing. The arrangement was devised for ease of administration regarding corporate actions of Mr. Zhang Yunqing's equity interest in Shenzhen EDA as Mr. Zhang Yunqing was based outside of the PRC. Mr. Zhang Jian is based in the PRC and is the brother of Mr. Zhang Yunqing. As of the Latest Practicable Date, the arrangement had ceased.
- (3) Each of Zhongshan Dingnuo and Zhongshan Leda is a limited partnership incorporated in the PRC, and is controlled by its executive partner, Mr. Liu Yong, our executive Director, the chairman of our Board and a Controlling Shareholder of our Group. The executive partner of Zhongshan Dingnuo is Mr. Liu Yong, and its limited partners are Mr. Song Kai, Ms. Lu Rong, Mr. Zhao Kaijie, Mr. Xu Bisheng, Mr. Shi Xuejin and Ms. Li Qin, our executive Director. Each of Ms. Lu Rong and Mr. Xu Bisheng is an employee of our Group. Each of Mr. Song Kai, Mr. Zhao Kaijie and Mr. Shi Xuejin is a former employee and an Independent Third Party of our Group. The executive partner of Zhongshan Leda is Mr. Liu Yong and its limited partner is Mr. Zhang Yunqing, our Shareholder.

HISTORY AND CORPORATE STRUCTURE

The consideration was determined after arms' length negotiations between the parties with reference to the profitability and growth prospects of Shenzhen EDA.

Immediately after the completion of the said equity transfers, Shenzhen EDA was held as to 97.7% by Global Logistics and 2.3% by EDAHK.

3. Issue of Shares under the 2021 Warrant Plan and transfer of shares in EDAHK from LS DiDi to our Company

Pursuant to the 2021 Warrant Plan, our Company granted to each of Mr. Liu Yong and Mr. Zhang Jian share warrants to purchase 101,530 Shares and 8,240 Shares, respectively, at an exercise price of US\$0.01 per Share. On 24 December 2021, upon the exercise of their share options under the 2021 Warrant Plan by Mr. Liu Yong and Mr. Zhang Jian, our Company issued 101,530 Shares to EDA Shine (a company wholly owned by Mr. Liu Yong) and 8,240 Shares to Mr. Zhang Yunqing, as instructed by Mr. Liu Yong and Mr. Zhang Jian, respectively. As of the Latest Practicable Date, all of the warrants granted under the 2021 Warrant Plan have been exercised in full and no further warrants may be granted under the 2021 Warrant Plan.

On 24 December 2021, LS DiDi transferred its 100% shareholding interest in EDAHK to our Company at a consideration of US\$1.0. On the same day, 18,440 Shares were allotted and issued to LS DiDi for a consideration of US\$1.0 (the “**LS DiDi Allotment**”).

Immediately upon the completion of the aforesaid issuance pursuant to the 2021 Warrant Plan and the completion of the LS DiDi Allotment, (1) Lesso acquired control over 51.9% interest in our Company and the financial information of our Company was consolidated into the financial information of Lesso; and (2) Shenzhen EDA became indirectly wholly-owned by our Company. The shareholding structure of our Company was as follows:

<u>Shareholder</u>	<u>Number of Shares</u>	<u>Percentage shareholding</u>
		(%)
EDA Shine ⁽¹⁾	101,530	44.5
Samanea ⁽²⁾	100,000	43.8
LS DiDi ⁽³⁾	18,440	8.1
Mr. Zhang Yunqing	8,240	3.6

Notes:

- (1) EDA Shine is wholly-owned by Mr. Liu Yong, our executive Director, the chairman of our Board and a controlling shareholder of our Group.

HISTORY AND CORPORATE STRUCTURE

- (2) Samanea is indirectly wholly-owned by Lesso.
- (3) LS DiDi is owned as to 70.0% by Samanea, as to 13.4% by QCZC Group Limited, as to 9.7% by QCJJ Group Limited and as to 6.8% by QCBM Group Limited. QCZC Group Limited and QCJJ Group Limited are wholly owned by Ms. Tang Jia Jia, a director of four subsidiaries of Samanea, namely LS DiDi, Guangdong Qicheng Information Technology Co., Ltd, Guangzhou LS DiDi Technology Co., Ltd and Treasure Pathway Limited. QCBM Group Limited is wholly owned by Mr. Qian Yu Cheng, a director of each of LS DiDi and Guangdong Qicheng Information Technology Co., Ltd, both of which are subsidiaries of Samanea.

The total consideration satisfied by our Company to acquire the entire equity interest in Shenzhen EDA was approximately RMB224.3 million, comprising of cash consideration, capital reserve arising from acquisition and fair value of our Group's former investment in an associate at acquisition date. The goodwill recognized in respect of the Company's acquisition of the entire interest in Shenzhen EDA was approximately RMB76.4 million. For further details, please refer to Note 29 of the Accountants' Report in Appendix IA. The total consideration was determined after arm's length negotiations between the parties on normal commercial terms after taking into account (i) the historical financial performance of the Shenzhen EDA for FY2021; (ii) the business overview and prospect of Shenzhen EDA and our Group as a whole.

Transfer of Shares pursuant to the Samanea Share Option Scheme

In January 2021, Samanea adopted a share option scheme (the "**Samanea Share Option Scheme**"), which allows Samanea to grant share options (the "**Samanea Share Options**") to certain officers, employees or directors to purchase from Samanea an aggregate of 29,666 Shares of our Company.

Pursuant to the exercise of the Samanea Share Options, in September 2022, Samanea transferred 6,846 Shares to Zhan Hua Limited, 6,846 Shares to Dawnhill Group Limited, 6,846 Shares to LittleBear Investment Limited, 4,564 Shares to QCJJ Group Limited and 4,564 Shares to QCBM Group Limited, at a consideration of HK\$228 per Share. Each of the transferees is a company wholly owned by an employee of Samanea.

HISTORY AND CORPORATE STRUCTURE

The table below is a summary of the shareholding structure of our Company immediately upon completion of the above share transfers and prior to the completion of the Capitalization Issue and the Global Offering:

Shareholder	Number of Shares	Percentage shareholding (%)
EDA Shine ⁽¹⁾	101,530	44.5
Samanea ⁽²⁾	70,334	30.8
LS DiDi ⁽³⁾	18,440	8.1
Mr. Zhang Yunqing	8,240	3.6
Zhan Hua Limited ⁽⁴⁾ ⁽⁹⁾	6,846	3.0
Dawnhill Group Limited ⁽⁵⁾ ⁽⁹⁾	6,846	3.0
LittleBear Investment Limited ⁽⁶⁾ ⁽⁹⁾	6,846	3.0
QCJJ Group Limited ⁽⁷⁾ ⁽⁹⁾	4,564	2.0
QCBM Group Limited ⁽⁸⁾ ⁽⁹⁾	4,564	2.0

Notes:

- (1) EDA Shine is wholly-owned by Mr. Liu Yong, our executive Director, the chairman of our Board and a controlling shareholder of our Group.
- (2) Samanea is indirectly wholly-owned by Lesso.
- (3) LS DiDi is owned as to 70.0% by Samanea, as to 13.4% by QCZC Group Limited, as to 9.7% by QCJJ Group Limited and as to 6.8% by QCBM Group Limited. QCZC Group Limited and QCJJ Group Limited are wholly owned by Ms. Tang Jia Jia, a director of four subsidiaries of Samanea, namely LS DiDi, Guangdong Qicheng Information Technology Co., Ltd, Guangzhou LS DiDi Technology Co., Ltd and Treasure Pathway Limited. QCBM Group Limited is wholly owned by Mr. Qian Yu Cheng, a director of each of LS DiDi and Guangdong Qicheng Information Technology Co., Ltd, both of which are subsidiaries of Samanea.
- (4) Zhan Hua Limited is a company incorporated in the BVI and is wholly owned by Mr. Zuo Manlun, our Non-executive Director.
- (5) Dawnhill Group Limited is a company incorporated in the BVI and is wholly owned by Mr. Luo Jianfeng, our Non-executive Director.
- (6) LittleBear Investment Limited is a company incorporated in the BVI and is wholly owned by Mr. Cheung Man Yu, our executive Director.
- (7) QCJJ Group Limited is a company incorporated in the BVI and is wholly owned by Ms. Tang Jia Jia, a director of four subsidiaries of Samanea, namely LS DiDi, Guangdong Qicheng Information Technology Co., Ltd, Guangzhou LS DiDi Technology Co., Ltd and Treasure Pathway Limited.
- (8) QCBM Group Limited is a company incorporated in the BVI and is wholly owned by Mr. Qian Yu Cheng, a director of each of LS DiDi and Guangdong Qicheng Information Technology Co., Ltd, both of which are subsidiaries of Samanea.

HISTORY AND CORPORATE STRUCTURE

- (9) Each of ultimate beneficial owners of Zhan Hua Limited, Dawnhill Group Limited, LittleBear Investment Limited, QCJJ Group Limited and QCBM Group Limited entered into an acting-in-concert agreement with Samanea in December 2021 in respect of their interests in our Company.

KEY BUSINESS MILESTONES

The following table sets forth the business milestones of our Group:

Year	Milestones
2014	Shenzhen EDA was founded and commenced its business in North America with the establishment of EDA International, Inc. and 8987947 Canada Inc.
2016	Shenzhen EDA expanded its operations to Europe with the establishment of EDA Cloud UK Ltd
2019	Shenzhen EDA further expanded its operations to Australia with the establishment of EDA Cloud and EDA AU
2020	Lesso made its initial investment in Shenzhen EDA Our Company (previously known as EDA Cloud Technology Holdings Limited (易達雲科技控股有限公司)) was incorporated as an exempted company with limited liability in the Cayman Islands
2021	Shenzhen EDA was consolidated into our Group and Lesso
2022	Shenzhen EDA was recognized as an Excellent Cross-border E-commerce Service Provider (優秀跨境電商物流服務商) by the Shenzhen Cross-Border E-commerce Association (深圳市跨境電子商務協會)
2023	Our Company was renamed as EDA Group Holdings Limited

See “Business — Awards, Recognitions and Accreditations” for further details.

OUR COMPANY

Our Company was incorporated as an exempted limited liability company in the Cayman Islands on 17 September 2020. Upon incorporation, one Share was allotted and issued to Tricor Services (Cayman Islands) Limited, and then transferred to Samanea, following which 99,999 Shares were further allotted and issued to Samanea for cash at par.

HISTORY AND CORPORATE STRUCTURE

For a summary of the shareholding changes and structure of our Company since incorporation, see “— History of our Business” in this section.

OUR PRINCIPAL OPERATING SUBSIDIARIES

As of the Latest Practicable Date, our business operations had been carried out by our principal operating subsidiaries established or acquired by our Group. Set out below are the major corporate developments including major shareholding changes in the equity interests in our principal operating subsidiaries:

1. EDAHK

EDAHK was incorporated in Hong Kong on 22 October 2019. Upon its incorporation, EDAHK was wholly owned by LS DiDi. On 24 December 2021, LS DiDi transferred its 100% shareholding interest in EDAHK to our Company at a consideration of US\$1.0. See “— History of our Business — Acquisition by Lesso — 3. Issue of Shares under the 2021 Warrant Plan and transfer of shares in EDAHK from LS DiDi to our Company”.

The principal business activity of EDAHK is investment holding.

2. Global Logistics

Global Logistics was incorporated in Hong Kong on 29 September 2020. Since its incorporation, Global Logistics has been wholly owned by our Company. The principal business activity of Global Logistics is investment holding.

3. Shenzhen EDA

Shenzhen EDA was established in the PRC as a limited liability company on 14 March 2014 with an initial registered capital of RMB5 million. Upon its establishment, Shenzhen EDA was held as to 60.0%, 20.0% and 20.0% by Mr. Zheng Yuhui, Mr. Liu Yong and Mr. Gui Haiyun, respectively. Both Mr. Zheng Yuhui and Mr. Gui Haiyun are Independent Third Parties of our Group. Mr. Liu Yong is our executive Director, the Chairman of our Board and a Controlling Shareholder of our Group.

On 23 December 2014, pursuant to a share transfer agreement, Mr. Liu Yong transferred 20.0% equity interest in Shenzhen EDA to Zhongshan Yidatong Software Technology Co., Ltd. (中山市易達通軟件科技有限公司) (“**Zhongshan Yidatong**”) at a consideration of RMB1.0; Mr. Gui Haiyun transferred 20.0% equity interest in Shenzhen EDA to Zhongshan Yidatong at a consideration of RMB1.0; and Mr. Zheng Yuhui transferred 60.0% equity interest in Shenzhen

HISTORY AND CORPORATE STRUCTURE

EDA to Zhongshan Yidatong at a consideration of RMB1.0. Zhongshan Yidatong is a limited partnership incorporated in the PRC, and is controlled by its managing partner, Mr. Zheng Yuhui, an Independent Third Party of our Group. Immediately after such share transfers, Shenzhen EDA was held as to 100.0% by Zhongshan Yidatong.

On 4 December 2015, pursuant to a share transfer agreement, Zhongshan Yidatong transferred approximately 16.3%, 10.0%, 10.0%, 10.0%, 9.4%, 7.0%, 7.0% and 5.2% equity interests in Shenzhen EDA to Zhongshan Bill Investment Co., Ltd. (中山市比爾投資有限公司), Mr. Zhang Jian, Zhongshan Dingnuo, Zhongshan Leda, Zhongshan Meiruantong Investment Co., Ltd. (中山市美軟通投資有限公司), Zhongshan Dingrui Investment Co., Ltd. (中山市鼎瑞投資有限公司), Mr. Liu Yong and Ms. Tao Xiaoling, respectively, at a consideration of approximately RMB0.8 million, RMB0.5 million, RMB0.5 million, RMB0.5 million, RMB0.5 million, RMB0.4 million and RMB0.3 million, respectively. Each of Zhongshan Dingrui Investment Co., Ltd. (中山市鼎瑞投資有限公司), Zhongshan Meiruantong Investment Co., Ltd. (中山市美軟通投資有限公司), Zhongshan Bill Investment Co., Ltd. (中山市比爾投資有限公司) and Ms. Tao Xiaoling is an Independent Third Party of our Group.

Immediately after such share transfers, the ownership structure of Shenzhen EDA was as follows:

Shareholder	Equity Interest	
	<i>(RMB)</i>	<i>(%)</i>
Zhongshan Yidatong ⁽¹⁾	1,252,000	25.0
Zhongshan Bill Investment Co., Ltd. (中山市比爾投資有限公司) ⁽¹⁾	817,000	16.3
Mr. Zhang Jian ⁽²⁾	500,000	10.0
Zhongshan Dingnuo ⁽³⁾	500,000	10.0
Zhongshan Leda ⁽³⁾	500,000	10.0
Zhongshan Meiruantong Investment Co., Ltd. (中山市美軟通投資有限公司) ⁽¹⁾	471,500	9.4
Zhongshan Dingrui Investment Co., Ltd. (中山市鼎瑞投資有限公司) ⁽¹⁾	350,000	7.0
Mr. Liu Yong ⁽⁴⁾	350,000	7.0
Ms. Tao Xiaoling ⁽¹⁾	259,500	5.2

Notes:

(1) Each an Independent Third Party of our Group.

HISTORY AND CORPORATE STRUCTURE

- (2) Mr. Zhang Jian held his entire equity interest in Shenzhen EDA on behalf of Mr. Zhang Yunqing. The arrangement was devised for ease of administration regarding corporate actions of Mr. Zhang Yunqing's equity interest in Shenzhen EDA as Mr. Zhang Yunqing was based outside of the PRC. Mr. Zhang Jian is based in the PRC and is the brother of Mr. Zhang Yunqing. As of the Latest Practicable Date, the arrangement had ceased.
- (3) Each of Zhongshan Dingnuo and Zhongshan Leda is a limited partnership incorporated in the PRC, and is controlled by its executive partner, Mr. Liu Yong, our executive Director, the chairman of our Board and a Controlling Shareholder of our Group. The executive partner of Zhongshan Dingnuo is Mr. Liu Yong, and its limited partners are Mr. Song Kai, Ms. Lu Rong, Mr. Zhao Kaijie, Mr. Xu Bisheng, Mr. Shi Xuejin and Ms. Li Qin, our executive Director. Each of Ms. Lu Rong and Mr. Xu Bisheng is an employee of our Group. Each of Mr. Song Kai, Mr. Zhao Kaijie and Mr. Shi Xuejin is a former employee and an Independent Third Party of our Group. The executive partner of Zhongshan Leda is Mr. Liu Yong and its limited partner is Mr. Zhang Yunqing, our Shareholder.
- (4) Mr. Liu Yong is our executive Director, the Chairman of our Board and a Controlling Shareholder of our Group.

During the period between March 2017 and April 2017, Zhongshan Dingrui Investment Co., Ltd. (中山市鼎瑞投資有限公司) and Ms. Tao Xiaoling transferred their entire respective 7.0% and 5.2% equity interests in Shenzhen EDA to Zhongshan Yidatong at a consideration of approximately RMB0.4 million and RMB0.3 million, respectively. Immediately after such share transfers, Shenzhen EDA was held as to 37.2%, 10.0%, 10.0%, 9.4%, 16.3%, 7.0% and 10.0% by Zhongshan Yidatong, Zhongshan Dingnuo, Zhongshan Leda, Zhongshan Meiruantong Investment Co., Ltd. (中山市美軟通投資有限公司), Zhongshan Bill Investment Co., Ltd. (中山市比爾投資有限公司), Mr. Liu Yong and Mr. Zhang Jian, respectively.

HISTORY AND CORPORATE STRUCTURE

On 14 April 2017, the registered capital of Shenzhen EDA increased from RMB5.0 million to approximately RMB5.3 million. Each of Mr. Wu Hongri, Mr. Huang Tao and Mr. Liao Hui contributed approximately RMB0.1 million as capital contribution. Immediately after such capital increase, the ownership structure of Shenzhen EDA was as follows:

Shareholder	Equity Interest	
	(RMB)	(%)
Zhongshan Yidatong ⁽¹⁾	1,861,500	35.4
Zhongshan Bill Investment Co., Ltd. (中山市比爾投資有限公司) ⁽¹⁾	817,000	15.5
Mr. Zhang Jian ⁽²⁾	500,000	9.5
Zhongshan Dingnuo ⁽³⁾	500,000	9.5
Zhongshan Leda ⁽³⁾	500,000	9.5
Zhongshan Meiruantong Investment Co., Ltd. (中山市美軟通投資有限公司) ⁽¹⁾	471,500	9.0
Mr. Liu Yong ⁽⁴⁾	350,000	6.6
Mr. Wu Hongri ⁽¹⁾	105,263	2.0
Mr. Huang Tao ⁽¹⁾	105,263	2.0
Mr. Liao Hui ⁽¹⁾	52,632	1.0

Notes:

- (1) Each an Independent Third Party of our Group.
- (2) Mr. Zhang Jian held his entire equity interest in Shenzhen EDA on behalf of Mr. Zhang Yunqing. The arrangement was devised for ease of administration regarding corporate actions of Mr. Zhang Yunqing's equity interest in Shenzhen EDA as Mr. Zhang Yunqing was based outside of the PRC. Mr. Zhang Jian is based in the PRC and is the brother of Mr. Zhang Yunqing. As of the Latest Practicable Date, the arrangement had ceased.
- (3) Each of Zhongshan Dingnuo and Zhongshan Leda is a limited partnership incorporated in the PRC, and is controlled by its executive partner, Mr. Liu Yong, our executive Director, the chairman of our Board and a Controlling Shareholder of our Group. The executive partner of Zhongshan Dingnuo is Mr. Liu Yong, and its limited partners are Mr. Song Kai, Ms. Lu Rong, Mr. Zhao Kaijie, Mr. Xu Bisheng, Mr. Shi Xuejin and Ms. Li Qin, our executive Director. Each of Ms. Lu Rong and Mr. Xu Bisheng is an employee of our Group. Each of Mr. Song Kai, Mr. Zhao Kaijie and Mr. Shi Xuejin is a former employee and an Independent Third Party of our Group. The executive partner of Zhongshan Leda is Mr. Liu Yong and its limited partner is Mr. Zhang Yunqing, our Shareholder.
- (4) Mr. Liu Yong is our executive Director, the Chairman of our Board and a Controlling Shareholder of our Group.

On 16 January 2019, pursuant to a series of share transfer agreements, Zhongshan Yidatong, Zhongshan Meiruantong Investment Co., Ltd. (中山市美軟通投資有限公司) and Zhongshan Bill Investment Co., Ltd. (中山市比爾投資有限公司) transferred their entire respective 35.4%, 9.0% and 15.5% equity interests in Shenzhen EDA to Mr. Liu Yong, each at a consideration of RMB1.0.

HISTORY AND CORPORATE STRUCTURE

At the time of the transfers, Shenzhen EDA had net liabilities, and Mr. Liu Yong agreed to acquire said equity interests in Shenzhen EDA at nominal value as he was optimistic about the prospects of Shenzhen EDA. Immediately after such transfers, the ownership structure of Shenzhen EDA was as follows:

Shareholder	Equity Interest	
	(RMB)	(%)
Mr. Liu Yong ⁽¹⁾	3,500,000	66.5
Mr. Zhang Jian ⁽²⁾	500,000	9.5
Zhongshan Dingnuo ⁽³⁾	500,000	9.5
Zhongshan Leda ⁽³⁾	500,000	9.5
Mr. Wu Hongri ⁽⁴⁾	105,263	2.0
Mr. Huang Tao ⁽⁴⁾	105,263	2.0
Mr. Liao Hui ⁽⁴⁾	52,632	1.0

Notes:

- (1) Mr. Liu Yong is our executive Director, the Chairman of our Board and a Controlling Shareholder of our Group.
- (2) Mr. Zhang Jian held his entire equity interest in Shenzhen EDA on behalf of Mr. Zhang Yunqing. The arrangement was devised for ease of administration regarding corporate actions of Mr. Zhang Yunqing's equity interest in Shenzhen EDA as Mr. Zhang Yunqing was based outside of the PRC. Mr. Zhang Jian is based in the PRC and is the brother of Mr. Zhang Yunqing. As of the Latest Practicable Date, the arrangement had ceased.
- (3) Each of Zhongshan Dingnuo and Zhongshan Leda is a limited partnership incorporated in the PRC, and is controlled by its executive partner, Mr. Liu Yong, our executive Director, the chairman of our Board and a Controlling Shareholder of our Group. The executive partner of Zhongshan Dingnuo is Mr. Liu Yong, and its limited partners are Mr. Song Kai, Ms. Lu Rong, Mr. Zhao Kaijie, Mr. Xu Bisheng, Mr. Shi Xuejin and Ms. Li Qin, our executive Director. Each of Ms. Lu Rong and Mr. Xu Bisheng is an employee of our Group. Each of Mr. Song Kai, Mr. Zhao Kaijie and Mr. Shi Xuejin is a former employee and an Independent Third Party of our Group. The executive partner of Zhongshan Leda is Mr. Liu Yong and its limited partner is Mr. Zhang Yunqing, our Shareholder.
- (4) Each an Independent Third Party of our Group.

HISTORY AND CORPORATE STRUCTURE

On 30 December 2019, pursuant to a series of share transfer agreements, Mr. Huang Tao, Mr. Wu Hongri and Mr. Liao Hui transferred their entire respective 2.0%, 2.0% and 1.0% equity interests in Shenzhen EDA to Mr. Xiang Zhikang for a consideration of RMB0.2 million; RMB0.2 million and RMB0.1 million, respectively. Immediately after such transfers, the ownership structure of Shenzhen EDA was as follows:

Shareholder	Equity Interest	
	(RMB)	(%)
Mr. Liu Yong ⁽¹⁾	3,500,000	66.5
Mr. Zhang Jian ⁽²⁾	500,000	9.5
Zhongshan Dingnuo ⁽³⁾	500,000	9.5
Zhongshan Leda ⁽³⁾	500,000	9.5
Mr. Xiang Zhikang ⁽⁴⁾	263,158	5.0

Notes:

- (1) Mr. Liu Yong is our executive Director, the chairman of our Board and a controlling shareholder of our Group.
- (2) Mr. Zhang Jian held his entire equity interest in Shenzhen EDA on behalf of Mr. Zhang Yunqing. The arrangement was devised for ease of administration regarding corporate actions of Mr. Zhang Yunqing's equity interest in Shenzhen EDA as Mr. Zhang Yunqing was based outside of the PRC. Mr. Zhang Jian is based in the PRC and is the brother of Mr. Zhang Yunqing. As of the Latest Practicable Date, the arrangement had ceased.
- (3) Each of Zhongshan Dingnuo and Zhongshan Leda is a limited partnership incorporated in the PRC, and is controlled by its executive partner, Mr. Liu Yong, our executive Director, the chairman of our Board and a Controlling Shareholder of our Group. The executive partner of Zhongshan Dingnuo is Mr. Liu Yong, and its limited partners are Mr. Song Kai, Ms. Lu Rong, Mr. Zhao Kaijie, Mr. Xu Bisheng, Mr. Shi Xuejin and Ms. Li Qin, our executive Director. Each of Ms. Lu Rong and Mr. Xu Bisheng is an employee of our Group. Each of Mr. Song Kai, Mr. Zhao Kaijie and Mr. Shi Xuejin is a former employee and Independent Third Party of our Group. The executive partner of Zhongshan Leda is Mr. Liu Yong and its limited partner is Mr. Zhang Yunqing, our Shareholder.
- (4) Each an Independent Third Party of our Group.

For ownership changes in Shenzhen EDA after the aforesaid transfers, see “— History of our Business” above.

HISTORY AND CORPORATE STRUCTURE

Branch companies of Shenzhen EDA

The table below sets out information about the branch companies of Shenzhen EDA:

<u>Branch name</u>	<u>Location of branch company</u>	<u>Date of establishment</u>	<u>Reason of establishment</u>
Shenzhen EDA Guangzhou Branch	Guangzhou	July 2017	For overall management and recruitment of staff in Guangzhou, Guangdong Province
Shenzhen EDA Shanghai Branch	Shanghai	July 2017	For overall management and recruitment of staff in Shanghai
Shenzhen EDA Qingdao Branch	Qingdao	October 2023	For overall management and recruitment of staff in Qingdao
Shenzhen EDA Hangzhou Branch	Hangzhou	November 2023	For overall management and recruitment of staff in Hangzhou
Shenzhen EDA Changsha Branch	Changsha	December 2023	For overall management and recruitment of staff in Changsha

4. EDA Development (HK) Limited

EDA Development (HK) Limited was incorporated in Hong Kong on 18 November 2015. Since its incorporation, EDA Development (HK) Limited has been wholly owned by Shenzhen EDA, an indirect wholly-owned subsidiary of our Company. The principal business activity of EDA Development (HK) Limited is the provision of warehousing services, local delivery services and international transportation services in the PRC.

5. Shenzhen Haolian

Shenzhen Haolian was established in the PRC on 1 September 2014 with an initial registered capital of RMB5 million. Upon its establishment, Shenzhen Haolian was wholly owned by Zhongshan Yidatong Software Technology Co., Ltd. (中山市易達通軟件科技有限公司), a company wholly owned by Mr. Zheng Yuhui (鄭宇輝).

On 16 February 2016, Shenzhen EDA, an indirect wholly-owned subsidiary of our Company, acquired the entire interest held by Zhongshan Yidatong Software Technology Co., Ltd. in Shenzhen Haolian.

HISTORY AND CORPORATE STRUCTURE

Shenzhen Haolian is principally engaged in the provision of freight forwarding and logistics solutions.

6. EDA International, Inc.

EDA International, Inc. was established in California, United States of America on 4 December 2013 with an authorized capital stock of 1,000,000 shares. Upon its establishment, EDA International Inc. was wholly-owned by Mr. Zheng Yuhui, Ms. Zhang Xiaoxin, Mr. Xiang Ping and Ms. Tao Xiaoling. On 25 November 2015, Mr. Zheng Yuhui, Ms. Zhang Xiaoxin, Mr. Xiang Ping and Ms. Tao Xiaoling transferred all of their interests in EDA International, Inc. to EDA Development (HK) Limited, our wholly-owned subsidiary.

EDA International Inc. is principally engaged in the provision of warehousing services in North America.

7. EDA Cloud International, Inc.

EDA Cloud International, Inc. was established in New Jersey, United States of America on 25 January 2016 with an authorized capital stock of 100.00 shares. Since its incorporation, EDA Cloud International Inc. has been wholly-owned by EDA Development (HK) Limited, our wholly-owned subsidiary.

EDA Cloud International, Inc. is principally engaged in the provision of warehousing services in North America.

8. 8987947 Canada Inc.

8987947 Canada Inc. was incorporated under the *Canada Business Corporations Act* in Ontario, Canada on 14 August 2014. Upon its establishment, 8987947 Canada Inc. was wholly-owned by an independent third party. On 16 January 2016, that independent third party transferred all her interest in 8987947 Canada Inc. to EDA Development (HK) Limited, our wholly-owned subsidiary.

8987947 Canada Inc. is principally engaged in the provision of warehousing services in North America.

HISTORY AND CORPORATE STRUCTURE

9. EDA Cloud UK Ltd

EDA Cloud UK Ltd, formerly known as UK EDA Cold Limited, was established in England and Wales on 21 June 2016 with an initial registered capital of GBP100.0. Since its incorporation, EDA Cloud UK Ltd has been wholly-owned by EDA Development (HK) Limited, our wholly-owned subsidiary.

EDA Cloud UK Ltd is principally engaged in the provision of warehousing services in Europe.

10. EDA AU

EDA AU was established in New South Wales, Australia on 3 December 2019 with an issued Share capital of AUD100. Upon its establishment, EDA AU was wholly-owned by Mr. Zhang Aiqiang. On 9 December 2019, Mr. Zhang Aiqiang transferred all his interest in EDA AU to EDA Development (HK) Limited, our wholly-owned subsidiary.

EDA AU is principally engaged in the provision of warehousing services in Australia.

ACTING-IN-CONCERT ARRANGEMENT

The Samanea Share Options were granted to each of the ultimate beneficial owners of Zhan Hua Limited, Dawnhill Group Limited, LittleBear Investment Limited, QCJJ Group Limited and QCBM Group Limited (the “**Samanea Share Option Grantees**”) in January 2021. In anticipation of the subsequent exercise of the Samanea Share Options by each of the Samanea Share Option Grantees, in December 2021, each of ultimate beneficial owners of Zhan Hua Limited, Dawnhill Group Limited, LittleBear Investment Limited, QCJJ Group Limited and QCBM Group Limited entered into an acting-in-concert agreement with Samanea China Holdings Limited in respect of their interests in our Company.

See “Relationship with our Controlling Shareholders” in this prospectus for further details.

ESTABLISHMENT OF THE LIU YONG TRUST

For estate planning purposes, a discretionary trust named the Liu Yong Trust was established by Mr. Liu Yong (as the settlor) with Sovereign Fiduciaries (Hong Kong) Limited as the trustee. The beneficiaries of the Liu Yong Trust are Mr. Liu Yong and Edaurora Holdings Limited, a company wholly owned by Mr. Liu Yong. Sovereign Fiduciaries (Hong Kong) Limited is a professional trust company and an Independent Third Party of our Group. On May 10, 2024, Mr. Liu Yong, via Edaurora Holdings Limited (wholly owned by Mr. Liu Yong), transferred 99.0% of

HISTORY AND CORPORATE STRUCTURE

his interest in EDA Shine International Limited, hence 99.0% of his interests in our Company, to Skyline Investment International Limited, a newly set up vehicle purposes of holding, among others, the trust fund of the Liu Yong Trust. Skyline Investment International Limited is directly wholly owned by Sovereign Fiduciaries (Hong Kong) Limited as trustee of the Liu Yong Trust.

Mr. Liu Yong, as the settlor of the Liu Yong Trust, has the power to remove the trustee and to appoint a new trustee in its place. In addition, Mr. Liu Yong remains as the sole director of EDA Shine International Limited, and holds the voting power in relation to the Shares in our Company held by EDA Shine International Limited, by virtue of him having sole control over the voting power in relation to the relevant shares in EDA Shine International Limited which are held by Skyline Investment International Limited pursuant to the trust deed of the Liu Yong Trust. Under the trust deed of the Liu Yong Trust, the trustee's powers of investment shall be withheld and restricted to the holding of the shares in EDA Shine International Limited, representing 99.0% of its shareholding interest, and Mr. Liu Yong shall have sole power to make all decisions relating to (i) any purchase, sale, exchange, mortgage, charge, pledge or retention of the trust fund underlying the Liu Yong Trust (namely, 99.0% of the shareholding interest in EDA Shine International Limited, and all or any part of the capital and income accumulated or accruing thereto), and (ii) the exercise of any voting and other rights in relation to the trust fund underlying the Liu Yong Trust, and any entity(ies) or company(ies) in all relevant capacities underlying the trust fund (including EDA Shine International Limited), by giving investment directives to the trustee for execution of such decisions. The exercise of powers by the trustee must be accompanied by a prior notice to Mr. Liu Yong as the settlor.

THE CAPITALIZATION ISSUE

Subject to the share premium account of our Company being credited as a result of the issue of the Offer Shares pursuant to the Global Offering, our Company will, on the Listing Date, allot and issue a total of 342,086,790 Shares credited as fully paid at par to the holders of Shares whose names appear on the register of members of our Company on the day preceding the Listing Date in proportion to their then existing shareholdings in our Company by capitalizing the relevant sum from the share premium account of our Company. The Shares allotted and issued pursuant to the Capitalization Issue will rank *pari passu* in all respects with the existing issued Shares.

HISTORY AND CORPORATE STRUCTURE

Notes:

- (1) Mr. Wong Luen Hei's shareholding interest in China Lesso Group Holdings Limited includes the interest of his spouse, Ms. Zuo Xiaoping.
- (2) EDA Shine International Limited is owned as to 1.0% by Edaaura Holdings Limited and as to 99.0% by Skyline Investment International Limited. Skyline Investment International Limited is wholly owned by Sovereign Fiduciaries (Hong Kong) Limited, which is the trustee of the Liu Yong Trust, of which the settlor is Mr. Liu Yong and the beneficiaries are Mr. Liu Yong and Edaaura Holdings Limited. Edaaura Holdings Limited is wholly owned by Mr. Liu Yong. Mr. Liu Yong is our executive Director, the chairman of our Board and a Controlling Shareholder of our Group. For details of the control and the exercise of powers in relation to the Liu Yong Trust, please refer to the paragraph headed "Establishment of the Liu Yong Trust" in this section.
- (3) LS DiDi is owned as to 70.0% by Samanea, as to 13.4% by QCZC Group Limited, as to 9.7% by QCJJ Group Limited and as to 6.8% by QCBM Group Limited. QCZC Group Limited and QCJJ Group Limited are wholly owned by Ms. Tang Jia Jia, a director of four subsidiaries of Samanea, namely LS DiDi, Guangdong Qicheng Information Technology Co., Ltd, Guangzhou LS DiDi Technology Co., Ltd and Treasure Pathway Limited. QCBM Group Limited is wholly owned by Mr. Qian Yu Cheng, a director of each of LS DiDi and Guangdong Qicheng Information Technology Co., Ltd, both of which are subsidiaries of Samanea.
- (4) Zhan Hua Limited is a company incorporated in the BVI and is wholly owned by Mr. Zuo Manlun, our Non-executive Director.
- (5) Dawnhill Group Limited is a company incorporated in the BVI and is wholly owned by Mr. Luo Jianfeng, our Non-executive Director.
- (6) LittleBear Investment Limited is a company incorporated in the BVI and is wholly owned by Mr. Cheung Man Yu, our executive Director.
- (7) QCJJ Group Limited is a company incorporated in the BVI and is wholly owned by Ms. Tang Jia Jia, a director of four subsidiaries of Samanea, namely LS DiDi, Guangdong Qicheng Information Technology Co., Ltd, Guangzhou LS DiDi Technology Co., Ltd and Treasure Pathway Limited.
- (8) QCBM Group Limited is a company incorporated in the BVI and is wholly owned by Mr. Qian Yu Cheng, a director of each of LS DiDi and Guangdong Qicheng Information Technology Co., Ltd, both of which are subsidiaries of Samanea.
- (9) Each of the ultimate beneficial owners of Zhan Hua Limited, Dawnhill Group Limited, LittleBear Investment Limited, QCJJ Group Limited and QCBM Group Limited entered into an acting-in-concert agreement with Samanea in December 2021 in respect of their interests in our Company.
- (10) Samanea China Holdings Limited is an indirectly wholly-owned by Lesso and a Controlling Shareholder.
- (11) Shenzhen EDA Branch Companies are Shenzhen EDA Guangzhou Branch, Shenzhen EDA Shanghai Branch, Shenzhen EDA Qingdao Branch, Shenzhen EDA Hangzhou Branch and Shenzhen EDA Changsha Branch.
- (12) Other subsidiaries include six indirectly wholly-owned subsidiaries of our Company.
- (13) Mr. Zhang Yunqing is a shareholder and an Independent Third Party of our Group.

HISTORY AND CORPORATE STRUCTURE

PRC REGULATORY REQUIREMENTS

According to the Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》) (“**M&A Rules**”) jointly issued by the MOFCOM, the State-owned Assets Supervision and Administration Commission of the State Council, the SAT, the CSRC, SAIC and the SAFE on August, 2006, effective as of September 8, 2006 and amended on June 22, 2009, mergers and acquisitions of domestic enterprises by foreign investors shall be subject to the approval of the MOFCOM or its delegates at provincial level. In the event that any domestic company, enterprise or natural person merges or acquires a domestic company that has affiliated relationship with it through an overseas company legally established or controlled by such domestic company, enterprise or natural person, the merger and acquisition applications shall be submitted to the MOFCOM for approval and any circumvention on the requirement including domestic re-investment of a foreign invested enterprise is not allowed. In addition, the M&A Rules purport, among other things, to require that offshore special purpose vehicles, or SPVs, that are controlled by PRC companies or individuals and that have been formed for overseas listing purposes through acquisitions of PRC domestic interest held by such PRC companies or individuals, to obtain the approval of the CSRC prior to publicly listing their securities on an overseas stock exchange.

As advised by our PRC Legal Adviser, our Company and its offshore subsidiaries Global Logistics and EDAHK were not established by any domestic company, enterprise or natural person in the PRC, and from their establishment until our Company’s acquisition of Shenzhen EDA, our Company, Global Logistics and EDAHK had not been controlled by any domestic company, enterprise or natural person in the PRC. Therefore, the acquisition of Shenzhen EDA by our Company is not an acquisition of a domestic company in the PRC with which our Company is affiliated, and our PRC Legal Adviser is of the opinion that relevant approvals from the MOFCOM or CSRC are not required. However, there is uncertainty as to how the M&A Rules may be interpreted or implemented or whether the relevant authorities would promulgate further requirements.

HISTORY AND CORPORATE STRUCTURE

SAFE REGISTRATION IN THE PRC

Pursuant to the Circular of the SAFE on Foreign Exchange Administration of Overseas Investment, Financing and Round-trip Investments Conducted by Domestic Residents through Special Purpose Vehicles (《關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) (the “**SAFE Circular 37**”), promulgated by SAFE and became effective on July 4, 2014, which replaced the Circular on Relevant Issues Concerning Foreign Exchange Control on Domestic Residents’ Corporate Financing and Roundtrip Investment Through Offshore Special Purpose Vehicles (《關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知》) (the “**SAFE Circular 75**”) which became effective on 1 November 2005, PRC residents (including PRC institutions and individuals) must register with local branches of SAFE in connection with their direct or indirect offshore investment in an overseas special purpose vehicle, or SPV, directly established or indirectly controlled by PRC residents for the purposes of offshore investment and financing with their legally owned assets or interests in domestic enterprises, or their legally owned offshore assets or interests. Such PRC residents are also required to amend their registrations with SAFE when there is a change to the basic information of the SPV, such as changes of a PRC resident individual shareholder, the name or operating period of the SPV, or when there is a significant change to the SPV, such as changes of the PRC individual resident’s increase or decrease of its capital contribution in the SPV, or any share transfer or exchange, merger, division of the SPV. Failure to comply with the registration procedures set forth in the Circular 37 may result in restrictions being imposed on the foreign exchange activities of the relevant onshore company, including the payment of dividends and other distributions to its offshore parent or affiliate, the capital inflow from the offshore entities and settlement of foreign exchange capital, and may also subject relevant onshore company or PRC residents to penalties under PRC foreign exchange administration regulations.

Pursuant to the Circular of the SAFE on Further Simplification and Improvement in Foreign Exchange Administration on Direct Investment (《關於進一步簡化和改進直接投資外匯管理政策的通知》) (the “**SAFE Circular 13**”), promulgated by SAFE and became effective on June 1, 2015, the power to accept SAFE registration was delegated from local SAFE to local banks where the assets or interest in the domestic entity was located.

As advised by our PRC Legal Adviser, Mr. Liu Yong (劉勇), Ms. Tang Jia Jia (唐佳佳) and Mr. Qian Yu Cheng (錢玉澄) (as PRC Residents as defined under the applicable provisions under SAFE Circular 37) have completed the registration under the SAFE Circular 37.

BUSINESS OVERVIEW

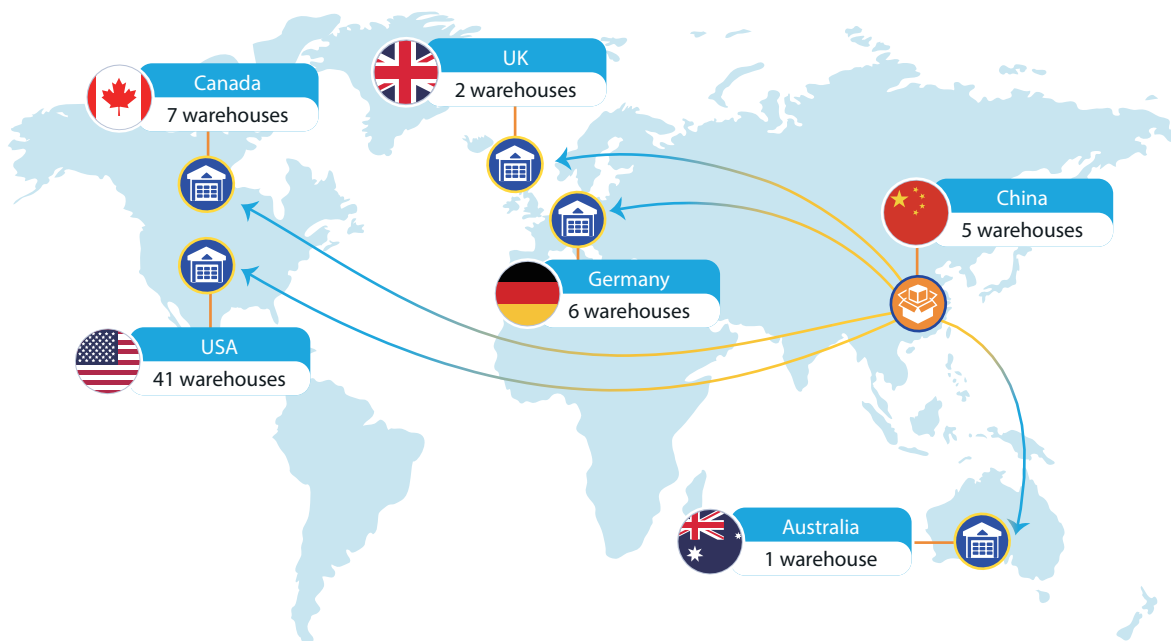
We are a one-stop end-to-end supply chain solutions provider for e-commerce vendors, empowering the fast-growing B2C export e-commerce industry in the PRC. With an unwavering commitment to delivering customer-centric, technology-driven and reliable solutions to our customers, we offer supply chain solutions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

We address a market opportunity as B2C e-commerce becomes part of our daily lives. According to Frost & Sullivan, the B2C export e-commerce market in the PRC is expected to grow at a CAGR of 13.5% from 2023 to 2028 and correspondingly, the market size of the B2C export e-commerce supply chain solutions with pre-sale stocking model is expected to grow at a CAGR of 13.7% from 2023 to 2028, reaching RMB387.0 billion in 2028. According to Frost & Sullivan, in terms of revenue in 2023, we ranked sixth among all B2C export e-commerce supply chain solutions providers primarily utilizing pre-sale model in the PRC, with a market share of approximately 0.5%.

One-stop, end-to-end solutions. Our B2C export e-commerce supply chain solutions encompass every aspect and each stage of the product logistics and fulfillment life cycle in China's B2C export e-commerce industry. Leveraging our EDA Cloud platform and experience with a customer-centric mindset, we handle the logistical challenges faced by our customers and cater to our customers' needs. Our one-stop, end-to-end solutions cover "first-mile" international freight services and "last-mile" fulfillment services that are fully-integrated into each stage and can be traced, monitored and managed through our EDA Cloud platform. We primarily utilize a pre-sale stocking model which allows our e-commerce vendor customers to transport their products from the PRC to our overseas warehouses as pre-sale stock, removing uncertainties in delivery and price volatility and enabling efficient and timely fulfillment to end-consumers. As part of our supply chain solutions, we provide value-added services, such as products return processing and stock disposal, to reduce the amount of processing work that needs to be done by our customers. Our comprehensive range of capabilities also enable us to provide customized solutions to our customers based on their needs and requirements. Through the engagement of B2C export e-commerce supply chain solutions providers like us, e-commerce vendors are able to (i) capture opportunities in the global market without substantial commitment to their own supply chain infrastructure and logistics network or any prior experience in supply chain management and (ii) experience a time-saving process.

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Global logistics network. At the heart of our offering is our global logistics network. We strategically adopt an asset-light model through leveraging third-party logistics service providers, which keeps us nimble in our decision-making process. Our logistics network covers various major trade lanes originating from the PRC reaching popular B2C e-commerce destinations around the world, including North America, Europe and Australia. During the Track Record Period, our Group/Shenzhen EDA Group had a large portfolio of carefully selected third-party logistics service providers, comprising over 60 third-party warehouse service providers, 300 international freight forwarding service providers, ocean carriers and air carriers and 80 local “last-mile” fulfillment service providers. As of the Latest Practicable Date, we contracted 57 overseas warehouses in the United States, Canada, the United Kingdom, Germany and Australia, spanning three continents and over 20 cities in the world. Among our 57 overseas warehouses, 47 are partnered warehouses, making our network of partnered overseas warehouses one of the largest among our peers according to Frost & Sullivan. In addition to our overseas warehouses (which serve as storage and fulfillment centers), as of the Latest Practicable Date, we also contracted five storage facilities in Guangzhou, Shenzhen, Shanghai, Qingdao and Zhaoqing in the PRC (which serve as temporary stock storage before their “first-mile” international freight). According to Frost & Sullivan, our global logistics network covers the key export markets of China’s B2C export e-commerce industry as of the Latest Practicable Date. The following map shows our global presence:



The EDA Cloud. The EDA Cloud platform houses various digital supply management tools which allow our customers to fulfill, track and manage their online orders throughout the entire product logistics and fulfillment life cycle from domestic collection in the PRC to fulfillment delivery to the B2C order destinations. Due to the proliferation of the number and types of players participating in different stages in the value chain of the B2C export e-commerce process, we

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believe that connectivity and transparency are the key to the future and sustained success of B2C export e-commerce supply chain solutions providers. The EDA Cloud platform consolidates information from different key stages of B2C export e-commerce transactions, providing our customers with predictable, usable and reliable solutions. To enhance the overall efficiency of the B2C export e-commerce industry, we aim to further promote the collaboration among various industry participants involved in the fulfillment of B2C e-commerce transactions through revamping EDA Cloud as an open platform that connects and exchanges real-time data from various enterprise-level participants along the supply chain in China's B2C export e-commerce industry.

Financial and operational performance. Shenzhen EDA Group's revenue from "first-mile" international freight services amounted to RMB170.1 million for FY2021 and our revenue from "first-mile" international freight services amounted to RMB187.8 million and RMB259.5 million for FY2022 and FY2023, respectively. As for the "last-mile" fulfillment services, Shenzhen EDA Group recorded revenue of RMB461.8 million for FY2021 and our Group recorded revenue of RMB520.9 million and RMB949.8 million for FY2022 and FY2023, respectively. For FY2021, FY2022 and FY2023, the number of core customers (which are customers with which we dedicate specialized sales effort owing to the fact that they are contributing more than RMB3 million to the revenue for the year) increased from 40 customers to 49 customers and further to 58 customers; For FY2021, FY2022 and FY2023, the ocean freight volume increased from 2,052 FEUs to 2,663 FEUs and further to 4,589 FEUs during the same year, representing a CAGR of 49.5%. For FY2021, Shenzhen EDA Group's gross profit amounted to RMB106.9 million and its adjusted net profit (non-HKFERS measure) amounted to RMB46.4 million. For FY2022 and FY2023, our gross profit amounted to RMB106.5 million and RMB197.1 million respectively, whilst our adjusted net profit (non-HKFERS measure) amounted to RMB36.8 million and RMB91.9 million, respectively. The table below sets forth different data indicating the financial and operational performance during the Track Record Period:

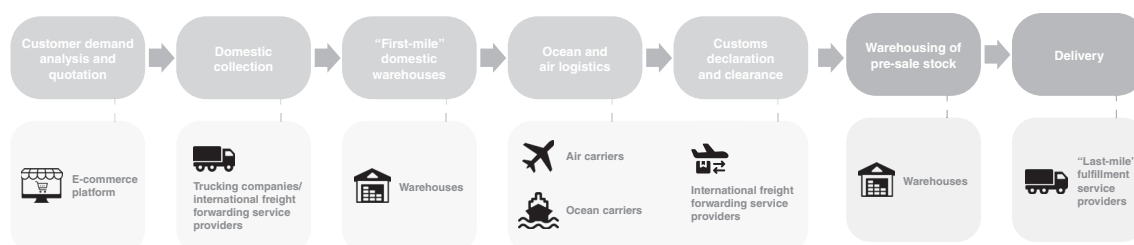
	Shenzhen EDA Group		Our Group			
	FY2021		FY2022		FY2023	
	Revenue		Revenue		Revenue	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
"First-mile" international freight services . .	170,109	26.9	187,798	26.5	259,505	21.5
"Last-mile" fulfillment services	461,773	73.1	520,867	73.5	949,799	78.5
Total Revenue.	631,882	100.0	708,665	100.0	1,209,304	100.0
Ocean freight volume	2,052 FEUs		2,663 FEUs		4,589 FEUs	
Number of orders delivered to end-consumers	3.0 million orders		3.1 million orders		6.0 million orders	

COMPETITIVE STRENGTHS

Established B2C export e-commerce supply chain solutions provider in the PRC well-positioned to capture industry growth

We are an established B2C export e-commerce supply chain solutions provider in the PRC with more than nine years of history. As one of the first companies to offer one-stop end-to-end supply chain solutions using the pre-sale stocking model in the PRC, we have established our position in the industry through (i) the accumulation of deep industry know-hows, (ii) establishment of an extensive global logistics network through deep connections with various enterprise-level participants in the B2C export e-commerce value chain, and (iii) development of an efficient business management process with the aid of our EDA Cloud platform. According to Frost & Sullivan, in terms of revenue in 2023, we ranked sixth among all B2C export e-commerce supply chain solutions providers primarily utilizing pre-sale stocking model in the PRC, with a market share of approximately 0.5%. Further, according to Frost & Sullivan, we had one of the largest networks of overseas partnered warehouses among our peers. As a testament to our reputation in the industry, we were recognized as an Excellent Cross-border E-commerce Technology Enterprise* (極具價值跨境電商服務商) and an Excellent Cross-border E-commerce Service Provider* (優秀跨境電商物流服務商) by Shenzhen Cross-Border E-commerce Association* (深圳市跨境電子商務協會) in 2020 and 2022, respectively, and as a Guangdong Province Major Credible Enterprise* (廣東省“守合同重信用”企業) by Shenzhen Administration for Market Regulation (深圳市市場監督管理局) in 2019. Further, eBay, recognized us as a certified docking warehouse in the second quarter of 2022.

Unlike logistics service providers which generally cater to only one subset of our customers’ supply chain needs, owing to our pre-sale stocking capabilities and EDA Cloud platform, we are able to provide solutions which cater to every element of the logistics value chain and provide our customers with a range of choices for each subset of the supply chain solutions. Due to the multi-layer and multi-party nature of B2C export e-commerce transactions, the B2C ecosystem is becoming increasingly complex. The diagram below sets out the different parties involved throughout the process of the fulfillment of goods to end-consumers by e-commerce vendors.



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We believe that solutions providers which offer solutions with pre-sale stocking model are increasingly critical to the success of e-commerce vendors in the PRC given the growing complexity of the B2C ecosystem. Our customers face challenges such as (i) dealing with multiple service providers and the fragmented information in the supply chain ecosystem concurrently, (ii) the need to consolidate orders from multiple channels due to the rise of omni-channel shopping, (iii) the plethora of local regulations which are subject to constant changes due to the nature of trade activities, (iv) the demand from end-consumers for shorter delivery time, and (v) the costs and complexities of arranging product exchange and returns for end-consumers. Our customers' business model generally do not cover supply chain management given that is more cost-effective for e-commerce vendors to leverage supply chain solutions providers' supply chain infrastructure and logistics network and experience instead of engaging their own third-party service providers for the following reasons:

- we act as the single point for all of our customers' supply chain needs, which is not something that is offered by traditional service providers in the logistics value chain (such as ocean or air carriers, or "last-mile" fulfillment service providers);
- we provide our customers with various tools on the EDA Cloud platform to optimize their supply chain management abilities through order tracking and inventory management;
- we provide our customers with a large range of warehouse options which removes the need for them to separately identify available storage locations for their overseas fulfillment needs;
- given that we are able to gain a more favorable price from service providers due to the volume and frequency of orders with them, our customers will prefer engaging logistics services through us than to do it themselves. We maintain a certain scale of orders with third party logistics service providers which allows us to gain more favorable prices, for example, pursuant to our agreement with some "last-mile" fulfillment service providers, we were granted discounts ranging from 50.0% to 81.0% for meeting various annual thresholds of certain fulfillment volume. According to Frost & Sullivan, e-commerce vendors or solutions providers which have a high level of shipping volume enjoy better rates from "last-mile" fulfillment service providers. Our Directors and Frost & Sullivan confirmed that based on their experience in the industry, the average fulfillment volume of e-commerce vendors of smaller scale in the PRC does not always meet the various annual fulfillment value threshold that allows them to enjoy discounts from "last-mile" fulfillment service providers. As such, it is more cost-effective for these type of

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e-commerce vendors to engage supply chain solutions providers like us instead of directly engaging “last-mile” fulfillment service providers shall they have a small scale fulfillment value;

- we provide our customers with a wide array of service options during the course of providing our supply chain solutions. Through engaging us as their supply chain solutions provider, our customers can compare the prices of different service providers for each subset of the supply chain solutions, giving them the ability to determine and customize the supply chain solutions to best fit their needs; as we stay abreast with the various rates and services offered by solutions providers, we provide our customers with intelligent recommendations (presenting all different service options and various prices) for each subset of the supply chain solutions. Such recommendations allow our customers to choose the service provider that is most suitable for them in terms of price or services provided. Such intelligent recommendations improve our customers’ operational efficiency as they do not need to collate any information on their own;
- distinguishing us from other third-party logistics service providers, our solutions are easy to understand. We provide to all our customers, including e-commerce vendors operating on a smaller scale, a dedicated team responsive to their immediate demands and queries, which is usually not provided by large scale logistics service providers. At the same time, these logistics service providers typically have a wide range of services which may be difficult to navigate for e-commerce vendors that do not have a dedicated function coping with such engagements. For example, “last-mile” fulfillment service providers offer deliveries with a range of timeliness levels (large, medium and small goods, partial goods, one-day and two-day delivery, etc.). Our EDA Cloud platform has consolidated these service providers range of services into its system and help our customers see what are its available options for its desired orders. Further, we also provide warehousing services and value-added services such as reverse logistics and inventory management. According to Frost & Sullivan, while “last-mile” fulfillment service providers may be engaged to assist in the delivery in reverse logistics, these providers generally do not participate in the coordination of product returns and the subsequent processing of returned goods, such as destruction of unwanted goods, repackaging of goods, updating the customers’ inventory records, and collecting customer feedback on product return reasons, all of which are services that our Group offer as part of our reverse logistics. Further, as these service provider’s warehouse networks are generally positioned for temporary transit, instead of mid-term storage pending an undetermined fulfillment date, they place less focus on warehousing services than supply chain solutions providers like our Group. For details as to the differences

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between the value-added services provided by us and those provided by “last-mile” fulfillment service providers, see “Business Model — How we empower China’s B2C export e-commerce industry — Value propositions” in this section.

Through the engagement of B2C export e-commerce supply chain solutions providers like us, e-commerce vendors are able to (i) capture opportunities in the global market without substantial commitment to their own supply chain infrastructure and logistics network or any prior experience in supply chain management and (ii) experience a time-saving process.

We expect enormous market opportunities to arise for solutions providers like us as the market size of B2C export e-commerce supply chain solutions with pre-sale stocking model is projected to reach RMB348.6 billion in 2027, growing at a CAGR of 14.5% from 2022 to 2027. Moreover, given that the solutions offered with pre-sale stocking model effectively reduce the uncertainties in delivery time and allow our customers to choose cost-effective delivery times and option without the pressure of urgent delivery times, there has been a surging demand for solutions with pre-sale stocking model in the last few years.

We anticipate that with our experience and position as an established market player, we will be able to capture the vast number of opportunities arising from the B2C e-commerce export supply chain solutions market in the PRC.

Capability to provide one-stop end-to-end supply chain solutions at a global scale with local expertise

We are able to offer one-stop end-to-end B2C export e-commerce supply chain solutions to meet the various needs of our customers. Due to our comprehensive range of services, we are able to cater to every stage of the product logistics and fulfillment life cycle which in turn affords our customers the ability to freely choose any service that they require. For example, our customers may engage us for only direct shipping services or only “last-mile” fulfillment services.

We believe that our global logistics network empowered by third-party logistics service providers and our years of operational experience are the foundation of our ability to effectively provide reliable one-stop end-to-end supply chain solutions. According to Frost & Sullivan, we are able to serve the majority of trade lanes originating from the PRC through the maintenance of an extensive portfolio of over 480 third-party logistics service providers during the Track Record Period, which includes third-party warehouse service providers, international freight forwarding service providers, ocean carriers, air carriers and local “last-mile” fulfillment service providers. Further, as of the Latest Practicable Date, we have contracted 57 overseas warehouses at major e-commerce destinations, covering the United States, Canada, the United Kingdom, Germany and Australia. The use of third-party logistics service providers allows us to maintain an asset-light

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model, which enhances the agility of our cost structure, and to focus on our core coordination and integration capabilities. Empowered by our asset-light model and our wide array of available service providers, we are able to provide flexible and time-efficient delivery options to cater to different requirements of our customers while maintaining the scalability of our business operations, a strength recognized by our business partners.

Through years of operational experience in popular B2C e-commerce delivery destinations, we have gained (i) in-depth knowledge of local practices and regulations, (ii) substantial experience in warehouse site selection strategy, (iii) familiarity with overseas authorities, and (iv) insights into the needs of the local end-consumers. Such in-depth local knowledge enables us to provide our customers with well-rounded solutions which eliminate most local barriers and challenges. Due to our familiarity with the product logistics and fulfillment scene on a local level at popular B2C e-commerce delivery destinations, many of our customers have chosen to leverage our solutions rather than to invest in their own logistics infrastructure.

Highly effective and nimble execution capabilities enabled by our refined business management processes

Based on our understanding of the industry gained from years of experience, we have developed a set of industry-specific business management processes, which are applied in all key aspects of our operations. In order to address complex B2C export e-commerce supply chain challenges, we have established refined business management processes which allow us to effectively and nimbly manage the plethora of information and stakeholders involved in the life cycle of product logistics and fulfillment.

Our refined business management processes allow us to quickly respond to change, devise cohesive action plans and identify operational inefficiencies. Owing to our business management processes, the solutions we provide to our customers are value-added and cost-effective. Our processes involve a close review of information consolidated from various stakeholders involved in product logistics and fulfillment, and of constant local regulatory changes in popular B2C e-commerce delivery destinations. Further, as part of our business processes to ensure the consistent quality of our operations, we standardize the operations between self-operated warehouses and partnered warehouses through implementing the same working procedures, reporting systems and KPI requirements. For example, as inventory is carefully and promptly logged upon arrival and departure, we are able to synthesize the average age of inventory, the sales volume of each warehouse and the movement of our customers' SKUs; such data allows our customers to better formulate their inventory plans and achieve effective inventory replenishment. As a result of our assistance, some of our customers are able to reduce the delivery times needed for the fulfillment of their goods and more effectively track their inventory changes.

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Our refined business management processes are designed to be adaptable to changes, which is an inherent trait of B2C e-commerce transactions. Our adaptability, facilitated by the visibility gained through our EDA Cloud platform, allows us to achieve strong operational efficiency in the field. Our processes have in place systems which allow us to quickly respond to emerging complications. During the execution of our solutions, we are able to identify deficiencies and problems in a prompt manner. For example, during the week of Black Friday in the United States, we were able to fulfill product orders as requested even though the number of orders from end-consumers was three times higher than usual.

Advanced technological capabilities supported by our R&D commitment

We ensure that we deliver a customer-centric and compelling supply chain management experience consistently by continuously innovating and improving our EDA Cloud platform and investing in R&D activities. We believe that our technological prowess maintains our competitiveness as a B2C export e-commerce supply chain solutions provider in the PRC. As of the Latest Practicable Date, our IT and R&D team accounted for 21.0% of the total number of our staff, most of whom had prior experience in product management, interface design or software development.

We believe in the power of data-based decisions. Through our R&D endeavors, the EDA Cloud platform is equipped with various supply chain tools to optimize our solutions and enhance customer experience through providing supply chain visibility and inventory management. Our analytical capabilities and features equip our customers with useful data insights for their supply chain management functions. As of December 31, 2023, we completed API integration with 14 ERP systems of our customers and 11 e-commerce platforms on which our customers operate, to enable the exchange of data. We continuously devote resources to improving the EDA Cloud platform to better fulfill the demands for full visibility of the logistics and fulfillment process, to match supply with demand and to better manage the execution of our solutions.

Outside of the EDA Cloud platform, our R&D endeavors have yielded results which improve our operational efficiency. For instance, we have developed an intelligent packaging materials recommendation system, which recommends suitable packaging materials based on analysis of historical packaging data for similar orders taking into account the type of SKUs of the order, and reduces the manual involvement in the packaging process. As of the Latest Practicable Date, we were the registered owner of 15 trademarks, seven patents, five domain names and 24 copyrights in the PRC which our Directors believe are material to our business operations.

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A broad and high-quality customer base with long-term relationships

We aim to connect our customers to the B2C e-commerce opportunities in the global market. As a testament to our success, over the years in Track Record Period, our average annual net dollar retention rate generated from accounts of our customers on the EDA Cloud platform (i.e. the average of the preceding years' annual recurring revenue for repeat customers divided by the recurring value for those customers in the previous time period) was 118%. Further, the number of core customers (with which we dedicate specialized sales effort considering that they are customers contributing more than RMB3 million to the revenue for the year) increased from 40 customers as of December 31, 2021 to 58 customers as of December 31, 2023. During the Track Record Period, we served over 850 customers, many of these being brand-owners and manufacturers. According to Frost & Sullivan, brand-owners and manufacturers are generally considered as high-quality customers due to their ability to generate consistent income and their general propensity for sustainable growth. We believe that our customers' growth can be translated into recurring revenue for us as a B2C export e-commerce supply chain solutions provider.

We value our relationship with core customers because such customers generally have long-standing relationship with us; in order to help us keep track of core customers so that our sales team can work on maintaining our relationships with these customers, the EDA Cloud platform will earmark any customers which has placed orders with us which in aggregate amounted to over RMB3 million within the year or in the preceding year. The EDA Cloud platform also earmarks any entity which has demonstrated a high growth of orders or revenue with us, so that our sales team may be able to identify potential core customers. We also participate various conferences attended by e-commerce vendors in the PRC in order to identify potential customers. We follow up with any potential customers identified at these conferences or e-commerce vendors which reached out to us via our website to explore business opportunities and to gauge the possibility of these customers becoming our core customers. During the Track Record Period, we placed extra emphasis in our sales and marketing activities with core customers or customers which we are given to understand to have the potential of becoming a core customer; specifically, we pay regular visits with these customers in order to ensure that we understand how we can partner with them to actualize their long-term visions and execute their immediate business plans. Due to our ability to partner with these customers in a meaningful way, we were able gain an increasing number of core customers each year.

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The table below sets forth the number of customers and number of core customers which engaged us for (i) “first-mile“ international freight services only; (ii) “last-mile” fulfillment services only; and (iii) both “first-mile” international freight services and “last-mile” fulfillment services by unique customers:

	Shenzhen EDA Group		Our Group			
	FY2021		FY2022		FY2023	
	<i>No. of customers</i>	<i>No. of core customers</i>	<i>No. of customers</i>	<i>No. of core customers</i>	<i>No. of customers</i>	<i>No. of core customers</i>
“First-mile” international freight services only . . .	7	1	20	2	10	1
“Last-mile” fulfillment services only.	270	5	311	8	396	17
Both “first-mile international freight services and “last-mile” fulfillment services.	216	34	188	39	178	40
	<u>493</u>	<u>40</u>	<u>519</u>	<u>49</u>	<u>584</u>	<u>58</u>

For each year during the Track Record Period, 85.0%, 79.6% and 69.0% of such core customers engaged us for solutions with both “first-mile international freight services and “last-mile” fulfillment services. Since the new core customers which engaged us towards the end of the Track Record Period mainly opted for only “last-mile” fulfillment services, there was a decreasing proportion of core customers engaging us for solutions with both “first-mile” international freight services and “last-mile” fulfillment services throughout the Track Record Period. As of the Latest Practicable Date, our Directors did not foresee a material change in the proportion of core customers opting for solutions with both “first-mile” international freight services and “last-mile” fulfillment services. For FY2021, FY2022 and FY2023, the total revenue contributed by our core customers amounted to RMB507.6 million, RMB568.6 million and RMB1,075.8 million, representing 80.3%, 80.2% and 90.0% of the total revenue, respectively. Our Directors confirmed that there was not other past or present relationship (whether business, employment, family, trust, fund flow, financing or otherwise) between the new core customers procured during the Track Record Period and our Company, its subsidiaries, shareholders, directors or senior management, or any of their respective associates.

We have maintained stable and long-term strategic relationships with the five largest customers in each year during the Track Record Period. We have on average around four years of business relationship with the five largest customers in each year during the Track Record Period. Our long-term relationships with these customers have allowed us to gain in-depth understanding of their needs; and we apply such understanding in our development of our EDA Cloud platform and solution offering. We have in place various sales and marketing strategies so as to maintain our relationships with our customers, in particular, core customers.

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A capable management team led by our visionary founder

We are led by our visionary founder Mr. Liu Yong, who has over nine years of experience in the B2C export e-commerce supply chain solutions industry, and nearly 20 years of managerial experience in the technology sector. From July 2002 to June 2012, Mr. Liu Yong worked as a department head at Huawei Technologies Co., Ltd (華為技術有限公司), and was primarily responsible for telecommunications engineering construction. Under the leadership of Mr. Liu Yong, we have completed over 40 R&D projects since our inception to further digitalize our operations. We believe that Mr. Liu Yong's strong focus on and pragmatic approach to digitalizing the business process of supply chain solutions have positively transformed our operational efficiency.

In addition, our founder is supported by a management team comprised of members who have proven track records in business operations management. Our executive Director, Ms. Li Qin, has over 14 years of operational management experience in human resources and business operations management. Meanwhile our executive Director, Mr. Cheung Man Yu, has more than 22 years of experience in financial reporting and general management. Equipped with deep expertise in the industry, a pioneering mindset and a competent management team, our visionary founder capitalizes on innovative strategies to grow our business.

STRATEGIES ON FUTURE GROWTH

Enhancing our global logistics network through unique asset-light model

According to Frost & Sullivan, the market size of the B2C export e-commerce supply chain solutions with pre-sale stocking model is expected to reach RMB387.0 billion in 2028, growing at a CAGR of 13.7% from 2023 to 2028. To cater to the expected increase of market opportunities, we aim to enhance our global logistics network with overseas warehouses as its core through our unique asset-light model. To further strengthen our competitiveness in the industry, we intend to (i) further standardize the service quality of our overseas warehouses by aligning their working procedures, reporting systems and KPI requirements, (ii) strengthen our warehouse management team to execute our refined management business processes and extend their oversight functions, and (iii) deepen the local presence of our global logistics network.

In the heart of our global logistics network, we strategically adopt a unique asset-light model consisting of self-operated warehouses and partnered warehouses, which keeps us nimble in our decision-making process. According to Frost & Sullivan, we had one of the largest network of overseas partnered warehouses among our peers. We believe that the key to sustaining our large network of overseas warehouses is our refined business management processes, which was developed based on our deep and extensive industry knowledge and experience accumulated throughout the years. Going forward, to ensure the service quality and customer experience in

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relation to our supply chain solutions by maintaining the operational quality of our self-operated warehouses and partnered warehouses, we will continue to enforce (i) management oversight over our partnered warehouses, (ii) application of our working procedures and EDA Cloud platform in their warehouse operations and (iii) regular reviews of our global overseas warehouse network.

We currently mainly serve trade lanes originating from the PRC, fulfilling orders to the United States, Canada, the United Kingdom, Germany and Australia during the Track Record Period. We aim to further deepen our presence in areas that we already have footprint in during the Track Record Period. Since the B2C e-commerce markets in these countries present massive opportunities given their respective expected economic growths and expected growths as destination markets for B2C e-commerce orders according to Frost & Sullivan, we plan to densify our overseas warehouses coverage and increase our market penetration in these areas in order to generate synergies with our current infrastructure.

Through expanding our global logistics network, we believe that we will be able to (i) improve our customer's experience through standardized service quality, (ii) increase our bargaining power with service providers and (iii) increase our efficiency in providing solutions by leveraging the synergies between our overseas and domestic warehouses.

Optimizing operational efficiency through improving intelligent systems

We will continue to deliver a customer-centric and compelling supply chain management experience consistently by continuously innovating and improving our EDA Cloud platform and investing in R&D activities. We believe that our technological capabilities, which are maintained through our commitment to R&D initiatives and investments in intelligent systems, are the key to our success.

- ***Revamp our SaaS platform.*** According to Frost & Sullivan, the application of new technologies, such as SaaS solution and big data, has been promoting B2C export e-commerce supply chain solutions providers to save costs and improve efficiency. Against such market backdrop, we aim to revamp our EDA Cloud platform by establishing an open SaaS platform that can serve the needs of all industry participants. Ultimately, we intend to transform our EDA Cloud platform to an open platform that connects every stage of product logistics and fulfillment life cycle and different stakeholders of the value chain and collect real-time data to bridge information gaps. Our Directors believe that with an increasing number of industry participants using our EDA Cloud platform, we would be able to increase the intelligence of our EDA Cloud platform through analyzing and consolidating the massive and comprehensive data, such as customer portfolio information, fee quotation, cargo availability, logistics tracking

data, warehouse inventory information, from multiple angles. This presents us with the opportunity to improve the efficiency of the cross-border supply chain and offer more value-added services that could potentially create profit for us.

- ***Upgrade the functions of our existing system.*** In conjunction with our expanded global logistics network, we aim to provide our customers with a smarter and more easy-to-use system through upgrading our available logistics functions, including but not limited to OMS (Order Management System), WMS (Warehouse Management System), TMS (Transport Management system) and CRM (Customer Relationship Management). In particular, we intend to invest in artificial intelligence, machine learning and IoT technologies with the aim of improving the analytic abilities of our EDA Cloud platform. For example, we intend to upgrade our CRM function with tools such as customers behavior analysis, customer portfolio labeling and customer follow-up strategy development, which could empower our sales team and improve our ability to attract new customers. We also intend to upgrade inventory analysis capabilities for our WMS function by leveraging on IoT technologies and big data analytics capabilities, which we believe could help us reach a higher warehouse efficiency, an improved stock-to-sales ratio and improved inventory turnover for customers which use our EDA Cloud platform. Through the R&D of these functions and systems, we will improve predictability, visibility and reliability of our solutions, ultimately enhancing customer experience.

Attracting new customers and maintaining relationships with core customers

According to Frost & Sullivan, the GMV of global e-commerce market is expected to reach US\$10.1 trillion in 2028 with a CAGR of 9.9% from 2023 to 2028, mainly driven by (i) the continued growth of the global economy; (ii) the increase in global consumer purchasing power and (iii) the further strengthening of international trade and economic cooperation between countries. It is expected that there will be a steady emergence of new e-commerce vendors. To grasp such market potential, we intend to leverage on our operational experience in popular B2C e-commerce delivery destinations to reach out to more emerging e-commerce vendors. We will continue to strengthen our presence across the globe as this will assist not only in reaching out to new customers, but also in consolidating existing long-term business relationships with our customers, in particular, core customers (with which we dedicate specialized sales effort owing to the fact that they are contributing more than RMB3 million to the revenue for the year).

As a result of a shift in consumers' shopping behavior towards online purchasing since the start of the COVID-19 outbreak, to ride of such favorable market trend, we intend to proactively reach out to (i) new e-commerce vendors in the PRC (ii) overseas e-commerce vendors that have

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supply chain in the PRC and require cross-border logistics services; and (iii) local vendors of shopping platforms that require “last-mile” fulfillment services. We are confident that we can leverage on our prior experience to connect e-commerce vendors with end-consumers around the world.

During the Track Record Period, our local direct sales force contributed to our business by leveraging their marketing abilities and business contacts collected to communicate with potential customers to understand preliminarily their needs. Going forward, our direct sales force will continue to be an important part of our Group to explore potential customers in different regions across the globe. We plan to strengthen our direct sales force by expanding our locally-stationed direct sales teams and setting up new offices in areas we currently have little or no market presences in so that we can better serve our current regional customers and also respond faster and lead to new regional customer development possibilities.

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Leveraging our digitalized operations, we connect e-commerce vendors in the PRC to end-consumers in the global market mainly through providing a comprehensive range of supply chain solutions to our customers, primarily including one-stop, end-to-end solutions which comprise of “first-mile” international freight services and “last-mile” fulfillment services. Occasionally, where requested, as part of our “first-mile” international freight services, we provide direct shipping services to our customers whereby goods are directly delivered to end-consumers from our customers’ warehouse. We primarily adopt and utilize a pre-sale stocking model which allows our e-commerce vendors to transport their products from the PRC to our overseas warehouses as pre-sale stocks. Pursuant to the pre-sale stocking model, our customers’ stocks are shipped according to our customers’ inventory plan and stored at our overseas warehouses until they are ready to be delivered to the end-consumers. Once an end-consumer places an order on the e-commerce shopping platform through which our customers operate, our EDA Cloud platform will identify which warehouse with the relevant stock is closest to such end-consumer. Our customers utilize such information when considering which of our overseas warehouses they plan to stock their products in.

The cost structure of the pre-sale stocking model and the direct shipping model both includes the freight rate in the “first-mile” international freight and delivery fee in the “last-mile” fulfillment services, however, under the pre-sale stocking model, there is also the additional cost of the overseas warehouse such as rent or warehouses service fees. Further, as our customers typically use our solutions to keep their goods in our overseas warehouses as pre-sale stock (stock that has not yet been ordered by end-consumers), there is generally not much urgency for stock to be quickly delivered via international freight, which gives them more flexibility to choose the most cost-effective logistics option considering factors such as seasonality, cargo availabilities and shipping durations. Taking into account the fact that the goods handled by us are typically pre-sale

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stock and that the cost for air freight is higher than that of ocean freight, solutions which apply the pre-sale stocking model usually utilize ocean freight whereas traditional direct shipping services utilize air freight.

Due to our comprehensive range of services, we are able to cater to every stage of the product logistics and fulfillment life cycle leveraging our third-party logistics service providers and provide our customers with the ability to freely choose any service that they require. For example, our customers may engage us for cross-border direct shipping services or only “last-mile” fulfillment services. We deliver supply chain management experience by digitalizing our business processes with the use of our EDA Cloud platform. Our business model is illustrated in the diagram below:



Note: During the Track Record Period and up to the Latest Practicable Date, save for some of the overseas storage services which were handled by our own staff at our self-operated warehouses, all components of our supply chain solutions were provided by third-party services providers.

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How we empower China's B2C export e-commerce industry

Our approach to capturing emerging opportunities

Due to the proliferation of online consumption, the global e-commerce industry presents massive opportunities for e-commerce vendors in the PRC. In turn, these opportunities will prove to be a boon to China's B2C export e-commerce industry. According to Frost & Sullivan, the market size of China's B2C export e-commerce industry will increase from RMB3,850.3 billion in 2023 to RMB7,236.8 billion in 2028 at a CAGR of 13.5% from 2023 to 2028.

Alongside the promising growth of China's B2C export e-commerce supply chain industry is the rising demand for timely and efficient delivery to end-consumers, which in turn drives the demand for comprehensive and reliable supply chain solutions. It is challenging for e-commerce vendors to manage their own supply chain needs, as most e-commerce vendors do not have mature processes and the technological infrastructure to cope with (i) the fragmented information in the supply chain ecosystem with information relating to each stage of B2C export spread across different stakeholders and sources, (ii) the need to consolidate orders from multiple channels due to the rise of omni-channel shopping, (iii) the plethora of local regulations which are subject to constant changes due to the nature of trade activities, (iv) the demand for shorter delivery time, and (v) the costs and complexities of arranging product exchange and returns for end-consumers. For further details of the pain points faced by e-commerce vendors, see "Industry Overview — The B2C Export E-Commerce Market in the PRC" in this prospectus.

We address these pain points through (i) efficient allocation of resources and management of various stakeholders in the arena of supply chain and logistics market through consolidating fragmented information with the help of our EDA Cloud platform, (ii) primarily adopting a pre-sale stocking model to bring our customers' merchandise closer to the end-consumers and (iii) a global logistics business model. Taking into account the various challenges as set out above, according to Frost & Sullivan, it is a common industry practice for e-commerce vendors to engage supply chain solution providers to provide one-stop end-to-end supply chain solutions to in turn simultaneously engage multiple logistics service providers for various services, and on less frequent occasions, just the "first-mile" international freight services or the "last-mile" fulfillment services. Unlike third-party service providers, the main responsibilities of which are to ensure delivery or warehousing, we position ourself as a solution provider which links up different service providers so as to render a customized, cohesive and cost-effective supply solutions which fits our customers' unique needs. We are the single contact point for our e-commerce vendor customers covering all aspects of the supply chain process. In particular, we provide services that third-party service providers generally do not include, such as real-time order tracking, omnichannel compatibility, securing cargo spaces on a tight schedule, negotiating the competitive freight rates

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leveraging our extensive logistics providers network and inventory management services such as product return. Our business model, which includes a global network of service providers and a digitalized cloud platform, enables us to capture opportunities in the industry.

Value propositions

We deliver the following compelling value propositions to our customers and business partners:

- *One-stop end-to-end supply chain solutions.* The combination of our “first-mile” international freight services and “last-mile” fulfillment service provides customers with one-stop end-to-end solutions, decreasing the time and resources required to deal with the multi-layer and multi-party nature of B2C export e-commerce transactions. At the same time, our customers are given the option to request solutions which cater to their preferences.
- *A supply chain partner for e-commerce vendors of varying scale.* Our customers engage us for our expertise in the management of various stakeholders in the arena of supply chain and logistics market. Our customers’ business model generally do not cover supply chain management given that is more cost-effective for e-commerce vendors to leverage supply chain solution providers’ supply chain infrastructure and logistics network and experience instead of engaging their own third-party service providers. Albeit our customers can maintain their own network of service providers and arrange supply chain solutions for themselves, up and coming e-commerce vendors generally prefer to focus their resources and efforts on their products and outsource the entire supply chain process to solution providers like us who can act as a single contact point and eliminate set up costs. As a part of our solutions, we also offer value-added services to reduce the amount of processing work that needs to be done by our customers such as products return processing and disposal of stock. Further, given that we are able to gain a more favorable price from these service providers due to the volume and frequency of orders with them, our customers will prefer engaging logistics services through us than to do it themselves. Distinguishing us from other logistics service providers, our solutions are easy to understand. We provide to all our customers, including e-commerce vendors operating on a smaller scale, a dedicated team responsive to their immediate demands and queries, which is usually not provided by large scale logistics service providers. At the same time, these logistics service providers typically have a wide range of services which may be difficult to navigate for e-commerce vendors that do not have a dedicated function coping with such engagements. For example, “last-mile” fulfillment service providers offer deliveries with a range of timeliness levels (large, medium and small goods, partial goods, one-day and two-day delivery, etc.). Our EDA

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Cloud platform has consolidated these service providers’ range of services into its system and help our customers see what are the available options for its desired orders. Solution providers like us are able to supplement e-commerce vendors which have their own supply chain infrastructure during peak season in terms of transportation and warehouse capacity.

- Specific value-added services catering to the pre-sale stocking needs of our customers.* We provide warehousing services and value-added services such as reverse logistics and inventory management. According to Frost & Sullivan, while “last-mile” fulfillment service providers may be engaged to assist in the delivery in reverse logistics and has warehousing functions, the services provided by the service providers are not specific nor do they cater to the pre-sale stocking needs of our customers. As “last-mile” fulfillment service providers are mostly focused on providing services in relation to the physical delivery aspect of the fulfillment step for its customers, any ancillary services which it may provide, such as warehousing or reverse logistics, are limited in scope. The table below sets out the differences between the value-added services provided by us and those provided by “last-mile” fulfillment service providers:

<u>Value-added service</u>	<u>Our Group</u>	<u>“Last-mile” fulfillment service providers</u>
Reverse logistics	Coordination of product returns and the subsequent processing of returned goods, such as destruction of unwanted goods, repackaging of goods, updating the customers’ inventory records, and collecting customer feedback on product return reasons.	Pick up and delivery of returned goods to designated location based on already generated return labels. It will not arrange for pick up or package or help repackage the goods.

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Value-added service	Our Group	“Last-mile” fulfillment service providers
Warehousing services	Pre-sale stocking warehousing services which cater to goods which have an indefinite fulfillment date. The Group also provides inventory management services such as periodic inventory check and count, provides reports regarding to selling statuses at the same time, details of which are set out under “Our solutions” in this section.	The warehouses of these “last-mile” fulfillment service providers are generally positioned to deal with temporary transit and the sorting of packages instead of mid-term storage, and therefore, customers cannot place orders with these Express Companies for goods that do not have a determined fulfillment date.

- *Intelligent service provider recommendation and price comparison.* Unlike logistics service providers which generally cater to only one subset of our customers’ supply chain needs, we provide our customers with a wide array of service provider options during the course of providing our supply chain solutions. As we stay abreast with the various rates and services offered by solution providers, we provide our customers with intelligent recommendations (presenting all different service options and various prices) for each subset of the supply chain solutions. Such recommendations allow our customers to choose the service provider that is most suitable for them in terms of price or services provided. Such intelligent recommendations improve our customers’ operational efficiency as they do not need to collate any information on their own.

- *Efficient and convenient services guaranteed by our EDA Cloud platform.* Customers can freely enjoy efficient and convenient services through the EDA Cloud platform developed by us, which can be integrated with various parties’ ERP systems. Through API connections, the EDA Cloud platform consolidates information from different stakeholders to realize information synchronization which on one hand, enables us to formulate accurate cargo allocations and optimal travel routes for our customers and on the other hand, enables our customers to place and track their orders in real time with visibility in the entire process. We continuously improve the EDA Cloud platform to ensure that its functions and user experience are at an optimal level.

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- *Reliable and quality solutions.* We are committed to providing our customers with reliable and quality solutions. To ensure reliable and quality solutions, we have applied industry-specific business management processes, which are applied in all key aspects of our operations to ensure control over every aspect of the execution of our solutions. Such business management processes were developed to cope with the nature of the B2C export e-commerce supply chain industry, as such, our processes are focused on (i) allocating resources and managing various stakeholders, (ii) managing our customers' inventory in overseas warehouses as a result of our pre-sale stocking solutions and (iii) managing the composition of our warehouse network through the engagement of partnered warehouses. We also carefully select our service providers based on a variety of factors, including industry experience, geographic location, financial condition, management skills and risk control procedures. Further, as part of our business processes to ensure the consistent quality of our operations, we standardize the operations between self-operated warehouses and partnered warehouses through implementing the same working procedures, reporting system and KPI requirements.
- *Access to a broad customer base.* We have gained a broad customer base of e-commerce vendors since the commencement of our business. Through us, our service providers have access to a broad customer base with a stable forecast of orders which may not normally be available to our service providers. As orders from various customers are consolidated through us, our service providers can reduce their sales and marketing efforts to reach the emerging e-commerce vendors.

OUR GLOBAL LOGISTICS NETWORK

Our global logistics network covering popular B2C e-commerce delivery destinations are maintained through the engagement of and collaboration with third-party logistics service providers. To maintain effective communications with third-party logistics service providers, we have also stationed employees in the PRC, the United States, Canada and the United Kingdom. We serve various major trade lanes around the world, including Asia-North America, Asia-Europe and Asia-Australia. During the Track Record Period, our Group/Shenzhen EDA Group had a portfolio of over 60 third-party warehouse service providers, 300 international freight forwarding service providers, ocean carriers and air carriers and 80 local “last-mile” fulfillment service providers.

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

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

The price per FEU and per tonne for “first-mile” international freight services is market driven. We adopt a market-based pricing model for both the ocean freight services and air freight services under our “first-mile” international freight services, taking into account factors such as (i) length of working relationship and future business opportunities; (ii) the transportation route and distance taking into account the customer goods collection point and drop off point; (iii) preferred international shipping method and schedule; (iv) product dimension and weight and its potential stocking time; (v) market rates taking into account of cost and market competition; and (vi) seasonality. Generally, the price per FEU and price per tonnes goes up when there is a significant shipping demand or limited supply in the market. In particular, in 2021, due to the spread of COVID-19 and related lockdown measures, the ocean shipping capacity, operations and labor supply were severely affected; thus, the strong demand for ocean logistics and limited supply in the market has caused the average price of FEU to grow reach its peak in 2021. The average price per FEU for “first-mile” ocean freight services in FY2023 resumed to a lower level, which was close to the level prior to the outbreak of the COVID-19. Similarly, the price per tonne was affected by the spread of COVID-19 and related lockdown measures in FY2021 and FY2022, which severely affected the air shipping capacity, operations and labor supply, which drove up the air freight cost. The increase from the average price per tonnes for “first-mile” air freight services between FY2022 and FY2023 was a result of the Israeli-Palestinian conflict which took place in the second half of FY2023 and the extreme weather such as heavy rain and snow in the U.S. from October 2023.

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The average price per order delivered for “last-mile” fulfillment services is driven by the market prices and affected by the product dimension and weight since each order may consist of different number, weight and size of items.

The table below sets forth a breakdown of number of orders and average price per order per country for “last-mile” fulfillment services during the Track Record Period, which was derived from dividing the revenue against the number of orders for the corresponding country and year:

	Shenzhen EDA Group		Our Group			
	FY2021		FY2022		FY2023	
	<i>Average price per order,</i>		<i>Average price per order,</i>		<i>Average price per order,</i>	
	<i>RMB</i>	<i>No. of order '000</i>	<i>RMB</i>	<i>No. of order '000</i>	<i>RMB</i>	<i>No. of order '000</i>
United States	153	2,331	169	2,406	163	4,683
Canada	245	202	323	217	269	356
United Kingdom	133	372	130	228	76	471
Germany	123	42	118	100	134	384
Australia	83	20	17	112	41	107
Total	156	2,967	170	3,063	158	6,001

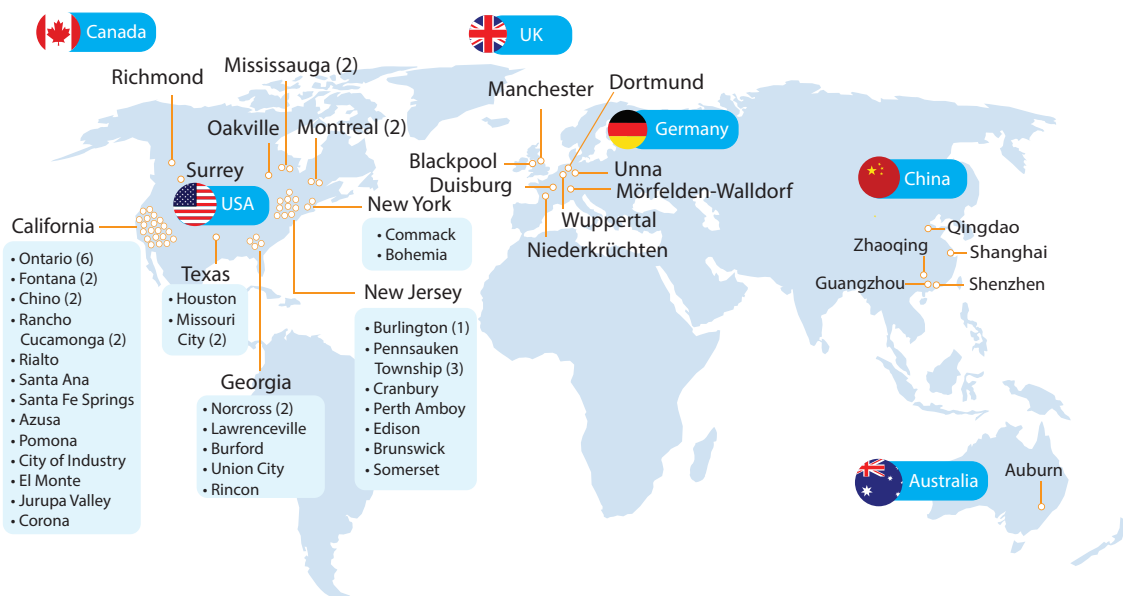
During FY2023, there was a decrease in the average price per order delivered in the United States, Canada and United Kingdom; mainly because we were able to negotiate for better pricing with “last-mile” fulfillment service providers with our economics of scale. The fluctuations in the average price per order in Australia was mainly due to the fact that the product dimension and weight for the orders delivered greatly differed each year. Specifically, in FY2021, the orders made in Australia were generally for a mixture of small, medium and large sized goods, whereas in FY2022, the orders made in Australia predominately concerned small goods, which is generally cheaper to deliver.

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Our fees are generally generated from the execution of an entire B2C export e-commerce supply chain solutions. As most of our Group's customers look at the pricing of the solutions holistically, we do not base our service fees solely on the cost analysis of the service(s) involved. Further, none of our customers purely engages us for warehouse storage services. Instead, the customers engaged our Group for "last-mile" fulfillment services which include both warehousing and delivery services. Given we strategically position ourself as an end-to-end one-stop supply chain provider and generate most of our profit from the fulfillment delivery portion of "last-mile" fulfillment services, it is unfavorable to us shall the customers' goods stay in our warehouses for a long period of time. Instead, we aim to assist our customers to improve their inventory turnover. In particular, our inventory management services and inventory analysis afford our customers the ability to strategize their inventory turnover as our EDA Cloud platform provides visibility as to inventory in various locations and sends periodic restock reminders when items are running low in stock. Through the EDA Cloud platform, our customers monitors the sales and is able to gauge the type of goods that are fast-selling, accordingly, they are able to strategise their sale plans and can map out their subsequent international freight delivery plans accordingly. For example, we will notify our customers when there is a high volume of stock of a particular product in one location, which gives our customers time to target their sales efforts in that area for this particular product. We also notify our customers when there is a low volume of stock of a particular goods, which enable efficient restocking, ensuring that there is a robust stock of our customers' most popular items. We have also purposefully increased the daily storage fees of goods that exceed a certain number of storage days, so as to incentivize our customers to improve their inventory turnover. As our customers only engaged us for "last-mile" fulfillment services which include both warehousing and delivery services, the revenue generated from the storage of the customers' goods until the onward fulfillment of such products during the Track Record Period is immaterial to the segment's revenue.

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To quickly and accurately fulfill orders, we have chosen to contract warehouses in locations within the vicinity of popular B2C e-commerce delivery destinations and ports with capabilities to ensure prompt receipt, storage and shipment of products. For FY2021, FY2022 and FY2023, our capabilities enabled us to process approximately 3.0 million, 3.1 million and 6.0 million orders for delivery of goods to end-consumers, respectively. We contracted 10 self-operated warehouses and 47 partnered warehouses, which are located in over five countries, including the United States, Canada, the United Kingdom, Germany and Australia as of the Latest Practicable Date. According to Frost & Sullivan, we had one of the largest network of overseas partnered warehouses among our peers. Adopting a mixed model of self-operated warehouses and partnered warehouses allows us to continuously adapt our warehouse network to our needs and adjust our costs whenever necessary. The following map sets out the locations of our warehouses as of the Latest Practicable Date:



OUR SOLUTIONS

As the B2C export e-commerce supply chain is complex and involves multiple components such as various service providers, the evolving regulations over the global trades and the developing digital infrastructure, it has become increasingly difficult for e-commerce vendors to navigate the entire process by themselves. Leveraging our EDA Cloud platform and experience with a customer-centric mindset, we handle the logistical challenges faced by our customers and cater to our customers' needs.

As an established B2C export e-commerce supply chain solutions provider based in the PRC, we offer an extensive range of solutions to a broad base of customers by coordinating the entire logistics and fulfillment life cycle, components of which include domestic collection and

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transportation, domestic warehousing storage, international freight services which consist of ocean logistics and air logistics, customs declaration and clearance, overseas warehousing storage and “last-mile” fulfillment services. Our solutions are fully-integrated into and can be traced, monitored and managed through our EDA Cloud platform.

The one-stop end-to-end solutions of our Group/Shenzhen EDA Group consist of two major components: (a) “first-mile” international freight services and (b) “last-mile” fulfillment services. The table below shows the revenue, gross profit and gross profit margin during the Track Record Period by service nature:

Service nature	Shenzhen EDA Group				Our Group							
	FY2021				FY2022				FY2023			
	Revenue		Gross profit margin		Revenue		Gross profit margin		Revenue		Gross profit margin	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
“First-mile” international freight. . .	170,109	26.9	6,280	3.7	187,798	26.5	4,003	2.1	259,505	21.5	5,892	2.3
“Last-mile” fulfillment	461,773	73.1	100,575	21.8	520,867	73.5	102,491	19.7	949,799	78.5	191,212	20.1
Total	<u>631,882</u>	<u>100.0</u>	<u>106,855</u>	<u>16.9</u>	<u>708,665</u>	<u>100.0</u>	<u>106,494</u>	<u>15.0</u>	<u>1,209,304</u>	<u>100.0</u>	<u>197,104</u>	<u>16.3</u>

The table below shows the revenue, gross profit and gross profit margin during the Track Record Period by destination of delivery:

	Shenzhen EDA Group				Our Group							
	FY2021				FY2022				FY2023			
	Revenue		Gross profit margin		Revenue		Gross profit margin		Revenue		Gross profit margin	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
United States	506,107	80.1	75,793	15.0	566,279	79.9	84,039	14.8	1,008,445	83.4	165,851	16.4
Canada	55,933	8.9	11,901	21.3	75,085	10.6	21,082	28.1	97,587	8.1	27,953	28.6
The United Kingdom	60,064	9.5	18,947	31.5	44,596	6.3	5,842	13.1	41,495	3.4	4,073	9.8
Germany	7,814	1.2	260	3.3	20,330	2.9	(2,981)	(14.7)	57,061	4.7	354	0.6
Australia	1,964	0.3	(46)	(2.3)	2,375	0.3	(1,488)	(62.7)	4,716	0.4	(1,127)	(23.9)
Overall	<u>631,882</u>	<u>100.0</u>	<u>106,855</u>	<u>16.9</u>	<u>708,665</u>	<u>100.0</u>	<u>106,494</u>	<u>15.0</u>	<u>1,209,304</u>	<u>100.0</u>	<u>197,104</u>	<u>16.3</u>

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

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that of the gross profit margin from the United States. The overall gross profit margin decreased from 16.9% for FY2021 to 15.0% for FY2022, primarily due to the decrease in gross profit margin from “last-mile” fulfillment services, mainly because of the lead time between the investment for the warehouse expansion in FY2021 and the realization of profit. For more details of the reasons for the fluctuations of gross profit and gross profit margin from other areas during the Track Record Period, see “Financial Information — Description of Certain Consolidated Statements of Profit or Loss and Other Comprehensive Income Items — Gross Profit and Gross Profit Margin” in this prospectus.

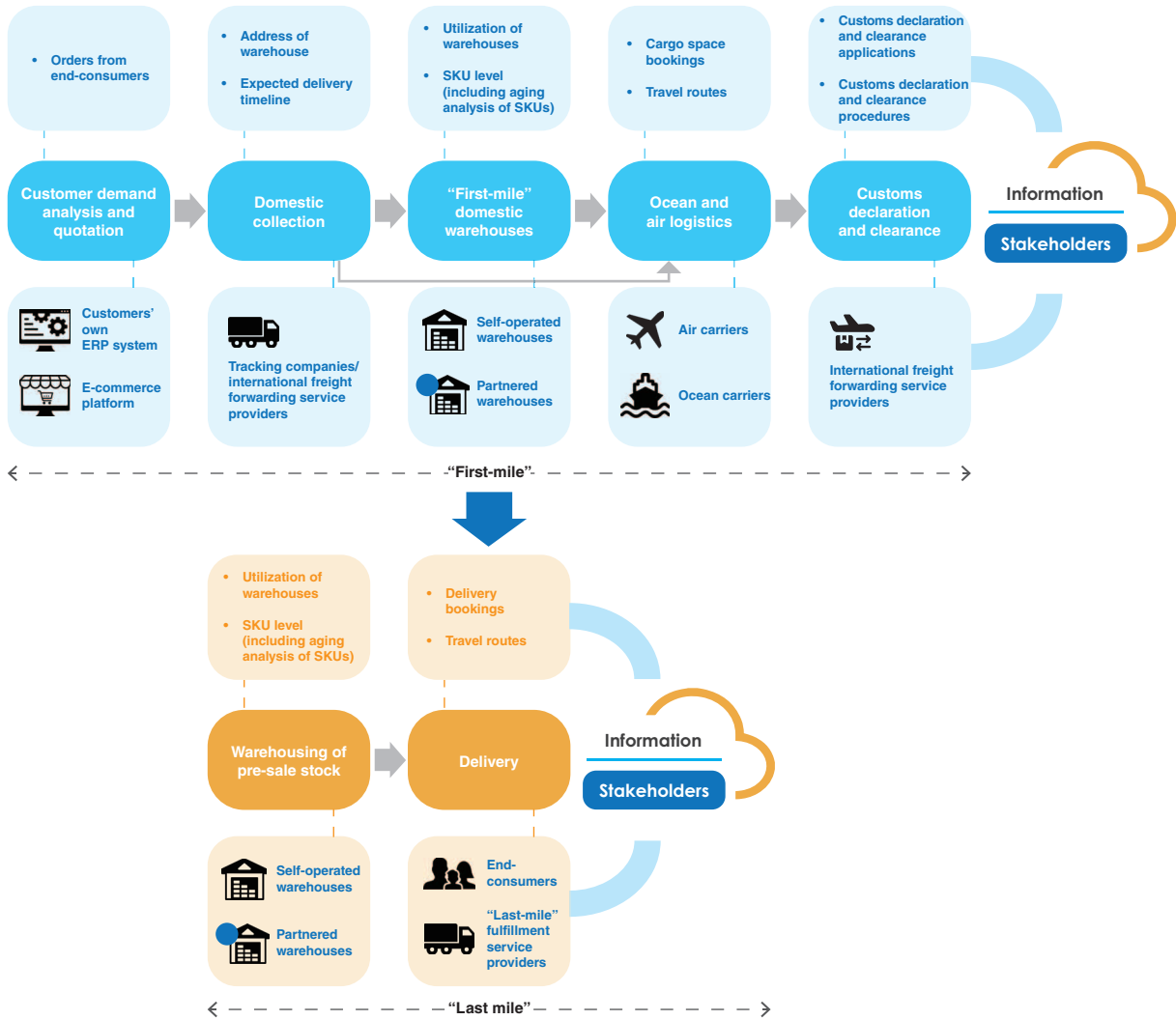
In addition to our one-stop end-to-end solutions which involve the aforementioned components, our customers are free to engage us for only selected parts of the supply chain solutions. For example, from time to time, our customers engage us for cross-border direct shipping services or only “last-mile” fulfillment services. Our one-stop end-to-end solutions and customized solutions create synergistic value for us as we are able to both attract new customers of different needs and enhance customer stickiness due to our well-rounded capabilities.

The table below sets forth the number of customers for solution type, the revenue generated thereof and other relevant operating data during the Track Record Period:

	Shenzhen EDA Group				Our Group							
	FY2021				FY2022				FY2023			
	Revenue	Ocean freight volume	Air freight volume	Number of “Last-mile” orders	Revenue	Ocean freight volume	Air freight volume	Number of “Last-mile” orders	Revenue	Ocean freight volume	Air freight volume	Number of “Last-mile” orders
<i>RMB’000</i>	<i>FEU</i>	<i>Tonnes</i>	<i>(million)</i>	<i>RMB’000</i>	<i>FEU</i>	<i>Tonnes</i>	<i>(million)</i>	<i>RMB’000</i>	<i>FEU</i>	<i>Tonnes</i>	<i>(million)</i>	
Solutions with only “first-mile” international freight services	8,453	70	1	N/A	25,524	283	100	N/A	162,347	377	1,886	N/A
Solutions with only “last-mile” fulfillment services	104,269	N/A	N/A	0.8	115,813	N/A	N/A	0.7	284,438	N/A	N/A	2.0
Solutions with both “first-mile international freight services and “last-mile” fulfillment services	519,160	1,982	12	2.2	567,328	2,380	27	2.4	762,519	4,212	1	4.0
	631,882	2,052	13	3.0	708,665	2,663	127	3.1	1,209,304	4,589	1,887	6.0

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We set out the major steps of our workflow and solutions offered below:



1. Customer demand analysis and quotation

Before we commence working with our customers, we examine and assess their industry nature, the types and quantity of their products to be delivered, budgets, delivery timetables as well as their specific demands. Our operation team then obtains rates, shipping and flight schedules and other pertinent information from our service providers. Such information is promptly gathered and stored on our EDA Cloud platform. Our customers will receive quotations for the customized logistics solutions drawn up by us via our EDA Cloud platform. If the customers find our quotations agreeable, they will place orders for our solutions through our EDA Cloud platform. Our operation team contacts our customers through our EDA Cloud platform to confirm bookings and transportation schedules, coordinates with our customers for various transportation arrangements and obtains transportation documents for bookings.

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2. Domestic collection, transportation and warehousing

Our customers have the option of determining whether their goods will be collected by our international freight forwarding service providers or by domestic logistics service providers engaged by us or by themselves, at their designated locations such as their factories within the PRC. The method of domestic collection is determined by the customers' preference which is affected by factors such as whether the international freight forwarding service providers already include domestic collection in their services or whether they wish to keep stock at our domestic warehouse for temporary storage so that their goods to be bundled together with goods from our other customers. Some of our customers may choose to bundle their goods because it allows their goods to be delivered on a full cargo basis, which is generally a more cost-effective option. Some customers may opt to drop off their goods at our warehouses by themselves or opt to have us arrange domestic logistics services providers to pick up their goods. As of the Latest Practicable Date, we contracted five storage facilities in Shenzhen, Guangzhou, Shanghai, Qingdao and Zhaoqing in the PRC. We arrange for product examination, packaging, palletization and labeling according to the loading sheet provided by our operations staff and then arrange for delivery to the relevant port or airport for departure. The cost structure of domestic collection by international freight forwarding service providers is relatively straightforward, as collection will be rendered as part of their logistics services and the cost arising thereof is included in the service fee paid to them for the logistic services. For customers which need to bundle their goods with other customers to qualify for full container shipping, more cost is incurred as we need to provide domestic collection through domestic logistics services providers (if the customer does not opt to drop of the goods themselves), domestic warehousing and other value added services.

Based on the order details and provided, our system will generate an electronic label with a tracking barcode for each product which our customers can print and affix on the product package for tracking purposes. Alternatively, our customers can choose to use labels with third-party product barcodes, such as Universal Product Code (UPC).

3. Ocean and air logistics services

During the Track Record Period, our Group/Shenzhen EDA Group leverage the portfolio of over 300 international freight forwarding service providers, ocean carriers and air carriers to provide the customers with international freight services which fit their needs. Most of these service providers are incorporated in the PRC. For each year during the Track Record Period, for the "first-mile" international freight services, our Group/Shenzhen EDA Group procured services from 147, 132 and 116 service providers, with the largest supplier, being Supplier B, accounting for 26.3%, 12.6% and 7.9% of our costs attributed to "first-mile" international freight services, respectively. Supplier B is a provider of international ocean freight, ground cargo transportation and domestic port warehousing services in the PRC according to the best knowledge of our Directors. In FY2021, Shenzhen EDA Group contracted Supplier B more frequently as it was still

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in the early stages of its business as a supply chain solution provider with a pre-sale stocking model. As our network of providers began to proliferate and our relationship with other suppliers matured, we began procuring services from a wider variety of suppliers. While we did not own or operate any aircrafts or vessels throughout the Track Record Period and as of the Latest Practicable Date, the use of third-party service providers allowed us to provide our customers with a wide range of options while maintaining an asset-light model.

We primarily enter into cooperation agreements with our international freight forwarding service providers, air carriers or ocean carriers which provide services consisting of ocean and air logistics services (where applicable), domestic customs declaration services and international customs clearance services, domestic collection, cargo space booking and consolidation, as well as packing and unpacking. See “— Suppliers — General terms and conditions with our suppliers” below for a summary of the key contracts terms with our third-party logistics service providers.

To better predict the amount of cargo space required by our customers, we check with our major customers on a regular basis on their anticipated shipping volumes. Based on our understanding of our customers’ anticipated shipping volumes, we will notify our international freight forwarding service providers or air carriers or ocean carriers of such cargo space needs, based on which our service providers will reflect such volume in our framework agreement with them as a minimum commitment on shipping volume to be procured, for which we are contractually obliged to purchase within the stipulated timeframe. If we fail to reach the agreed minimum shipping volume within the stipulated timeframe, while our service provider generally has the right to terminate the agreement and charge us a pre-determined fee, we will negotiate with our service provider to see whether such outstanding space can be used in the period after or be sold to a different customer of theirs. Our customers receive status notifications on the transportation of their products once the ocean or air cargoes are loaded and depart. Our customers can obtain tracking data which is uploaded in real-time onto our EDA Cloud platform.

As compared to ocean logistics, air logistics involves a shorter transit time and has relatively more predictable arrival and departure times, which better cater for customers with time-sensitive needs and customers which value certainty from transportation schedules. We provide our customers with the option to designate service providers on the EDA Cloud platform. As our customers typically use our solutions to keep their goods in our overseas warehouses as pre-sale stock (stock that has not yet been ordered by end-consumers), there is generally not much urgency for stock to be quickly delivered via international freight, which gives them more flexibility to choose the most cost-effective logistics option considering factors such as seasonality, cargo availabilities and shipping durations. Taking into account the fact that the goods handled by us are typically pre-sale stock and that the cost for air freight is higher than that of ocean freight, our customers generally opt for ocean freight. During the Track Record Period, the revenue generated from ocean logistics services for FY2021, amounted to RMB169.4 million, making up 99.6% of Shenzhen EDA Group’s “first-mile” international freight services revenue for FY2021; as for

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FY2022 and FY2023, it amounted to RMB182.0 million and RMB106.3 million, respectively, making up 96.9% and 41.0% of our “first-mile” international freight services revenue for the respective years; whereas, the revenue generated from air logistics services amounted to RMB0.7 million FY2021, making up 0.4% of Shenzhen EDA Group’s “first-mile” international freight services revenue for FY2021; as for FY2022 and FY2023, it amounted to RMB5.8 million and RMB153.2 million, respectively, making up 3.1% and 59.0% of our “first-mile” international freight services revenue for the respective years. During FY2023, the absolute amount of revenue generated from ocean logistics decreased as compared to that of FY2022, primarily due to the decrease in average price per FEU, despite the service volume of ocean logistics increased. During the Track Record Period, Shenzhen EDA Group delivered 2,052 FEU in FY2021 and our Group delivered 2,663 FEU in FY2022 and 4,589 FEU in FY2023. As for the decrease in the proportion of revenue derived from ocean logistics, it is mainly due to the decrease in absolute amount as explained above and an increased demand for direct shipping services in FY2023 from a customer which operates an e-commerce platform.

4. Customs declaration and clearance

In order to clear customs-related issues during exportation and importation of goods, we partner with third-party customs brokers or our international freight forwarding service providers to handle domestic customs declaration and international customs clearance and inspection on behalf of our customers before the departure of goods and upon their arrival at the delivery destination respectively. Customers can submit customs declaration and clearance applications and activate the customs declaration and clearance procedures on the EDA Cloud platform. Status and results of customs declaration and clearance of their goods are updated thereon, so that customers can activate customs declaration and clearance processes and receive notifications and monitor the status of such processes. To ensure the smooth passage of customs declaration and clearance, we have also implemented various internal control policies aimed at ensuring that our customers’ goods are not subject to trade prohibitions. In this respect, (i) we require our customers to upload information relating to its product onto the EDA Cloud platform and our relevant staff will review such information to assess whether the goods will be subject to any trade prohibitions; (ii) we sample check each batch of goods received from our customers at our local warehouses or during pick up at our customers’ warehouses to spot any restricted items and for any items that are unsuitable for delivery; (iii) we provide training to our staff to ensure that they are able to help effectively screen our customers’ goods; and (iv) we ensure that our contracts with customers explicitly state that we are not liable for the goods delivered and that the customer agrees to ensure that the items delivered are not subject to any trade prohibition or limitation in the PRC or in the destination country of which the item is being delivered. To the best knowledge of our Directors, our supply chain solutions were not applied to the delivery, warehousing or fulfillment of goods prohibited in the country of which it was being delivered or fulfilled.

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During the Track Record Period and up to the Latest Practicable Date, save for some of the overseas storage services which were handled by our own staff at our self-operated warehouses, all components of our supply chain solutions were provided by third-party services providers. Our role as a supply chain solutions provider is to provide overall intelligent planning and coordination through our EDA Cloud platform, rather than to provide the underlying delivery service. As advised by our PRC Legal Adviser and the legal advisers as to U.S. corporate laws, according to the contracts between our Group and its customers, we do not assume liability for the safety, quality, rights, defects and environmental impact of the goods delivered; further, the customers of our Group is contractually obliged to ensure that its goods comply with the export and import requirements of relevant jurisdictions.

5. Warehousing services

As of the Latest Practicable Date, we contracted 57 overseas warehouses as warehousing and fulfillment centers, of which 10 were self-operated warehouses and 47 were partnered warehouses. As of the Latest Practicable Date, we contracted five domestic warehouses to act as a storage facilities in the PRC which operate similarly as our overseas partnered warehouses as described below.

The use of both self-operated warehouses and partnered warehouses allows us to maintain an asset-light model. Unlike traditional warehouses for lease, the cost incurred by our occupation of partnered warehouses is determined by the extent to which we utilize the warehouses. Adopting a mixed model of self-operated warehouses and partnered warehouses allows us to continuously adapt our warehouse network to our needs and adjust our costs whenever necessary. With each incoming order from our customers, the warehouse location of which pre-sale stock is stored is determined based on the availability of our warehouses and our customers' preference. We are well aware of the available space of our partnered and self-operated warehouses as we have in place measures to keep our operations team well informed of warehouse availability. Specifically, we periodically review the inventory level of our self-operated warehouses through the EDA Cloud platform and reach out to our partnered warehouse service providers to check on the available storage space for our reference. While we are not entitled to the exclusive use of our partnered overseas warehouses, reservation of storage space in our partnered overseas warehouses is on a first-come-first-serve basis, our operations team periodically communicates with our warehouse service providers to give them an estimation of our expected use of the warehouse. To ensure sufficient storage space to cater to our business needs, (i) we have located a self-operated warehouse in the vicinity of or center of a cluster of our partnered warehouses to acts as a flagship point for each focal areas of our warehouse network and to provide a minimum level of storage space in each of these focal areas and (ii) we diligently monitor the inventory level of the warehouses occupied by us and in response to any overflow of inventory, we will proactively move pre-sale stocks within our network of warehouses to ensure that sufficient space. Further,

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due to our asset-light model, we are able to contract a new warehouse service provider shall our current portfolio of warehouses prove to be insufficient for the needs of our customers. The table below sets out a comparative analysis of warehouses:

	Self-operated Warehouses	Partnered Warehouses
Mode of operation	These warehouses are operated onsite by our own employees stationed at the warehouse	These warehouses are operated by our warehouse service providers on a day-to-day basis. The partnered warehouse follows our business protocols and operational standards and their performance is reviewed by us periodically. The warehouse providers also adopts the WMS, which allows us to monitor the utilization rate of their warehouses and their daily operation through the EDA Cloud. According to Frost & Sullivan, such operational arrangement is commonly referred to as partnered warehouses.
Management	These warehouses are operated by our own employees	We provide subject to regular inspections by our employees.
Cost	Lease payments	Fees charged based on a pre-agreed fee scale pursuant to which the fees vary in accordance with the utilization of our warehouses and services performed in association with the stock stored in warehouse. There is no split fee arrangement, our fees incurred from the use of partnered warehouses are based on the extent of services rendered.

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As part of our arrangement with our third-party warehouse service providers, our partnered warehouses are staffed with external personnel employed by our third-party warehouse service providers. Despite the above differences between our self-operated warehouses and partnered warehouses, to ensure the consistency of our services provided and to allocate resources more cost-effectively, we centrally managed our self-operated warehouses and partnered warehouses, through standardizing the following components applied at all our warehouses (i) technology systems; (ii) portfolio of our “last-mile” fulfillment service providers; (iii) service quality; (iv) operation flow and (v) customer services. Before we choose our partnered warehouse service providers, we will have our relevant staff visit onsite to check their warehouse facilities and meet their management and operation teams and ensure their suitability as long-term business partners. Once we sign a partnered warehouse agreement, we will have our staff provide training to the relevant personnel in charge of such partnered warehouses, in particular, training regarding the adoption of our standard warehouse operation process and the EDA Cloud platform. Through (i) providing regular training to the personnel at those warehouses on our standardized KPIs and warehouse management protocols, (ii) enforcing the use of the EDA Cloud platform by the staff stationed at these partnered warehouses to ensure integration of data relating to the stock that is stored and fulfilled via our warehouses, (iii) carrying out periodic reviews of the staff performance at these warehouses, and (iv) managing onsite and performing regular trainings and assessment by our warehouse operation team and locally stationed employees, (v) sharing local knowhow, experience and technological solutions with the external staff and managers and personnel stationed at these warehouses, we are able to standardize the quality and operations of our self-operated warehouses and our partnered warehouses. We also actively manage our portfolio of partnered warehouses and our inventory at these warehouses through periodic reviews per our KPIs determined internally by us.

Upon receiving the products transported to our overseas warehouses, we first unload the products, which is followed by a quality inspection and inventory check to confirm the number of products. The overseas warehouses will then store the customers’ goods in the warehouses awaiting the onward fulfillment delivery of such. Once the end-consumers make an order on e-commerce platforms such as Amazon and eBay, our EDA Cloud platform will locate the stock in the nearest warehouses to the end-consumers’ delivery addresses. Our customers, having a full picture of their options, will select the warehouses at their own discretion to process the orders. We also promptly come up with tailored alternative supply chain solutions for our customers, such as intra-warehouse transit services when the stock level in one overseas warehouse is particularly low. A dispatch instruction will be sent to the chosen overseas warehouse once the order is processed. The warehouse personnel will then locate the products and process the check-out procedure by logging the dispatch of the products on the EDA Cloud platform and pre-sort the products by scanning the labels attached thereon to obtain the product and customer information. At the request of the customers, we may also (i) provide inventory check assistance of stocks stored in our overseas warehouses for our customers’ reference; (ii) assist in handling

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end-consumer enquiries regarding wrongly delivered products and broken packages. For example, for products which are stocked for a certain period of time in our overseas warehouses, we will send alerts and notifications to our customers offline and provide analysis on the option of continued storage and onward sale to end-consumers along with sales promotion campaigns with an aim to shorten the inventory life cycle of stocks stored in our overseas warehouses and to increase mobility and improved stock-to-sales ratio.

By analyzing centralized historical stock-in, stock-out and inventory data of each of our overseas warehouses, we offer warehouse storage area allocation services which optimize the allocation of products over our network of overseas warehouses by intelligently predicting warehouse throughput to avoid exceeding their respective maximum capacity and generating the optimized stock-out route in each warehouse. Leveraging the WMS (Warehouse Management System) connected to each of our overseas warehouses, we are able to sort, send and store the pre-sale products for repackaging and unpacking and consolidate recommended storage areas across the network of our overseas warehouses based on the SKUs, stock-to-sale ratio, characteristics, weight and dimension, packaging standards, security standards and exit routes of the products.

When pre-sale products of our customers are being stored in our warehouses, we offer inventory adjustment and replenishment services by allowing our customers to manage and track inventory with SKU-level accuracy across different overseas warehouses on our EDA Cloud platform. Notifications will be sent to our customers when the stock level of products is relatively low or when any product is out of stock. In response to the inventory level of their stocks across our network of overseas warehouses, our customers can set corresponding pre-defined rules on the EDA Cloud platform which auto-replenish their pre-sale stocks in our overseas warehouses where their products are stored whenever the inventory level crosses a certain threshold.

6. Fulfillment delivery services

Leveraging our overseas warehouses which cover popular B2C e-commerce delivery destinations, we are able to ensure timely “last-mile” fulfillment to end-consumers. We engage large-scale local “last-mile” fulfillment service providers in the United States, Canada, the United Kingdom, Germany and Australia for their “last-mile” fulfillment services. Upon receiving stock-out orders placed by our customers via our EDA Cloud platform, we provide various “last-mile” fulfillment services to end-consumers, which include standard delivery, express delivery and economy delivery depending on the expected delivery time by the end-consumers.

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We work with various service providers to provide a flexible combination of “last-mile” fulfillment services. As we upload quotations onto our EDA Cloud platform, the platform also provides intelligent recommendations regarding different “last-mile” delivery options based on specific preferences on costs and time efficiency. We will recommend appropriate “last-mile” delivery routes and local “last-mile” fulfillment services provider based on the recommendations of our EDA Cloud platform and our customers’ preferences.

7. Customer services

We closely monitor the delivery status of the parcels through our EDA Cloud platform, and our customers are able to keep close contact with us through our online chat function. We promptly log all customer feedback and complaints in order to synthesize these for operational improvement.

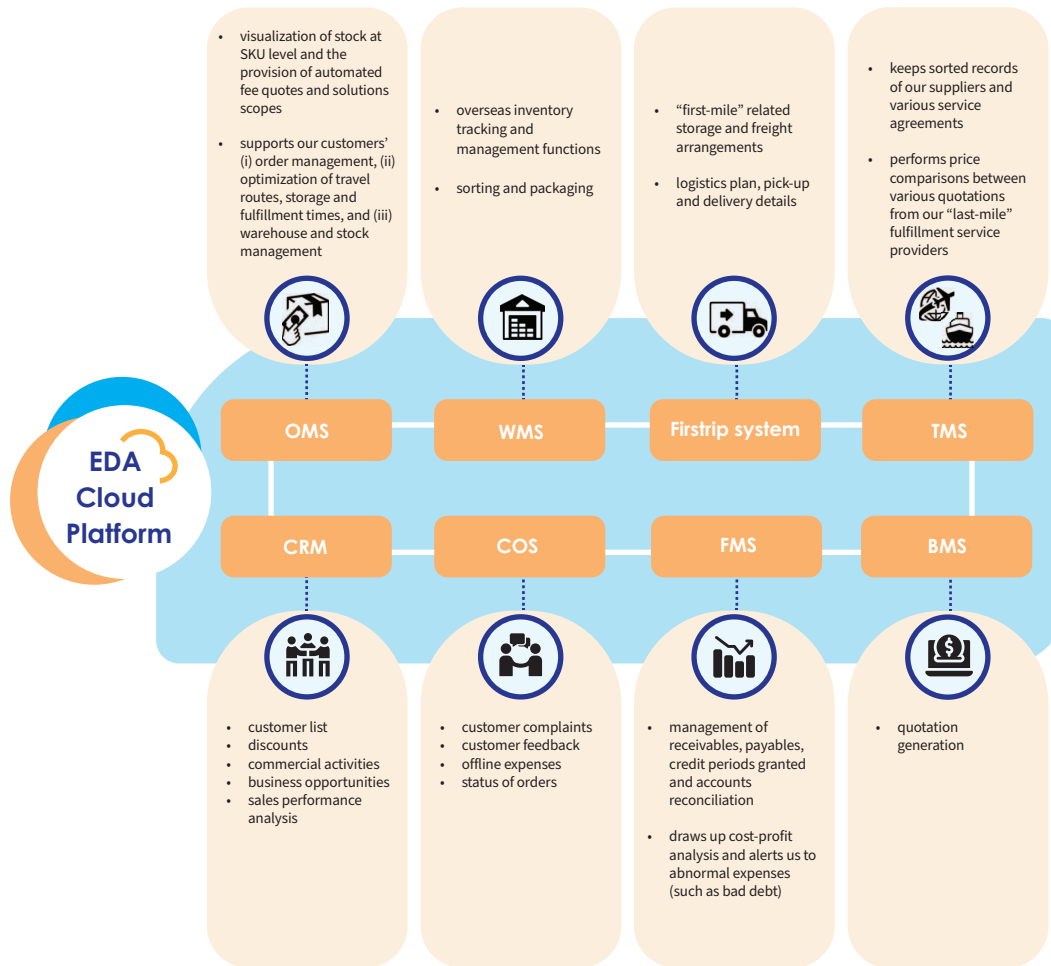
Alongside the growing prevalence of B2C e-commerce, there is a growing demand from end-consumers for product returns. To better cater to our customers’ needs, we offer product return and reverse logistics services to ensure a relatively less costly process for returning products. Our product return and reverse logistics services, the revenue from which contributes to our “last-mile” fulfillment services, involve management of (i) returned broken goods, (ii) products returned as a result of a lack of order details and (iii) returned products due to insufficient or inappropriate packaging. We collect the returned products under our EDA Cloud platform which connects the stock of returned products with the inventory of our entire storage system. The returned products will be sent back to our overseas warehouses for our inspection and to undergo maintenance process in preparation for resale. Products that are unfit for resale will be gathered and sent for destruction.

EDA CLOUD PLATFORM

We have placed heavy emphasis on our endeavors relating to our technologies, in particular, the EDA Cloud platform. Digital technology is applied for various operational and functional needs in our provision of B2C export e-commerce supply chain solutions. The EDA Cloud platform (and the modular systems which it hosts) plays a critical role in providing our customers with a supply chain experience and in allowing us to reach optimal levels of operation efficiency.

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The customer-facing front of our EDA Cloud platform is comprised of the OMS (Order Management System), which when integrated effectively, provides our customers with various supply chain tools to manage their inventory and to support our internal operations. The EDA Cloud platform also houses the Firststrip system, TMS (Transport Management System), WMS (Warehouse Management System), CRM (Customer Relationship Management), COS (Customer Service Operating System), FMS (Finance Management System) and BMS (Billing Management System) modular systems. The diagram below sets out the functions of the modular systems housed by our EDA Cloud platform:



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Through the integration of all modular systems, in essence, the EDA Cloud platform helps fulfill our customers' orders online and enable real-time communication, tracking and financial management. The dashboard of the EDA Cloud platform provides visualization and customer alerts to help customers plan their operations and freight expenses through predictive analytics and online quotations, thereby improving customer decision-making efficiency and enhancing the predictability of supply chain solutions. The EDA Cloud platform performs the following customer-facing and internal functions:

- *Order management.* To render convenient access to the EDA Cloud platform, our customers can get quotations and with us through EDA Cloud platform. Our EDA Cloud platform connects to our customers via one of the following three methods: (i) direct access through our web portal, (ii) integration with their own ERP system, or (iii) integration with e-commerce platforms which they use to sell their merchandise, such as eBay and Amazon. Through pre-defined rules set up by our customers, our EDA Cloud platform is capable of collecting and consolidating purchase orders from their end-consumers from various e-commerce platforms. Our EDA Cloud platform enables our customers to (i) manage their own inventory and logistics orders and (ii) process and fulfill purchase orders from their end-consumers simultaneously and flexibly on one system. To enhance the turnaround time of our solutions, our EDA Cloud Platform can process payment from customers directly. Our customers may let the cost incurred by services ordered accumulate and pay in one go or make a prepayment as credit for future services. For FY2021, Shenzhen EDA Group processed approximately 3.0 million orders for delivery of goods to end-consumer, and for FY2022 and FY2023, our EDA Cloud platform processed approximately 3.1 million and 6.0 million orders for delivery of goods to end-consumer, respectively.

- *Warehouse management.* The WMS (Warehouse Management System) is deployed across our warehouses allowing us to have visibility of its inventory in both local and overseas warehouses. Further, the EDA Cloud platform offers a range of recommendations and strategies due to its data analysis capabilities, including warehouse work schedule optimization, warehouse storage area allocation, inventory adjustment and replenishment, and product picking. Our EDA Cloud platform can produce an optimized work schedule for all the personnel to determine each employee's working hours and tasks, which significantly increases the efficiency of the workforce. Based on these intelligent strategies, our EDA Cloud platform instructs and controls the operation of our warehouses to ensure stable warehouse conditions and operation qualities.

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For customers operating through certain e-commerce platforms, such as eBay and Amazon, the EDA Cloud platform can also help customers to manage and optimize their inventory allocation and replenishment, which is an important aspect to B2C e-commerce vendors with a high turnover rate of merchandise. Through the EDA Cloud platform, customers can set pre-defined rules which auto-replenish their pre-sale stock in our overseas warehouses whenever the inventory or number of end-consumer orders crosses a certain threshold.

- *Delivery management.* Through the EDA Cloud platform, we are able to manage logistics service providers, logistics agreements, the type of services engaged and quotations; the costs of trucking, air/ocean freight and other logistics services are uploaded on the EDA Cloud platform. The EDA Cloud platform is utilized for the management of transportation involved in the solutions provided by us, with the goal of finding transportation services at maximum cost-effectiveness and time-efficiency. For example, in the “first-mile” transportation process, by analyzing the volume and types of goods, location and distance of transportation, and available transportation methods, our EDA Cloud platform consolidates goods into full containers to optimize space utilization. For “last-mile” fulfillment services, by analyzing coverage regions, timeliness, service quality, and costs of various service providers, we put the delivery service channels into different groups, and design our differentiated delivery service options based on the capabilities of the service providers. When a customer places an order, the EDA Cloud platform will identify the appropriate service provider based on the characteristics of goods, destination of goods, and the customer’s preference for costs and time efficiency. Our EDA Cloud platform can help the customer determine the most appropriate route to reduce transportation distance and steps.

- *Customer service.* Should our customers come across any problems in the process of using our services, such as inaccurate inventory information, a lost package, or an uncompleted delivery, they may utilize the online-chat function to raise any such issue and request a check on its orders or review the end-consumer’s complaint with our staff. Once our system receives such an inquiry or request, our staff will promptly conduct a thorough review with the relevant departments for resolution. Our staff maintains the real time status of the inquiry or request through the EDA Cloud platform.

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Technology infrastructure and capabilities

We are dedicated to providing customers with scalable and reliable infrastructure, secure and compliant cloud services and technologies. Our system can be integrated with third-party ERPs and e-commerce platforms by API connections to synchronize information, which makes it more convenient for our customers to manage their supply chain and in turn increases customer satisfaction. We have developed the EDA Cloud Platform in-house to ensure that it can cope with the complexity of the industry in which we operate. As of December 31, 2023, we had 72 cloud servers hosted in the PRC, contributing to our speedy and reliable services. We also use cloud services provided by external service providers. Due to the use of cloud computing technology, the amount of bandwidth we lease is flexible, which means we can expand the bandwidth we lease should there be a surge in the number of concurrent users on our EDA Cloud platform.

During the Track Record Period and up to the Latest Practicable Date, we had not experienced any failures in our technology which caused material disruptions to our operations. We are, however, susceptible to risks relating to the failure of our electronic system and database. See “Risk Factors — Risk relating to our business and industry — The proper functioning and effective utilization of our technology systems and infrastructure our business operations is essential to our business. Any failure to continue to maintain satisfactory performance of our EDA Cloud platform and any security breaches and attacks against our technology systems could materially harm our business and reputation.” in this prospectus.

We have an internal manual in relation to backups, activity logging, data security, virus control and contingency measures. Repeatable functions such as backups and system monitoring are managed by our information technology department, and firewalls are implemented to secure our internal networks. We believe that by maintaining such controls on our technology systems, we are able to minimize the risk of system failure during the course of our business operations and provide a secure and efficient electronic data exchange environment.

Research and development

We believe that our R&D capability is crucial to our business and also differentiates us from our competitors as it strengthens our capability in providing one-stop end-to-end solutions to our customers. We closely attend to the needs of our customers and respond to their feedback and requests through developing new solutions or adding advanced or optimized features in existing solutions. Our R&D efforts primarily focus on (i) improving the EDA Cloud platform, and (ii) other technologies which can improve our operational efficiency. Through our R&D activities, we aim to enhance the overall performance and effectiveness of solutions and improve our customers’ experience.

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Research and development team

We have a well-established and dedicated R&D team, consisting of 61 team members as of the Latest Practicable Date. The team is led by our founder, Mr. Liu Yong, who has over nine years of experience in the cross-border logistics industry, and nearly 20 years of managerial experience in the technology sector and our chief technology officer, Mr. Li, who possesses professional expertise and extensive experience in R&D related work. Most of our R&D team members come from technological backgrounds with experience in product management, interface design or software development. Almost all of our R&D team members have received a bachelor's degree in software engineering and/or other computer science-related modules.

Research projects and expenses

R&D expenses of Shenzhen EDA Group amounted to RMB18.0 million for FY2021 and our Group's R&D expenses amounted to RMB20.8 million and RMB33.3 million for FY2022 and FY2023, respectively. During the Track Record Period, we have completed the following notable R&D initiatives:

<u>No.</u>	<u>Term</u>	<u>Results of our R&D initiatives</u>
1	January 2021 to April 2021	A warehousing and transportation management system customized for future use in the Southeast Asia region with local language and currency conversion functions
2	January 2021 to June 2021	An advanced trucking service booking system which allows us to better allocate our trucking service supplier resources
3	January 2021 to July 2021	A multi-currency quotation and payment system which avoids foreign exchange loss
4	February 2021 to December 2021	An e-commerce platform monitoring and management system which collects and collates data of the orders for which we offer supply chain solutions from various e-commerce platforms for monitoring and management convenience
5	February 2021 to September 2021	A warehousing and transportation management system customized for small packages
6	May 2021 to December 2021	An advanced shipping container booking system which allows us to better allocate our ocean carrier resources

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No.	Term	Results of our R&D initiatives
7	July 2021 to December 2021.	A logistics information tracking system which collects and collates relevant information from various logistics service providers for ease of tracking
8	August 2021 to December 2021	A billing review system which allows us to compare the fee stated in the purchase order and the one calculated by our system for double checking
9	January 2022 to March 2022	An advanced customer management system which collects and collates information of our customers, and analyzes the needs of our customers accordingly, enabling us to identify potential business opportunities
10	January 2022 to March 2022	A business approval workflow system
11	April 2022 to May 2022	An international freight management system which collates information collected from various service providers in terms of quotations, trade lanes they serve, logistics requirement, etc. for our ease of management and selection
12	April 2022 to December 2022	A warehousing management system which improves our overall operational efficiency
13	April 2022 to December 2022	A computing engine system based on rule configuration
14	January 2023 to March 2023	An management system which facilitates our internal publication, subscription and communication of operational information, which will later be a part of SaaS system which we intend to launch after the revamp of the EDA Cloud platform
15	January 2023 to April 2023	A financial transactions management system which improves the efficiency and timeliness of our settlement and reconciliation processes, which will later be a part of SaaS system which we intend to launch after the revamp of the EDA Cloud platform

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No.	Term	Results of our R&D initiatives
16	February 2023 to June 2023	An order management system designed for cross-border e-commerce companies which could be concurrently connected to major external e-commerce platforms/third-party ERPs and major international logistics services providers, which will later be a part of SaaS system which we intend to launch after the revamp of the EDA Cloud platform
17	April 2023 to June 2023	A ticket management system which improves the workflow of our customer services and facilitates the coordination and cooperation among different departments and employees in different locations, which will later be a part of SaaS system which we intend to launch after the revamp of the EDA Cloud platform
18	July 2023 to September 2023	A product return management system which connects the product return requests from our customers submitted on the OMS to the WMS, TMS and BMS, improving the workflow of our product return services
19	July 2023 to December 2023	An order management system designed for cross-border e-commerce vendors which could be concurrently connected to major external e-commerce platforms/ third party-ERPs, which will later be a part of our SaaS system which we intend to launch after the revamp of the EDA Cloud platform
20	August 2023 to December 2023	An order forwarding management system which sorts orders in accordance with the delivery time and available storage space at our warehouses and facilitates the generation of the optimized travel routes for each order, which will later be a part of our SaaS system which we intend to launch after the revamp of the EDA Cloud platform
21	September 2023 to November 2023	A synchronized data migration management software which facilitates the migration of synchronized historical operating data to our centralized data center

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No.	Term	Results of our R&D initiatives
22	September 2023 to December 2023	A customer relationship and sales and marketing management system which synchronizes sales data of our customers with our CRM to facilitate the generation of sales reports and sales targets, which will later be a part of our SaaS system which we intend to launch after the revamp of the EDA Cloud platform

IMPACT OF THE OUTBREAK OF COVID-19

The outbreak of COVID-19 which was first reported in December 2019 quickly developed into a pandemic across the world that materially and adversely affected the global economy and business environment. As governments around the world implemented lockdown measures in an attempt to contain the outbreak during the COVID-19 pandemic, consumers around the world shifted from visiting physical stores to e-commerce platforms for their shopping needs, gradually fostering their habits of online shopping which are expected to last during the post-COVID-19 era. As such, the COVID-19 outbreak has had a positive impact on the B2C export e-commerce supply chain solutions industry. It is expected that more opportunities will emerge for supply chain solutions providers from the PRC, leading to the growth of our business in the long run.

However, during the Track Record Period, the business operations were exposed to certain international transportation interruptions, global logistics congestion and temporary suspension of port terminals in the PRC due to the COVID-19 pandemic from time to time, which had prolonged the delivery time of the services and increased the costs of operation. In particular, the cost for “first-mile” international freight services was affected in FY2021, as Shenzhen EDA Group had to endure higher rates charged by international freight forwarding service providers due to a limited supply of shipping capacity following the outbreak of COVID-19. Although the global supply chain suffered from negative impacts of the COVID-19 pandemic, our overseas warehouse operations were not materially interrupted by the COVID-19 pandemic.

At the same time, as a result of a shift in consumers’ shopping behavior towards online purchasing since the start of the COVID-19 outbreak, we have been able to ride on such favorable market trend during the outbreak. Although according to Frost & Sullivan, in 2022 and first half of 2023, with the recovery of the COVID-19, offline shopping gradually resumed and the market size of the B2C export e-commerce supply chain solutions with pre-sale stocking model has slightly decreased, we believe that there is still a consistent demand for our solutions given the fact that online purchasing is an already cemented habit of end-consumers around the world. We intend to proactively reach out to (i) new e-commerce vendors in the PRC (ii) overseas e-commerce vendors that have supply chain in the PRC and require cross-border logistics services; and (iii) local vendors of shopping platforms that require “last-mile” fulfillment services, to connect e-commerce vendors with end-consumers around the world.

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We were able to swiftly and proactively respond to the spread of COVID-19 in our office premises and warehouses, for example, through the daily disinfection of office areas, supply of face masks and sanitizer to employees, daily monitoring of body temperature and health status of employees and mandatory home quarantine for employees with symptoms or returning from medium to high risk areas. In compliance with requirements from respective local governments, our employees would conduct COVID-19 tests and report to respective local government authorities following a positive test result.

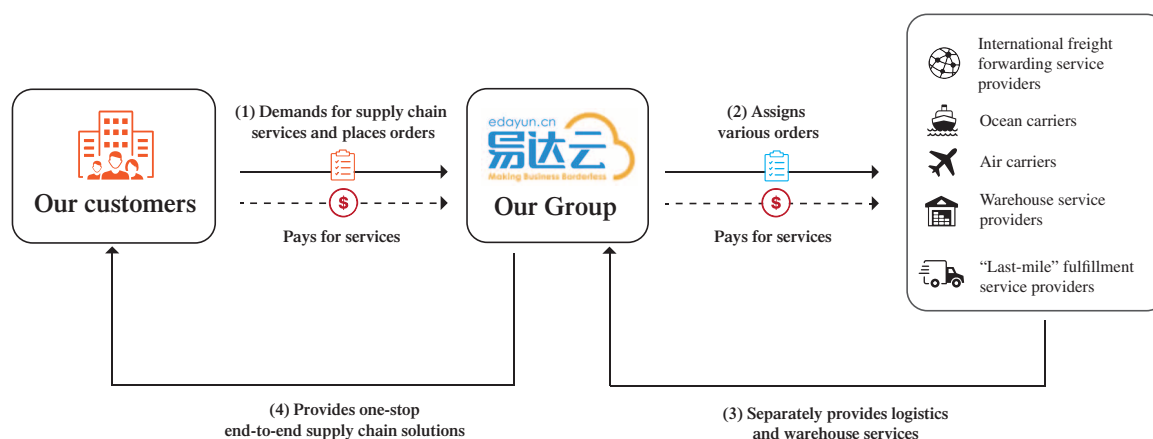
We believe that there was no material adverse impact on our business due to the COVID-19 pandemic during the Track Record Period and up to the date of the prospectus, and we do not foresee any significant obstacles resulting from the COVID-19 pandemic.

PRICING AND FEE MODEL

We generate substantially most of our revenue from providing one-stop end-to-end B2C export e-commerce supply chain solutions. We primarily serve e-commerce vendors based in the PRC across a wide range of industries.

For our customers, we typically enter into supply chain management service agreements which include our service scope, our payment settlement terms and refund mechanism. Our service agreements with our customers typically have a term of one year, which will be automatically renewed for one more year.

The following diagram illustrates the fund flow for our supply chain solutions:



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As we primarily adopt the pre-sale stocking model, there is no certainty as to when the stock is fulfilled for delivery. We have a customized pricing model and a defined service scope for each category of service, making up the solutions we offered. Our customized service fee schedule is updated periodically to match the fluctuating cost components and market rates. The cost components, which are included in the service scope as applicable, refer to the following items.

- ***Pick up, domestic warehousing and other domestic value-added services.*** The fee scale for trucking services are provided to the customer based on distance and weight of goods delivered. The fee scale for domestic warehousing sets out the daily cost for storage at the domestic warehouse, which is determined by the length of stay and the volume of the goods stored. The fee scale also sets out the cost of all relevant value added services (such as labeling, repackaging, assembly and loading services) available to our customers.
- ***Air carrier or ocean carrier.*** The fee scale for our air carrier or ocean carrier services are priced based on the service provider selected, distance and weight of goods delivered. It also sets out services that may incur additional charge such as goods which may need to be individually declared at customs, improperly packaged goods, oversized or overweight goods, delivery to unusual destinations etc.
- ***Overseas warehousing and value added services.*** The fee scale for overseas warehousing sets daily cost for the storage at the overseas warehouses, which is determined by the length of stay and the volume of the goods stored. The cost for each overseas warehouse differs and the fee varies based on the inventory age of the customers' goods. For as long as goods are kept at the overseas warehouse, our customers will incur a daily cost. Generally, the longer goods are kept as inventory at our overseas warehouses, the higher the daily cost of such storage as our overseas warehouses are designed as a fulfillment center for goods with foreseeable immediate demand in the short to mid-term. As such, customers are incentivized to speed up the inventory turnover of their goods in our warehouses. We strive to ensure that warehouses are not overstocked with goods with no demand, so as to cater for goods with fulfillment needs. The fee scale also sets out the cost of all relevant value added services (such as reverse logistics, product labeling, repackaging, product disposal, inventory check, unloading and loading etc.) available to our customers; the cost of these value added services are priced per item, and the price is dependent on the location of the warehouse and the weight of the item.
- ***Fulfillment delivery.*** The fee scale for fulfillment delivery sets out the cost of delivery for each item based on the weight of the item and the destination of which the item is delivered.

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When considering the quoted price in each of the cost components set out above, we will consider the cost of the service providers, the extent of resources we devoted to the arrangement of such cost component and the margin that we aim to achieve from the delivery of such service. Upon each update, all our customers will be notified via the EDA Cloud platform that there has been an update to the fee schedule. At the outset of our business relationship with customers, they are given to understand that our fee schedule is periodically updated to reflect changes in the market. Our customers may peruse the latest applicable fee schedule on the EDA Cloud platform prior to placing an order with us. If the fee schedule is not agreeable with our customer, our customers can cease to continue to place orders and settle with us. Our Directors confirmed that our customers did not contend the updates during the Track Record Period and our customers are also unlikely to contend the updates to our fee schedule in the future. The fee schedule is generated with the help of our EDA Cloud platform, which tracks and records the services rendered for each customer. Our final prices are generated with the aid of our EDA Cloud platform which calculates the service fees owed by our customers based on the extent of which services have been rendered and the customized fee schedule. As most customers look at prices of our B2C export e-commerce supply chain solutions holistically, we do not base our service fees solely on the cost analysis of the service(s) involved. The customized fee schedule will take into account the following items:

- Length of working relationship and future business opportunities considering industry position and business profile of our customer;
- The level of complexity and customization of the solution;
- The transportation route and distance taking account into the customer's goods collection point and drop-off point;
- Preferred international shipping method and schedule;
- Product dimension and weight and its potential stocking time; and
- Market rates taking into account cost, seasonality and market competition.

Generally, we issue to our customers a final bill at the end of each billing cycle, the price applied within is predetermined in the customized fee schedule. Such bill will set out the particulars of our services rendered for the customer. Owing to our substantial experience in the industry which honed our integration abilities to bring together all facets involved in a supply chain process for our customers, years of relationship with third-party service providers to gain favorable unit price for each cost component, our provision of a wide array of service provider options to our customers during the course of providing our supply chain solutions, and ability

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eliminate unnecessary operational cost due to our digitalized operations and light asset model, we are able to maintain a competitive margin in our provision of supply chain solutions to our customers.

After the bill has been issued to our customers, our customers will review and raise any objections within a specified period as stipulated in our service agreement with them. While we grant credit periods to our largest customers, most of our customers are not granted any credit period. As such, before placing orders with us, our customers without credit periods will top up their account credits on the EDA Cloud platform through various electronic payment methods. Upon the issuance of each service fee breakdown, service fees are automatically deducted from our customers' credit account with us. For our largest customers which are granted credit periods, they will settle the sum due within the credit period granted to them. The credit period we grant to our customers generally is 10 days from the day of billing, whereas for major customers, we may extend a credit period of up to two months.

During the Track Record Period, our fee range for services was wide. However, our wide fee range is commensurate with the fee range charged by our peers. As confirmed by Frost & Sullivan, it is typical for "first-mile" international freight services and "last-mile" fulfillment services to have a wide fee range as the price varies depending on the size of the goods warehoused/delivered. As parcels of medium and large size require a higher level of care and treatment, the price difference between small parcel to large parcel may not be directly proportionate. As such, it is common for there to be a wide fee range for goods stored or delivered.

SEASONALITY

On one hand, our sales and operating results from "last-mile" fulfillment services have fluctuated and are projected to be so based on seasonal factors that affect end-consumer behavior. As such, the demand for our "last-mile" fulfillment services fluctuates in accordance with seasonality patterns associated with the B2C e-commerce industry. Due to a surge in consumer spending around holiday or sale seasons, such as the Singles' Day, Black Friday, Christmas and New Year's Eve, we normally have a larger volume of orders and generate more revenue in the fourth quarter of each year. The second quarter of the year has seen decreased levels of operations, mostly as a result of lower consumer spending during the summer holidays.

On the other hand, there is no material seasonality for our "first-mile" international freight services as our customers normally utilize our solutions to store its pre-sale stocks in our overseas warehouses. Given that there is generally no urgency arising from end-consumer demand for pre-sale stocks, our customers tend to utilize our "first-mile" international freight services whenever the market price for cross-border transport is relatively lower.

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SALES, MARKETING AND BRANDING

Our sales are primarily achieved through offline direct marketing to potential customers, and word-of mouth referrals. Some examples of our marketing and branding efforts include organizing and participating in offline e-commerce and logistics industry events, exhibitions and trade shows. We customize service proposals and tailor our sales and marketing tactics to directly respond to the strategic needs of our customers, maintain contacts with their key decision makers and commit to improve overall customer experience.

Our direct sales force, composed of 34 sales and marketing employees in the PRC as of the Latest Practicable Date with vast working experience with us and ample knowledge about our supply chain solutions, our EDA Cloud platform and the e-commerce and logistics industry, is dedicated to serving our customers.

Leveraging business contacts collected, our sales and marketing personnel will contact and communicate with our potential customers to develop a preliminary understanding of their principal business, backgrounds and needs for B2C export e-commerce supply chain solutions. We will further approach customers who are interested in our services to understand their overall inventory management plan including (i) “first-mile” international freight plan, which involves the nature and quantity of their products, expected logistics schedule, destination of collection and delivery, and financial budgets and (ii) “last-mile” fulfillment plan, which involve overseas warehousing and other value-added services. We can better serve our customers’ individual needs with such information, which also allows us to plan ahead for our transportation, warehousing and storage services for a smooth service flow. To better retain existing customers, our direct sales force will discuss business operations with them on a regular basis, setting up operation plans and creating solutions tailored to the customers’ demands.

CUSTOMERS

We serve a broad base of customers who are primarily PRC-based B2C export e-commerce vendors which are brand-owners and manufacturers. At the request of our customers, we provide supply chain solutions involving the delivery, warehousing and fulfillment of various products such as electrical appliances, home furniture, auto-parts, outdoor furniture and mechanical hardware.

We have maintained long-standing and stable business relationships of, on average, around four years of business relationships with our five largest customers in each year during the Track Record Period. During the Track Record Period, the credit period we granted to our customers is generally due by the tenth day of billing, extending by up to two months for some of our major customers.

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General terms of agreement with customers

We typically sign master service agreements with our customers which cover various terms, including, among other things, contractual period, scope of services, fees, parties' rights and obligations and payment terms. The salient terms of a typical service agreement with our customers are set out below:

Contractual period:	One year and automatically renewed within one month before the expiration of the contracts subject to mutual agreement
Termination:	30-day prior written notice by either party or on breach of agreement by the customer pursuant to the agreement
Service scope:	B2C export e-commerce supply chain solutions
Fee:	Determined based on the extent of services rendered, the unit price of which is fixed periodically in a customized fee schedule
Payment:	All sums due to us need to be paid in accordance with the payment arrangement provided in the agreement, such as prepaid credits and monthly settlement
Penalty for delays:	Failure to meet the delivery schedule may subject us to penalty payments, the calculation basis of which is generally annexed to the service agreement

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Payment method

We accept bank transfers through which our customers will directly pay or prepay for their orders via the EDA Cloud Platform. We also accept payment from our customers to pay or prepay for their orders via the EDA Cloud Platform by various third-party online payment platform. For FY2021, 92.8% of the payment received by Shenzhen EDA Group from customers was settled via bank transfers; whereas, for the same years, 7.2% of the payment received by Shenzhen EDA Group from customers was settled via third-party online payment platforms. For FY2022 and FY2023, 88.7% and 77.1% of the payment received by us from customers was settled via bank transfers, respectively; whereas, for the same years, 11.3% and 22.9% of the payment received by us from customers was settled via third-party online payment platforms, respectively. During the Track Record Period, our Group/Shenzhen EDA Group engaged eight online payment platform operators to process the transactions, which included *WeChat Pay*, *Alipay*, *Paypal*, *Payoneer*, *LienPay*, *Miles*, *Pingpong* and *Skyee*. Upon receiving our payment request, such payment platform will then process the transaction through an acquiring bank or payment provider depending on the location of customer and payment type. Upon receiving the remittance in the currency of the submitted transaction, such online payment platform operators will remit the funds, net of processing fees, to our account upon our request and in our designated currencies. As of the Latest Practicable Date, such third-party online payment platform providers generally charged an average processing fee of 1.42% per transaction and such processing fees had a range of 0.0% to 3.49%. Some of our third-party online payment platform providers charged a fixed fee per transaction on top of the aforementioned fees charged.

Five largest customers

For FY2021, total revenue attributable to Shenzhen EDA Group's five largest customers amounted to RMB228.5 million, representing 36.2% of total revenue. For FY2022 and FY2023, total revenue attributable to our five largest customers in each year amounted to RMB242.1 million and RMB447.5 million, respectively, representing 34.2% and 37.0% of our total revenue, respectively. For FY2021, the revenue attributed to Shenzhen EDA Group's largest customer amounted to RMB76.6 million, which accounted for 12.1% of total revenue. For FY2022 and FY2023, the revenue attributed to our largest customer in each year amounted to RMB87.5 million and RMB151.1 million, respectively, which accounted for 12.4% and 12.5% of our total revenue, respectively.

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The tables below set forth the details of the five largest customers of our Group/Shenzhen EDA Group in each year during the Track Record Period:

FY2021

Customer	Note	Services rendered to the customers	Credit terms	Payment method	Commencement of business relationship	Total amount of revenue	% of the total revenue
						<i>RMB'000</i>	
Customer A . . .	(1)	Solutions with both “first-mile international freight services and “last-mile” fulfillment services	20 days	Bank transfer	2020	76,647	12.1
Customer B . . .	(2)	Solutions with both “first-mile international freight services and “last-mile” fulfillment services	7 days	Bank transfer	2016	43,508	6.9
Customer C . . .	(3)	Solutions with both “first-mile international freight services and “last-mile” fulfillment services	7 days	Bank transfer	2017	34,095	5.4
Customer D . . .	(4)	Solutions with both “first-mile international freight services and “last-mile” fulfillment services	7 days	Bank transfer	2017	40,482	6.4
Customer E . . .	(5)	Only “last-mile” fulfillment services	10 days	Bank transfer	2020	33,760	5.3
Total revenue generated from the five largest customers:						<u>228,492</u>	<u>36.2</u>

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FY2022

Customer	Note	Services rendered to our customers	Credit terms	Payment method	Commencement of business relationship	Total amount of revenue	% of our total revenue
						<i>RMB'000</i>	
Customer A . . .	(1)	Solutions with both “first-mile international freight services and “last-mile” fulfillment services	20 days	Bank transfer	2020	87,541	12.4
Customer B . . .	(2)	Solutions with both “first-mile international freight services and “last-mile” fulfillment services	7 days	Bank transfer	2016	46,694	6.6
Customer F . . .	(6)	Solutions with both “first-mile international freight services and “last-mile” fulfillment services	7 days	Bank transfer	2020	37,564	5.3
Customer D . . .	(4)	Solutions with both “first-mile international freight services and “last-mile” fulfillment services	7 days	Bank transfer	2017	35,392	5.0
Customer E . . .	(5)	Only “last-mile” fulfillment services	10 days	Bank transfer	2020	34,934	4.9
Total revenue generated from our five largest customers:						<u>242,125</u>	<u>34.2</u>

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FY2023

Customer	Note	Services rendered to our customers	Credit terms	Payment method	Commencement of business relationship	Total amount of revenue	% of our total revenue
						<i>RMB'000</i>	
Customer G . . .	(7)	Only “first-mile” international freight services	15 days	Bank transfer	2023	151,141	12.5
Customer A . . .	(1)	Solutions with both “first-mile international freight services and “last-mile” fulfillment services	20 days	Bank transfer	2020	107,304	8.9
Customer E . . .	(5)	Only “last-mile” fulfillment services	10 days	Bank transfer	2020	70,106	5.8
Customer H . . .	(8)	Solutions with both “first-mile international freight services and “last-mile” fulfillment services	7 days	Bank transfer	2020	68,657	5.7
Customer I . . .	(9)	Solutions with both “first-mile international freight services and “last-mile” fulfillment services	15 days	Bank transfer	2020	50,242	4.2
Total revenue generated from our five largest customers						447,450	37.0

Notes:

- (1) Customer A is a cross-border e-commerce retailer of furniture and home products which primarily focuses on sales to markets in the United States, Japan and Europe, according to the best knowledge of our Directors. It is established as a limited company under the laws of the PRC with a registered capital of RMB60.0 million.
- (2) Customer B is an automobile parts manufacturer which primarily focuses on sales of its products to consumers in the United States, according to the best knowledge of our Directors. It is established as a limited company under the laws of the PRC with a registered capital of RMB1.5 million.
- (3) Customer C is an e-commerce retailer of furniture, home products and pet products, which focuses on both sales in the PRC and sales to North America, according to the best knowledge of our Directors. It is established as a limited company under the laws of the PRC with a registered capital of RMB500,000.
- (4) Customer D is a cross-border e-commerce retailer of mechanical equipment and electrical products which primarily focuses on sales to the United States, according to the best knowledge of our Directors. It is established under the laws of the PRC as a limited company with a registered capital of RMB3.0 million.
- (5) Customer E is a cross-border e-commerce retailer of furniture and home products which focuses on sales to overseas markets including the United States and Canada, according to the best knowledge of our Directors. It is established under the laws of Hong Kong.

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- (6) Customer F is a cross-border e-commerce retailer of outdoor furniture and home products which primarily focuses on sales to the United States, according to the best knowledge of our Directors. It is established as a limited company under the laws of the PRC with a registered capital of RMB5.8 million.
- (7) Customer G is a subsidiary of an e-commerce platform services provider based in the PRC whose shares are listed on the Nasdaq Stock Exchange with a market capitalization of US\$176.1 billion as of the Latest Practicable Date. It is established as a limited company under the laws of the PRC with a registered capital of RMB3.5 million.
- (8) Customer H is a cross-border e-commerce retailer of furniture, home and outdoor products which primarily focuses on sales to Europe and North America, according to the best knowledge of our Directors. It is established as a limited company under the laws of Hong Kong.
- (9) Customer I is a cross-border e-commerce retailer of furniture and outdoor products which primarily focuses on sales to overseas market including Europe and the United States, according to the best knowledge of our Directors. It is established under the laws of Hong Kong.

All of our five largest customers for each year during the Track Record Period are Independent Third Parties and none of our Directors, their respective associates and our Shareholders who own more than 5% of the issued share capital of our Company had any interest in any of the above five largest customers during the Track Record Period and up to the Latest Practicable Date.

During the Track Record Period and up to the Latest Practicable Date, we had no dispute with or claims from our customers which would have had a material impact on our business, financial condition or results of operations.

HISTORICAL TRI-PARTY SETTLEMENT ARRANGEMENTS

Background

During the Track Record Period, as part of our ordinary course of business and in line with industry practice in the B2C export e-commerce industry in the PRC, certain of our PRC-based customers (the “**Relevant Customer(s)**”) arranged for Payors (who are mainly (i) legal representatives, directors, business partners, shareholders and employees of the Relevant Customers; and (ii) family members of the owners of the Relevant Customers) to prepay, top-up and settle their account credits and payments with us (the “**Tri-Party Settlement Arrangements**”). 82, 44 and nine of our customers were Relevant Customers and settled their account credits and payments with us through Tri-Party Settlement Arrangements for each of FY2021, FY2022 and FY2023, respectively. To the best knowledge of our Directors, having made reasonable enquiries, save for our relationship as customers and service providers, each of the Relevant Customers and their Payors did not have any other past or present relationship (whether business, employment, family, trust, fund flow, financing or otherwise) with the Company or its subsidiaries, their shareholders, directors or senior management, or any of their respective associates. Our Directors

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confirm that the aggregate amounts that were settled through the Tri-Party Settlement Arrangement by the Relevant Customers were approximately RMB22.4 million for FY2021, representing approximately 3.6% of Shenzhen EDA Group's total revenue and RMB19.0 million and RMB1.4 million for each of FY2022 and FY2023, respectively, representing approximately 2.7% and 0.1% of our Group's total revenue. No single Relevant Customer contributed more than 1% to our total revenue during the Track Record Period. We have discontinued all these Tri-Party Settlement Arrangements since March 2023. See “— Internal control measures and discontinuation of historical Tri-Party Settlement Arrangements” below for details.

To the best of our Directors' knowledge and information, the Payors are independent of our Group and each of our Directors, senior management and Shareholders.

During the Track Record Period and up to the Latest Practicable Date, other than simply accepting the payments paid through the Payors for the Relevant Customers, we did not proactively initiate any Tri-Party Settlement Arrangements. In addition, during the Track Record Period and up to the Latest Practicable Date, we did not provide any discount, commission, rebate, or other benefits to any of the Relevant Customers or the Payors to facilitate or encourage the Tri-Party Settlement Arrangements. The payment and pricing terms and transaction patterns of the customers involved in the Tri-Party Settlement Arrangements during the Track Record Period did not differ from those of other customers which directly settle their payments with our Group in all material respects. As we issued invoices to the Relevant Customers directly with respect to the relevant transactions and payment amounts and services were rendered by us for the payments made, our Directors confirmed that all transactions that utilized the Tri-Party Settlement Arrangements are genuine transactions.

Reasons for the historical Tri-party Settlement Arrangements

According to Frost & Sullivan, settlement of transactions through Payors is common in the B2C export e-commerce supply chain solutions industry in the PRC given the multi-layered nature of the supply chain and logistics operations. The nature of the B2C e-commerce supply chain solutions industry allows the customers to top up their account credits through various electronic payment methods including the most popular payment applications in the PRC. Based on the representation of the Relevant Customers and to the best of our Directors' knowledge and information, the Relevant Customers utilized Tri-Party Settlement Arrangements generally due to their short-term liquidity management requirements or financial management practice whereby they would customarily request an affiliated person to pay for on their behalf. According to Frost & Sullivan, such reasons for utilizing Tri-Party Settlement Arrangements by Relevant Customers are common in the B2C export e-commerce supply chain solutions industry.

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Internal control measures and discontinuation of historical Tri-Party Settlement Arrangements

To secure our interest against risks associated with the Tri-Party Settlement Arrangements, we implemented the following internal control measures to manage and reduce such arrangements, including, among others:

- we required our customers to settle their payment directly through their own accounts, and our customers need to explicitly acknowledge and confirm that they are topping up their credit account or making payment on the EDA Cloud platform through their own account before they can proceed to payment; and
- we did not accept any payments that failed to satisfy the abovementioned requirement.

Our Directors are responsible for formulating and overseeing the implementation of our internal control measures and the effectiveness of our quality management system. Furthermore, to prevent the re-occurrence of the Tri-Party Settlement Arrangements going forward, we have implemented enhanced internal control measures, including establishing a mechanism to monitor all incoming payments. We revised our internal policies and notified all of our employees that they are prohibited from accepting tri-party settlements. According to our revised internal policies, once such tri-party settlement incidents are found, our employees shall promptly notify our headquarters, and our managers in charge will further review before reporting to the management for further decision and handling.

Since March 2023, we completely discontinued all historical Tri-Party Settlement Arrangement(s). Considering that the revenue contribution by Tri-Party Settlement during the Track Record Period was not material to our business, and that our business has continued to grow since March 2023, we believe that the discontinuation of Tri-Party Settlement Arrangement(s) will not have a material adverse effect on our business, financial condition, results of operations and prospects. As of the Latest Practicable Date, there has been no material impact to our financial and operational position as result of the discontinuation of Tri-Party Settlement Arrangements. See “Risk Factors — Risks relating to our business and industry — We are subject to risks associated with historical tri-party settlements with certain customers during the Track Record Period.” Based on the above internal control measures which have been fully adopted by our Company since March 2023 and the fact that since March 2023, there has been no Tri-Party Settlement Arrangement, our Directors are of the view that the above enhanced internal control measures are effective and adequate in preventing tri-party settlements and their associated risks. Since March 2023, we have been strictly enforcing the ban on Tri-Party Settlement Arrangements via additional written notices, and enhancing internal procedures, for example, with respect to the payment from

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Payors' account, refunding and informing the Relevant Customers and Payors that the Tri-Party Settlement Arrangements are no longer accepted. Our managers in charge have been closely monitoring relevant arrangements and overseeing the implementation of the aforementioned policies.

Potential legal risks relating to Tri-Party Settlement Arrangements

As advised by our PRC Legal Adviser, (i) the Civil Code does not prohibit a party from entrusting another party to make payments on its behalf under a contract; and (ii) the Tri-Party Settlement Arrangements were not prohibited under the applicable PRC laws or regulations based on the following:

- (i) our Company does not enter into the Tri-Party Settlement Arrangements as an arrangement to circumvent applicable tax laws and regulations or other applicable laws and regulations in the PRC, and as confirmed by our Directors, all the customer payments previously received under the Tri-Party Settlement Arrangements were duly booked according to the accounting procedures and policies, our Company has fully paid all taxes with respect to the payments received under the Tri-Party Settlement Arrangements according to applicable PRC tax laws and regulations;
- (ii) as confirmed by our Directors and our PRC Legal Adviser, the relevant subsidiaries had not been subjected to any disputes or administrative penalties by the relevant government authorities with respect to the Tri-Party Settlement Arrangements as of the Latest Practicable Date; and
- (iii) as confirmed by our Directors, the Payors proactively provided us with the relevant records of the payments through the accounts under the name of the relevant Customers which evidenced the Payors' awareness of the underneath transaction for such payments.

SUPPLIERS

During the Track Record Period, our Group's/Shenzhen EDA Group's suppliers primarily include third-party warehouse service providers, international freight forwarding service providers, air carriers, ocean carriers and local "last-mile" fulfillment service providers.

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We are typically required to make prepayments, payment upon receipt, weekly settlement or monthly settlement, depending on the specific payment terms we agree with each of our suppliers. During the Track Record Period, our Group/Shenzhen EDA Group generally pay the suppliers by bank transfer. Shenzhen EDA Group's average turnover days of trade payables were 58 days for FY2021 and our Group's average turnover days of trade payables were 44 days and 34 days for FY2022 and FY2023, respectively, which were within the credit period granted by our suppliers.

General terms and conditions with our suppliers

Our framework agreements with international freight forwarding service providers, air carriers, ocean carriers and local "last-mile" fulfillment service providers generally cover various terms including, among other things, contractual period, scope of services, minimum purchase commitment, fees and payment terms. The salient terms of a typical service agreement with service providers are set out below:

Contractual period:	Generally from one to three years with the option to renew
Termination:	Prior written notice by either party
Service scope:	Freight forwarding services and/or "last-mile" fulfillment services
Minimum purchase commitment:	Commitment on shipping volume to be procured periodically is included in certain framework agreements. If we fail to reach the agreed minimum shipping volume, our supplier generally has the right to terminate the agreement and charge us a pre-determined fee. Our Directors confirmed that during the Track Record Period, we did not experience any material failure in reaching the agreed minimum shipping volume with our suppliers which triggered the supplier's right to terminate the agreement and charge a pre-determined fee.
Fee:	Based on cargo weight and volume, destination and other market factors
Payment:	Prepayment, payment upon receipt, weekly settlement or monthly settlement

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Our agreements with third-party warehouse service providers for partnered warehouses generally cover various terms including, among other things, contractual period, scope of services, fees and payment terms. The salient terms of a typical service agreement with these warehouse service providers are set out below:

Contract term:	Ranging from one year to five years, and parties usually re-negotiate prior to expiry of the agreement
Termination:	Any parties may unilaterally terminate the agreement on breach of agreement by another party
Service scope:	Warehousing and storage, and/or “last-mile” fulfillment services and other value-added services such as bar code and address labeling, repackaging, product destruction, inventory check, unloading surcharging etc.
Fee:	Fees charged based on a pre-agreed fee scale pursuant to which the fees vary in accordance with the utilization of the warehouse and services performed in association with the stock stored in the warehouse
Settlement:	To be settled by bank transfer by way of monthly payment
Obligations of us and the service provider:	We will provide the system and workflow that the service provider is expected to operate within. Our service providers should perform stock take, warehouse management tasks, unloading and loading services and other tasks at our direction. Our service provider is obliged to flag any irregularities to us promptly and to make records on the EDA Cloud
Insurance:	Our service provider undertakes that it has undertaken commercial insurance with sufficient coverage
Liability for damaged or loss of goods:	Our service providers are responsible for the security of goods stored at the warehouse and they should carry out stock takes and keep inventory records as instructed by us. The liability for damaged or lost goods at such warehouses are borne by the service providers

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Five largest suppliers

For FY2021, the total purchase attributable to Shenzhen EDA Group’s five largest suppliers amounted to RMB289.8 million, representing 57.9% of total purchase. For FY2022 and FY2023, the total purchase attributable to our five largest suppliers in each year amounted to RMB271.9 million and RMB531.9 million, respectively, representing 48.1% and 53.5% of our total purchase, respectively. For FY2021, Shenzhen EDA Group’s total purchase attributable to the largest supplier was RMB178.8 million, which accounted for 35.7% of total purchase. For FY2022 and FY2023, our total purchase attributable to the largest supplier in each year was RMB198.0 million and RMB372.4 million, respectively, which accounted for 35.0% and 37.4% of our total purchase, respectively. During the Track Record Period, none of the five largest suppliers of our Group/Shenzhen EDA Group in each year during the Track Record Period were at the same time the five largest customers of our Group/Shenzhen EDA Group in each year during the Track Record Period.

The tables below set forth the details of the five largest suppliers of our Group/Shenzhen EDA Group in each year during the Track Record Period:

FY2021

Supplier	<i>Note</i>	Services acquired	Credit terms	Payment method	Commencement of business relationship	Cost amount	% of the total purchase
						<i>RMB'000</i>	
Supplier A	(1)	“Last-mile” fulfillment services	One month	Wire transfer	2017	178,768	35.7
Supplier B	(2)	International freight forwarding services	15 days	Wire transfer	2020	43,107	8.6
Supplier C	(3)	International freight forwarding services	10 days	Wire transfer	2020	27,017	5.4
Maxon Auto Corp	(4)	Warehousing and “last-mile” fulfillment services	One month	Wire transfer	2020	26,562	5.3
Supplier D	(5)	International freight forwarding services	Three months	Wire transfer	2020	14,307	2.9
Total cost from the five largest suppliers:						289,761	57.9

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FY2022

Supplier	Note	Services acquired	Credit terms	Payment method	Commencement of business relationship	Cost amount	% of our total purchase
						<i>RMB'000</i>	
Supplier A	(1)	“Last-mile” fulfillment services	One month	Wire transfer	2017	198,006	35.0
Supplier B	(2)	International freight forwarding services	20 days	Wire transfer	2020	23,156	4.1
Maxon Auto Corp	(4)	Warehousing	One month	Wire transfer	2020	20,474	3.6
Supplier C	(3)	International freight forwarding services	10 days	Wire transfer	2020	15,784	2.8
Supplier E	(6)	Freight forwarding services	20 days	Wire transfer	2021	14,512	2.6
Total cost from our five largest suppliers:						<u>271,932</u>	<u>48.1</u>

FY2023

Supplier	Note	Services acquired	Credit terms	Payment method	Commencement of business relationship	Cost amount	% of our total purchase
						<i>RMB'000</i>	
Supplier A	(1)	“Last-mile” fulfillment services	One month	Wire transfer	2017	372,395	37.4
Supplier F	(7)	“Last-mile” fulfillment services	One month	Wire transfer	2022	51,192	5.1
Supplier G	(8)	“Last-mile” fulfillment services	10 days	Wire transfer	2020	40,342	4.1
Maxon Auto Corp	(4)	Warehousing	One month	Wire transfer	2020	34,433	3.5
Supplier H	(9)	Warehousing	Payment upon issuance of invoice	Wire transfer	2021	33,509	3.4
Total cost from our five largest suppliers:						<u>531,871</u>	<u>53.5</u>

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Notes:

- (1) Supplier A is a multinational provider of express transportation, freight transportation, ground delivery, e-commerce and business services listed on the New York Stock Exchange with a market capitalization of US\$65.4 billion as of the Latest Practicable Date.
- (2) Supplier B is a provider of international ocean freight, ground cargo transportation and domestic port warehousing services in the PRC according to the best knowledge of our Directors. It is established under the laws of the PRC with a registered capital of RMB20 million.
- (3) Supplier C is a provider of international ocean and air freight forwarding services based in Shenzhen which covers destinations primarily in greater China, Southeast Asia and the U.S., according to the best knowledge of our Directors. It is established under the laws of the PRC with a registered capital of RMB50 million.
- (4) Maxon Auto Corp is an importer of auto-mobile parts as well as a provider of warehousing services in the U.S., according to the best knowledge of our Directors. It is established under the laws of California, the U.S..
- (5) Supplier D is a provider of international ocean freight forwarding services based in Shanghai which covers destinations primarily in the U.S., according to the best knowledge of our Directors. It is established under the laws of the PRC with a registered capital of RMB11 million.
- (6) Supplier E is a provider of freight transportation, trucking dispatch and delivery services in the U.S., according to the best knowledge of our Directors. It is established as a general stock corporation under the laws of California.
- (7) Supplier F is a provider of international ocean and air freight, ground cargo transportation and warehousing services in the PRC, according to the best knowledge of our Directors. It is established under the laws of the PRC with a registered capital of RMB5 million.
- (8) Supplier G is a provider of international logistics, transportation and warehousing services with operations in Europe, North America and Asia, according to the best knowledge of our Directors. It is established as a limited liability company under the laws of California.
- (9) Supplier H is a provider of warehousing and logistics services in the U.S. , according to the best knowledge of our Directors. It is established under the laws of Georgia, the U.S..

All of the five largest suppliers in each year during the Track Record Period are Independent Third Parties and none of our Directors, their respective close associates and our Shareholders who own more than 5% of the issued share capital of our Company had any interest in any of the above five largest suppliers during the Track Record Period and up to the Latest Practicable Date.

During the Track Record Period and up to the Latest Practicable Date, we had no dispute with or claims from our suppliers which would have had a material impact on our business, financial condition or results of operations.

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Our relationship with Supplier A

Supplier A was Shenzhen EDA Group's largest supplier in FY2021, and our largest supplier in FY2022 and FY2023. Purchases from Supplier A accounted for 35.0% and 37.4% of our total purchase for FY2022 and FY2023, respectively. We engaged Supplier A for the provision of "last-mile" fulfillment services for our business operations. Our Directors are of the view that our substantial amounts paid to Supplier A are mainly due to the following reasons:

- (i) Supplier A had been the one of the largest fulfillment logistics service providers globally by market capitalization according to the Industry Report, and has a track record of providing quality services as confirmed by our Directors;
- (ii) during the Track Record Period, we mainly engaged Supplier A as our supplier to perform local "last-mile" fulfillment services for delivery of goods from our warehouses to end-consumers; and
- (iii) we have established a business relationship with Supplier A for six years and have not experienced any material non-performance by Supplier A which caused disruption to our operations.

For the risk associated with our business relationship with Supplier A, see the section headed "Risk Factors — Risks relating to our business and industry — Our operations may be affected by concentrating our purchases from Supplier A" in this prospectus.

Since Supplier A is a major and reliable fulfillment logistics services provider, as part of our commitment to customer satisfaction, we will continue our business relationship with Supplier A as one of our major suppliers. Although we concentrated our purchases from Supplier A, our Directors are of the view that our business is sustainable for the following reasons:

- (i) ***Industry landscape and business nature.*** Due to the nature of the industry we operate in, it is common for solutions providers like our Group to source the majority of its fulfillment logistics services from one or two suppliers. According to the Industry Report, the market for fulfillment logistics services providers is relatively concentrated. A few players dominate the market to a large degree, with Supplier A being a player with 19% of the market share. Due to their industry position, Supplier A is capable of providing quality and reliable services. We strategically procured the majority of fulfillment logistics services from a single supplier, namely Supplier A, to make up part of our "last-mile" fulfillment services to ensure consistency in the quality of services supplied.

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- (ii) ***Flexibility in sourcing from other quality suppliers.*** Although we have entered into a framework agreement with Supplier A, we may terminate the framework agreement by 30 days written notice without cause to Supplier A at any time. Therefore, we can exercise flexibility in supplier selection and have maintained a portfolio of 80 fulfillment logistics service providers during the Track Record Period. In the event of Supplier A terminating their business relationship with us for whatever reasons, our Directors believe that we would be able to engage alternative service providers necessary for our business operations from other logistics services providers. If suitable services cannot be provided by Supplier A, given the options of similar suppliers in the market, our Directors believe that there should not be any practical difficulty in procuring services from these alternative suppliers at comparable prices. Nonetheless, our Directors do not have the intention to shift to other suppliers as of the Latest Practicable Date, as we consider Supplier A as a reputable and reliable supplier; and
- (iii) ***Long-standing relationship with Supplier A.*** We have generally maintained a good business relationship with Supplier A for six years. We have also entered into a framework agreement with Supplier A in January 2018 for an indefinite term, pursuant to which we committed to a minimum purchase commitment of 2000 packages per day. The salient terms of our service agreement with Supplier A are set out below:

Service scope:	“Last-mile” fulfillment services
Fee:	Fee scale based on weight, volume and destination
Payment:	Payment is due at the time services are rendered by Supplier A. Supplier A may extend credit privileges. The invoice date is the commencement of a credit term cycle, and payment is due within the number of days specified on the invoice. However, invoices for duties and taxes are payable on receipt
Termination:	Prior written notice by either party or immediate termination by either party upon non-compliance with the terms of the service agreement

Our Directors confirmed that there was no early termination or threatened termination, rescission or material breach of the terms of the framework agreement during the Track Record Period. Moreover, according to the Industry Report, sourcing services from a single supplier generally means that we are able to obtain more favorable quotes and thus helps to reduce our cost of sales and improve our profitability. Our Directors believe that we are a valued business partner of Supplier A and that our relationship with them is unlikely to materially and adversely change or terminate.

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INTRA-GROUP TRANSACTIONS

During the Track Record Period, we have conducted our business principally through our PRC-incorporated operating subsidiary, namely Shenzhen EDA, which acted as our Group's headquarters and the main contracting party with third party customers. Our provision of solutions were coordinated and carried out by Shenzhen EDA, which employed most of our Group's employees and is the contact point for our customers and service providers. As some of our Group's overseas warehousing and logistics services suppliers prefer to enter into contracts with entities which are incorporated in their operating jurisdictions, our Group has established subsidiaries in Hong Kong, the United States, Canada, the United Kingdom and Australia to serve as the contracting entities for such services. These subsidiaries then provide the services they procured, either directly or indirectly, to Shenzhen EDA by way of intra-group transactions as set out below:

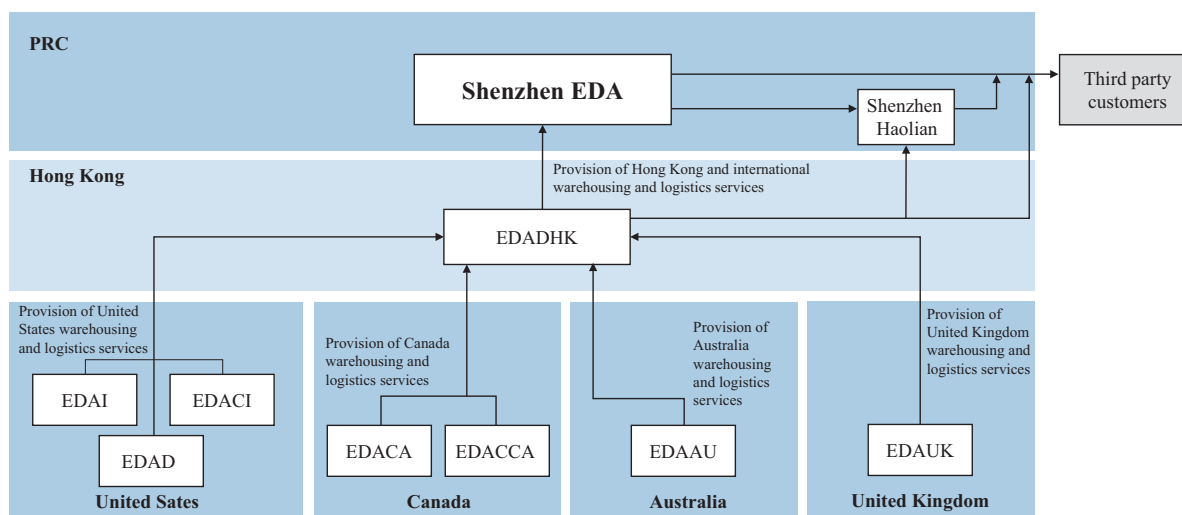
- (1) in Hong Kong, our Group's Hong Kong incorporated subsidiary, namely EDA Development (HK) Limited ("EDADHK"), provided warehousing and logistic services to Shenzhen EDA which was subcontracted by EDADHK to our Group's overseas subsidiaries as described in point (2) below; and
- (2) outside of the PRC, the following subsidiaries provided warehousing and logistics services to EDADHK:

<u>Name of subsidiary</u>	<u>Place of incorporation</u>
1. EDA AU	Australia
2. EDA Cloud UK Ltd. ("EDAUK")	United Kingdom
3. EDA International, Inc. ("EDAI")	United States
4. EDA Cloud International, Inc. ("EDACI")	United States
5. EDA Development Inc. ("EDAD")	United States
6. 8987947 Canada, Inc. ("EDACA")	Canada
7. EDA Cloud Canada Inc. ("EDACCA")	Canada

All of the above warehousing and logistics services provided are charged at a cost-plus basis.

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The diagram below illustrates the flow of the mentioned intra-group transactions during the Track Record Period:



The aggregate service income incurred by Shenzhen EDA Group’s subsidiaries involved under the transfer pricing arrangements amounted to approximately RMB585.6 million for FY2021, whereas that incurred by our Group’s subsidiaries involved under the transfer pricing arrangements amounted to approximately RMB590.8 million and RMB910.3 million for FY2022 and FY2023 respectively. See “Risk Factors — Our operations may be subject to transfer pricing adjustment” in this prospectus for a risk factor relating to our transfer pricing arrangement.

We have engaged Acclime Tax Advisory (Hong Kong) Limited (formerly known as RSM Tax Advisory (Hong Kong) Limited), an independent transfer pricing consultant, (the “**Transfer Pricing Consultant**”), which is an international professional accounting firm, to ascertain whether our transfer pricing arrangements were (1) in line with the OECD arm’s length principle (the definition of which is set out below) and (2) in compliance with the applicable rules and regulations of transfer pricing arrangement in PRC, Hong Kong, Australia, the United Kingdom, the United States and Canada.

The Organization for Economic Co-operation and Development (“**OECD**”), an international organization of international cooperation, promulgated the transfer pricing guidelines for multinational enterprises and tax administrations (the “**OECD Transfer Pricing Guidelines**”), which is largely followed by the relevant tax jurisdictions involved in our intra-group transactions including in Hong Kong, the United States, Canada, the United Kingdom and Australia. According to the OECD Transfer Pricing Guidelines, all related party transactions should be transacted in accordance with the arm’s length principle to avoid distorted taxable income in different jurisdictions.

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The Transfer Pricing Consultant determined that the transaction net margin method is the most appropriate transfer pricing method to assess whether the transfer pricing arrangements related to the intra-group transactions involved were consistent with the arm's length principle. A range of reasonable profit level was determined for each transaction by reference to the range of reasonable profit level derived by comparable companies and such range can be regarded as an arm's length profit level range. Having carried out the aforementioned works, the Transfer Pricing Consultant is of the view that (i) the profit levels of the relevant subsidiaries are reasonable and commensurate with their respective functions and risks; and (ii) the profit levels of the relevant subsidiaries fall within the reasonable range of profit levels of other comparable companies.

The growth of aggregate service income under transfer pricing arrangements is not proportional to the growth of total overseas revenue generated by Shenzhen EDA Group/our Group from FY2021 to FY2023, meaning there is a decrease of the proportion of aggregate service income under transfer pricing arrangements to total overseas revenue during the Track Record Period. Such decrease is owing to the following factors:

- (a) ***More orders taken on by Shenzhen Haolian.*** Shenzhen Haolian bore the majority of the relevant cost for the provision of our incremental direct shipping services in FY2023, the revenue of which amounted to RMB151.1 million, rather than outsourcing it to Shenzhen EDA and EDADHK. The services income under such transfer pricing arrangement between Shenzhen Haolian and (i) Shenzhen EDA or (ii) EDADHK amounted to RMB50.99 million in FY2023, which accounts for approximately 33.8% of Shenzhen Haolian's overseas revenue for the same year. As such, for the aforementioned services provided by Shenzhen Haolian, there was an increase in our Group's overseas revenue in FY2023, whilst only a small portion of service income was generated under transfer pricing arrangements.
- (b) ***Change in the entity with which customers transact and settle.*** Certain of our customers have elected to transact and settle in foreign currencies with EDADHK instead of with Shenzhen EDA since most of their revenue is generated from sales to overseas customers. The amount of contracts concluded/order posted by these customers to EDADHK increased by RMB17.10 million and RMB88.14 million for FY2022 and FY2023 respectively as compared with preceding years.

Having considered the above reasons and performed relevant procedures to assess whether the transfer pricing arrangements related to the intra-group transactions involved were consistent with the arm's length principle, the Transfer Pricing Consultant is of the view that the increase in revenue against the decreasing proportion of the aggregate service income under the transfer pricing arrangements would not heighten the transfer pricing risks and no adjustment to our Group's transfer pricing arrangements is required.

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The Transfer Pricing Consultant is of the view that our Group was in compliance with the applicable rules and regulations of transfer pricing arrangement in PRC, Hong Kong, Australia, the United Kingdom, the United States and Canada during the Track Record Period. In particular, according to the Transfer Pricing Consultant, all the subsidiaries involved in the intra-group transactions were either not required to fulfill, or have been fully in compliance with, the applicable transfer pricing contemporaneous documentation requirements in their respective governing jurisdictions during the Track Record Period, and that based on the confirmation of our Directors, the tax authorities in each relevant jurisdiction did not challenge the transfer pricing of the Group's related party transactions nor initiate any transfer pricing audit during the Track Record Period. As such, based on the foregoing, our Directors and the Transfer Pricing Consultant are of the view that our transfer pricing arrangements would not be subject to challenge by the relevant tax authorities.

DATA PRIVACY AND PROTECTION

We serve a broad base of substantially PRC-based customers who are primarily e-commerce vendors. When providing our supply chain solutions, we may directly or indirectly collect or have access to certain data in relation to our customers and overseas end-consumers, including but not limited to the name, mobile phone number, email address and other information of the contact person of our customers which are used for account registration purpose, and the name, telephone number, address and other information of the overseas end-consumers of our customers which are collected for delivery purpose based on our customers' instructions. Certain types of such data may fall within the scope of "personal information" under applicable PRC laws and regulations. To ensure compliance with the applicable laws and regulations, our relevant departments are responsible for monitoring the compliance with data privacy and security and we have implemented comprehensive policies regarding the collection, use, storage, transmission and dissemination of such data.

Personal information of our customers

We are committed to protecting the privacy and security of such personal information. We strictly limit the scope of the personal information we receive to ensure that the scope of access is proportionate to, and the usage is narrowly tailored to, the legitimate business needs of our customers. The collection of personal information by us are for the following reasons:

- (i) ***Account registration and management.*** We collect and use customers' contact information, including name, mobile phone number, and email address information to register an account for our customers on our EDA Cloud platform;

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- (ii) *To provide supply chain and logistics management services.* Through our API connection with our customers' platforms, our customers' overseas end consumers' information, including name, phone number, address (country, city, street, house number) are made available to us. We are not involved in collecting or processing personal information of individual end consumers. We are generally unable to access such information some time after the delivery.

We have formulated a network security management policy, an information security training system, a data protection and privacy policy, and a security incident emergency response system to ensure the appropriate management of any personal data that is made available to us. Further, in preparation of the Listing, we have formulated a confidentiality and file management work system with relevant laws and regulations outside of the PRC, and formulated relevant arrangements for data retrieval and confidentiality management.

The PRC Legal Adviser has confirmed that we have completed the filing and evaluation of the network security level protection of the EDA Cloud platform, which houses information consolidated from our customers' platform, in accordance with relevant laws and regulations.

According to Article 38 of the Personal Information Protection Law (《中華人民共和國個人信息保護法》), a personal information handler that provides personal information to a party outside the PRC for business sake or other reasons, shall meet one of the following requirements: (i) passing the security assessment organized by the national cyberspace department; (ii) obtaining personal information protection certification from the relevant specialized institution according to the provisions issued by the national cyberspace department; (iii) concluding a contract stipulating both parties' rights and obligations with the overseas recipient in accordance with the standard contract formulated by the national cyberspace department; and (iv) meeting other conditions set forth by laws and administrative regulations and by the national cyberspace department. To clarify what constitutes cross-border data transfer, Article 2 of the Measures for the Security Assessment of Data Cross-border Transfer (《數據出境安全評估辦法》) provides that, these Measures apply to the security assessment of cross-border transfer of important data and personal information collected and generated by a data handler in its operation in the PRC.

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Our Group only provides customers' overseas end-consumers' information collected outside the PRC, upon the customers' instructions, to overseas warehouses and couriers in course of providing supply chain solutions. As advised by the PRC Legal Adviser, the information that the Group provided abroad is not collected or generated during its operation in the PRC. Therefore, the Group is not subject to the aforementioned cross-border data transfer requirements for such data. In addition, the Provisions on Regulating and Promoting Cross-border Data Flows (Draft for Comment) (《規範和促進數據跨境流動規定(徵求意見稿)》) which was issued by the Cyberspace Administration of China ("CAC") on September 28, 2023, also clarifies that no data export security assessment or record-filing of a standard contract is required for the export of personal information collected outside of the PRC.

After the Listing, we will continue to strictly implement the above data security protection measures and make corresponding adjustments in accordance with the provisions and requirements of laws and administrative regulations such as the Cybersecurity Law, Personal Information Protection Law, and Data Security Law. We will maintain comprehensive data security management strategies to further improve network security and data security protection levels.

According to the PRC Legal Adviser and our consultation with the China Cybersecurity Review Technology and Certification Center which has been entrusted by the CAC to set up cybersecurity review consultation hotlines, since the term of "listing in a foreign country (國外上市)" under the Cybersecurity Review Measures does not apply to listings in Hong Kong, we are not required to apply for a cybersecurity review under the Cybersecurity Review Measures. Furthermore, the PRC Legal Adviser is of the view that we had been in compliance in all material respects with all applicable PRC laws and regulations with respect to data privacy and security during the Track Record Period and up to the Latest Practicable Date. In addition, we had not been aware of or received any claim from any third party against us on the ground of infringement of such party's right to data protection as provided by the Civil Code. See "Regulatory Overview — PRC — Cybersecurity, Information Security, Privacy and Data" for further details.

Internal control

Our data privacy and protection measures are an integral part of our internal control systems. We have adopted comprehensive data privacy and protection policies for our data privacy and protection measures.

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INTELLECTUAL PROPERTY RIGHTS

As of the Latest Practicable Date, we were the registered owner of 15 trademarks, seven patents, five domain names and 24 copyrights in the PRC, which are, in the opinion of our Directors, material to our business operations. See “Statutory and General Information — B. Further Information about Our Business — 2. Intellectual property rights of our Group” in Appendix IV to this prospectus for further details.

Our Directors confirm that we had not experienced any infringement of our intellectual property rights during the Track Record Period which had a material adverse effect on our business, results of operations, financial conditions and prospects. During the Track Record Period and up to the Latest Practicable Date, we were not involved in any disputes or litigations relating to the infringement of intellectual property rights, nor were we aware of any such claims either pending or threatened.

MARKET AND COMPETITION

The B2C export e-commerce supply chain solutions market we operate in is competitive and relatively fragmented with more than 4,000 market players, among which some adopt the direct shipping model and some adopt the pre-sale stocking model. According to the Industry Report, in terms of revenue in 2022, the top 10 B2C export e-commerce supply chain solutions providers primarily utilizing pre-sale stocking model in the PRC accounted for approximately 7.5%, and our Group ranked seventh, with a market share of approximately 0.4% in the PRC. Success in the market is affected by a variety of factors, including application of new technology, solid and long-term relationship with customers and service providers, local resources and diversified solution offerings.

Moreover, according to Frost & Sullivan new market entrants are faced with entry barriers such as accumulating extensive industry knowledge, developing long-term collaboration relationships with customers and industry participants application of technologies such as big data, visualization technologies and optimize service quality and promote process efficiency. However, there can be no assurance that we will be able to compete successfully against our current or future competitors or that competition will not have a material adverse impact on our business, results of operations and financial conditions. See “Risk Factors — Risk relating to our business and industry — We operate in a fragmented and competitive industry and we cannot assure you we will continue to maintain or increase our market share and compete successfully” for further details on the industry and the markets we operate in.

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EMPLOYEES

As of the Latest Practicable Date, we had a total of 291 full-time employees and most of them are based in the PRC. As of the Latest Practicable Date, we had 36, 24, 11 and 7 full-time operation employees in the United States, the United Kingdom, Canada and Australia, respectively. A breakdown of our employees by function and by geographic location as of the Latest Practicable Date is set forth below:

Functions	Number of employees as of the Latest Practicable Date
Management	4
Operation (including overseas management operation)	161
Finance	16
IT and R&D	61
Sales and marketing	34
Human resources and administration	16
<i>Subtotal:</i>	291

Recruitment of and relationship with our employees

We believe that our employees play a pivotal role in our continuous growth and our success depends on our ability to attract, retain and motivate our employees. We recruit our employees mainly through recruitment advertisements, recruitment websites, internal referrals and third party human resource suppliers. We have implemented a recruitment policy to maintain a fair and effective recruitment procedure. Under such a policy, we normally recruit employees from diverse backgrounds in terms of gender, race and expertise and with the necessary skills, knowledge and experience in order to meet our current and future needs and to ensure that such employees are qualified and competent to carry out their respective duties. We have maintained a good working relationship with our employees. During the Track Record Period, we did not experience any labor dispute with our employees which had a material effect on our business or results of operations.

In order to attract and retain valuable employees, we conduct performance appraisals for our employees periodically, which would be taken into account when we make decisions relating to the granting of discretionary bonuses, salary increments and/or promotions.

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Training and development

We place emphasis on the establishment of a talent pipeline as well as a wide range of career development opportunities for our employees. We have established a comprehensive system for employee training and development in order to equip our employees with the necessary skills, knowledge and experience to keep abreast of the latest industry developments and to carry out their respective duties. Our training and development programs cover skills and knowledge in relation to the B2C export e-commerce supply chain solutions industry, corporate culture, employee rights and responsibilities, team building, leadership and various other aspects of our industry.

Remuneration and benefits

During the Track Record Period, we generally pay our employees a fixed salary and a performance-based bonus. In general, the salaries of our employees are determined based on their qualifications, experiences, capabilities and past performance, as well as the prevailing market remuneration rate. Total staff costs of Shenzhen EDA Group, excluding directors' remuneration, amounted to RMB79.3 million for FY2021, while our Group's total staff costs, excluding directors' remuneration, amounted to RMB98.0 million and RMB172.3 million for FY2022 and FY2023, respectively.

As required by the relevant PRC laws and regulations, we participate in housing fund and various employee social security plans that are organized by applicable local municipal and provincial governments. Further, we make social security contributions at specified percentages of the salaries of our employees in other countries as required by local laws and regulations.

During the Track Record Period and up to the Latest Practicable Date, social security and housing fund contributions for some of our employees had not been made in full in accordance with the relevant PRC laws and regulations.

As of the Latest Practicable Date, no administrative action or penalty had been imposed by the relevant regulatory authorities with respect to our social security and housing fund contributions, nor had we received any order to settle the deficit amount. Our PRC Legal Adviser has advised that, based on the confirmations from the relevant authorities and relevant regulatory policies and facts stated above, the risk of relevant competent authorities actively demanding us to make further payments of social security and housing fund contributions in the future, and for us to be subject to any material penalties due to our failure to provide full social security contributions for our employees is low. As of the Latest Practicable Date, we were not aware of any complaint filed by our employees regarding our social security contributions and housing fund

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policy. Based on the foregoing and our PRC Legal Adviser view, our Directors are of the view that it is unlikely for the relevant competent authorities demand us to make further payments of social security and housing fund contributions in the future, and for us to be subject to any material penalties.

See “Risk Factors — We may be required by relevant government authorities to contribute additional housing funds and social security contributions, or be imposed of late payment fees or fines.”

QUALITY CONTROL

We consider that the ability to maintain the quality control over our supply chain solutions is crucial to our business operations and financial performance. We have established quality control policies and procedures to implement and maintain high standards for our services consistently throughout our operations. Our operation team is primarily responsible for monitoring the overall implementation of our quality control system. Each of our business units involved throughout our provision of supply chain solutions is responsible for the implementation of systematic quality management policies and standard operating procedures in relation to their respective functions in order to maximize the overall quality and efficiency of our services. We require our employees to attend periodic trainings in order to ensure that they are familiar with and adhere to our quality control policies and procedures.

For our self-operated warehouses and partnered warehouses, we are able to standardize their quality and operations through (i) providing regular training to the personnel at those warehouses on our standardized KPIs and warehouse management protocols, (ii) enforcing the use of the EDA Cloud platform by the staff stationed at these partnered warehouses to ensure integration of data relating to the stock that is stored and fulfilled via our warehouses, (iii) carrying out periodic reviews of the staff performance at these warehouses, (iv) managing onsite and performing regular trainings and assessment by our warehouse operation team and locally stationed employees, and (v) sharing local knowhow, experience and technological solutions with the external staff and managers and personnel stationed at these warehouses.

We provide reliable supply chain solutions and have been constantly recognized by industry peers and our customers as their trusted supplier and partner in previous years. For example, we were awarded as an Excellent Cross-border E-commerce Technology Enterprise* (優秀跨境電商科技類企業) by Shenzhen Cross-Border E-commerce Association in 2020 and 2022, and a Guangdong Province Major Credible Enterprise* (2019年度及2020年度廣東省「守合同重信用」企業) by Shenzhen Administration for Market Regulation in 2019 and 2020. See “— Awards,

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Recognitions and Accreditations” in this section for further details. During the Track Record Period and up to the Latest Practicable Date, there was no incident of failure of our quality control system that had a material impact on our business operations.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

We are committed to being a responsible corporate citizen to abide by applicable laws and regulations and market practice principles and to increase the well-being of the society. We believe we could achieve sustainable growth by integrating environmental, social and governance (“ESG”) principles into our operations and business. We have therefore adopted an ESG policy to formalize our ESG governance structure and provide internal guidance, and have also established a range of communication channels to facilitate stakeholder engagement and communication. Our ESG policy is developed in accordance with the standards of Appendix C2 to the Listing Rules which covers, among others, (i) the appropriate ESG governance structure and framework, (ii) the identification of and communication channels with major stakeholders, (iii) the management of ESG risks and opportunities; (iv) the procedures for ESG strategy formation, and (v) the identification of ESG key performance indicators and related mitigating measures. We also commit to full compliance with the Stock Exchange’s reporting requirements on ESG following the Listing. We believe that under the guidance of our ESG policy and through active communication with our stakeholders, our Board is capable of identifying and responding to the expectations of our Group’s ESG performance, and ensuring that our decision-making is based on comprehensive considerations.

During the Track Record Period and as of the Latest Practicable Date, we are not aware of any circumstances under which we are in breach of any applicable laws and regulations relating to environmental protection, nor are we aware of any material occupational, health, safety and environmental incidents, or any material claims arising from any health or safety-related issues.

Our ESG governance structure

We have established an ESG governance structure in which our Board and our Environmental, Social and Governance Working Group (the “**ESG Working Group**”) are both responsible for the development, management and proper implementation of our ESG policy, objectives and strategies.

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Our Board has overall responsibility for ESG matters, ensuring that the strategies are properly implemented and continuously updated to fully comply with the latest laws, regulations and standards. Our Board is principally responsible for, among others:

- monitoring closely the regulatory compliance requirements and development trends relating to ESG, developing and updating our ESG policy in a timely manner and overseeing the process of implementation of our ESG policy;
- adopting and reviewing our ESG governance structure;
- identifying our key stakeholders and establishing communication channels with them;
- developing ESG strategies and objectives and ensuring their consistency with our Group's operations and business practices;
- identifying, assessing and managing ESG-related risks and opportunities periodically, particularly those related to climate change; and
- reviewing the contents of the ESG report.

Our ESG working group consists of six members, including the Chief Financial Officer and the department heads of our administration, human resources, internal audit, finance, and legal departments. Their main responsibilities are to assist our Board in the implementation of ESG policies, objectives and strategies, including but not limited to:

- conducting materiality assessment of ESG-related risks and providing recommendations for improvement based on the results of the assessment;
- collecting ESG-related information from various parties in the preparation of ESG reports; and
- continuously monitoring and reviewing the implementation of the Group's measures to address ESG related risks and report to our Board on a periodic basis.

We also plan to engage professional advisors to assist the ESG Working Group in advancing our ESG practices.

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Our ESG risk assessment

We actively identify and monitor the actual and potential impact of ESG-related risks on our business, strategy and financial performance and incorporate these considerations into our business, strategic and financial planning.

With reference to relevant guidance provided by external organizations, including the ESG Industry Materiality Map of MSCI, the Materiality Map of the Sustainability Accounting Standards Board (“SASB”), and the recommendations of the Task Force on Climate-related Financial Disclosures (“TCFD”), our Board has conducted assessments on our business operations and have identified the following ESG-related risks that could have a material impact on our business, strategy and financial performance.

Climate Risks

Climate change may affect our business operations to varying degrees, which in turn may affect our financial performance. The climate-related risks that we have identified in relation to our business could be categorized into physical risks and transition risks. During the Track Record Period and as of the Latest Practicable Date, our business, operating performances, and financial conditions had not been materially adversely impacted by any climate-related incident.

Physical risks

Climate change may lead to more frequent extreme weather conditions and create physical risks for us. Our business involves self-operated and franchised warehouses and we use various modes of transportation such as ocean freight and air freight. When floods and rainstorms increase in frequency or duration, or when we experience more frequent storms and typhoons, our warehousing operations and transportation may be affected and our logistics infrastructure may be damaged as a result, which in turn may affect the performance of our contractual obligations, lower our business volumes, and increase the costs of equipment repairs. Extreme weather conditions may also cause disruptions to our suppliers, which could adversely affect our ability to provide supply chain solutions and cause us to incur significant losses. Extreme weather conditions, such as sustained high temperatures, may also pose a threat to the health and safety of our employees, and we may be potentially impacted by increased labor costs, such as the need to provide heat subsidies.

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Transition risks

We operate in a number of countries and regions, and changes in their policies, laws, technologies and markets may require us to mitigate and adapt to climate change, thereby increasing our operating costs. For example, we may be required to switch to energy-efficient lighting, install renewable energy generators or increase the amount of green space in our operations, or we may be required to implement more stringent emission and resource consumption monitoring measures. Failure to comply with environmental regulations could subject us to penalties, fines, closure or other forms of action.

In addition, as a result of changes in climate-related policies, customers may change their preferences for suppliers of supply chain solutions, such as by incorporating more green and sustainable supply chain considerations into their selection of suppliers. Such changes may result in a decrease in demand for our solutions and an increase in our operating costs associated with incorporating more green and sustainable concepts into our supply chain solutions.

Labor practices risk

We operate in countries and regions around the world and we establish labor relations with local workers as part of our business processes. Our management personnel responsible for operating our premises and warehouses around the world may, despite their best endeavors, encounter unexpected deficiencies or difficulties in the course of fulfilling the requirements of local labor laws and regulations or communicating with local workers, which may result in various labor practice risks such as organized strikes, labor lawsuits and massive labor turnover. This could have a negative impact on our reputation and our ability to hire and retain employees, which could reduce operational efficiency and increase personnel turnover costs.

Environmental, health and safety risks

Our business operations primarily include warehouse management, logistics and transportation activities, and our employees are exposed to environmental, health and safety (“EHS”) related risks in the workplace. For example, inexperienced or untrained employees may be exposed to hazardous working conditions, such as accidents caused by the mishandling of machinery or operational errors. If we do not provide appropriate skills and safety training for specific jobs, we may encounter health and safety incidents, which could result in work suspensions and workers’ compensation costs, increased operating costs and compliance and reputational risks.

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Supply chain management risks

Our business operations involve a variety of suppliers providing logistics services to us through different transportation channels such as vehicles, railways, flights, and ocean freight. Therefore, responsible sourcing and a sound supply chain management system are essential for us to ensure reliable and sustainable service quality along the supply chain. If we are unable to select quality suppliers or monitor, audit and manage the parties in our supply chain, we may be exposed to the risk of non-compliance with applicable laws and regulations and unethical business practices by our suppliers, which may weaken our competitiveness in the market and damage our reputation.

Business ethics risk

Maintaining good business ethics is key to our ability to conduct fair and transparent business and stay competitive in countries or regions around the world. Failure by our employees to avoid conflicts between their personal interests and the interests of our Group, such as using our Group's resources to engage in personal transactions or receiving kickbacks, could be detrimental to our interests and could expose us to a variety of legal actions and penalties. If we engage in any anti-competitive behavior, such as commercial bribery, fraud, or money laundering, it may also put the Group's reputation and brand image at risk.

Our ESG risk management

In order to effectively manage our ESG risks, we have established a process for the identification and management of risks and opportunities, identified countermeasures for such risks, and enhanced our risk response capabilities to mitigate potential risks inherent in our business operations or matters that may affect our operations. We may engage independent third parties, as necessary, to assist us in making necessary improvements to our identification and assessment of significant environmental, social and governance risks.

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Set out below is a summary of the measures which we will continuously follow in order to mitigate against the ESG risks relevant to our business operations:

ESG risks	Mitigating measures
Climate risks	<ul style="list-style-type: none">• develop contingency plans to adapt to extreme weather conditions such as persistent high temperatures and heavy rainfall to ensure continuity of business operations and minimize potential harm to employees• establish disaster alerts and contingency plans for premises that are vulnerable to floods and emergencies• establish emission management systems and properly manage data and disclosure relating to climate change• collaborate with partners in the supply chain to enhance climate resilience
Labor practice risks	<ul style="list-style-type: none">• strictly comply with the labor laws of the countries or regions in which we operate, and establish a transparent, fair, and equitable staff recruitment and hiring process• establish effective communication channels for employees to report and express their views to us to avoid discrimination and unfair treatment
Environmental, health and safety related risks	<ul style="list-style-type: none">• provide employees with work safety guidelines and employee handbooks• organize regular training on production safety to further enhance the safety awareness of our employees

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|------------------------------|--|
| Supply chain management risk | <ul style="list-style-type: none">• establish a supplier screening and evaluation process, conduct supplier audits and due diligence, continuously enhance supply chain transparency and cooperation, and provide training to enhance the capabilities of suppliers |
| Business ethics risks | <ul style="list-style-type: none">• formulate policies related to anti-bribery, anti-corruption, anti-fraud, and anti-money laundering, and require employees to take training, to comprehend, and to comply with such policies, as well as the reporting process for any suspected corrupt or illegal activities
• engage an independent internal control consultant to perform regular reviews on corporate governance to ensure business activities and decisions align with ethical standards |

Environmental protection

We are committed to fulfilling our corporate environmental protection responsibilities and creating a sustainable society in which people and nature live in harmony.

As the nature of our business does not involve production and manufacturing and most of our resources are provided by our suppliers, we do not directly generate waste gas and waste water in our operations and our noise impact is relatively minimal. As such, we do not expect to incur any material liabilities in this regard which could have any material adverse impact on our business and operating results.

We strictly comply with the environmental laws and regulations in the PRC and overseas jurisdictions in which we operate, and we have made environmental protection a key component of our strategic development. We have adopted a series of measures to incorporate environmental protection into our practices, including promoting greenhouse gas emission management and waste management, and continuously monitoring and managing energy and water consumption.

Take into account of our business model, we believe that (i) we do not generate material environmental hazards and do not otherwise cause significant adverse effect on the environment in the course of conducting our business, and (ii) we are not subject to significant risks relating environment. As advised by our PRC Legal Adviser, during the Track Record Period and up to the Latest Practicable Date, (i) we were in compliance with all applicable environmental laws and

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regulations in all material respects, (ii) we had not had any material environmental incidents, (iii) we had not been subject to any claims for environmental damages and compensation which are material to our business operations, and (iv) no material administration sanctions or penalties have been imposed upon us for the violation of environmental laws and regulations. We have not incurred and do not expect to incur material costs in connection with the compliance with environmental laws and regulations.

Greenhouse gas emissions management

Greenhouse gas (“GHG”) emissions from our business operations are primarily Scope 1 emissions from direct combustion resulting from the use of our own vehicles and Scope 2 emissions resulting indirectly from the use of purchased electricity and heating. In practice, we have taken a number of measures to reduce GHG emissions from our daily operations. For example, we are gradually replacing our internal combustion forklifts with electric forklifts to reduce direct greenhouse gas emissions. We also encourage our employees to turn off lights and reduce the intensity of air-conditioning use during non-working hours to reduce the indirect GHG emissions. In addition, we place great emphasis on reducing Scope 3 GHG emissions. For example, we use online meetings to replace non-essential business trips. We enhance our employees’ awareness of low-carbon lifestyles and encourage them to take public transport. In addition, we improve the logistic efficiency by optimizing the logistic routes through intelligent management, aiming to enhance the usage and efficiency of logistical services, thereby reducing greenhouse gas emissions.

For the years ended December 31, 2021, 2022 and 2023, our total combined Scope 1 and 2 GHG emissions were around 285 tons of CO₂ equivalent, 340 tons of CO₂ equivalent, and 351 tons of CO₂ equivalent, respectively.

Waste management

We are mindful of the importance of waste reduction and we strive to reduce the amount of waste generated to minimize the impact on the environment. In terms of waste management, we actively promote green office management and a paperless office. We also separate and recycle trash to reduce waste. Hazardous waste generated from our operations will be handed over to qualified third-party recycling companies for disposal.

For the years ended December 31, 2021, 2022 and 2023, our total household waste consumption was around 21 tons, 25 tons and 31 tons, respectively.

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Resources consumption management

Energy

We are always mindful of the need to save energy effectively. Electricity and natural gas are major sources of energy consumption in our operations, and reducing electricity consumption is a key focus of energy management. Meanwhile, we also utilize a small quantity of natural gas, liquefied petroleum gas (“LNG”) and gasoline for forklifts, vehicles, and offices. We have taken various measures to reduce electricity consumption and improve energy efficiency. For instance, we have implemented internal operational control procedures and are committed to improving energy efficiency and conservation in our offices and warehouses. We strive to promote the use of energy-efficient equipment in our daily operations, such as by gradually replacing internal combustion forklifts with electric forklifts to reduce electricity consumption and turn off unused lightings at our office premises and warehouses outside of working hours.

The table below sets forth our key energy usage indicators during the Track Record Period.

	As of December 31		
	2021	2022	2023
Electricity (MWh)	470	511	610
Natural gas (m ³)	32,452	39,970	29,490
LNG (m ³)	1,030	4,479	4,689
Gasoline (L)	—	701	—

Water resources

We attach great importance to the management of water resources and actively undertake the social responsibility of protecting water resources. Our main source of water is municipal water, and our main water users are our office premises and warehouses. We conduct periodic checks and maintenance on the water supply system to avoid potential water waste.

For the years ended December 31, 2021, 2022 and 2023, our total water consumption was around 1,615 tons, 1,600 tons, and 2,100 tons, respectively.

Packaging Materials

We mainly use cardboard boxes, tapes, thermal label papers, stretch film and plastic waterproof courier shipping bags as packaging materials. We closely monitor the consumption of packaging materials and minimize disposable packaging waste. We select suitable packaging materials according to the type of goods ordered to enhance packaging efficiency and minimize the

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use of packaging materials. We have also taken measures to enhance the recycling and reuse of cartons and will consider other sustainable alternatives for the use of packaging materials. We also utilize an intelligent packing material system which helps to reduce excessive packaging materials.

For the years ended December 31, 2021, 2022 and 2023, our total packaging material consumption was 66 tons, 71 tons, and 89 tons, respectively.

Our ESG metrics and targets

Given the nature of our business operations, we consider electricity consumption, water consumption, packaging material consumption and greenhouse gas emissions to be key performance indicators in evaluating our ESG performance. We proactively quantify these key performance indicators (“**KPIs**”) to assess our management of ESG-related risks. Such indicators mostly align with industry benchmarks or standards. For more details, please refer to “Environmental Protection — Greenhouse gas emissions management”, “Environmental Protection — Waste management” and “Environmental Protection — Resources consumption management” in this section. Following the Listing, we will continue to balance our business growth and environmental protection to achieve sustainable development. We have developed several key performance indicators and targets to reduce environmental impact and continue to work towards those goals as set out below:

- ***GHG emission and energy consumption:*** we will improve energy efficiency, promote a culture of conservation, and aim to reduce GHG emissions intensity and energy consumption intensity by 5% to 8% within the next five years, based on the benchmark year of 2023.
- ***Waste management:*** we will provide employees with recycling guidelines to maintain a 100% compliance rate for waste disposal.
- ***Packaging material usage:*** In terms of packaging material usage, we will gradually increase the use of environmentally friendly packaging materials in our procurement process.

Meanwhile, we are committed to optimizing ESG data collection procedures, strengthening data auditing, establishing a sound data management system, and closely reviewing and monitoring the effectiveness of management plans and mitigation measures. We will also adjust mitigation measures, plans, and objectives in accordance with the ESG Reporting Guide, relevant laws and regulations, and industry standards to ensure the reasonableness and operability of the set targets. The relevant targets of significant key performance indicators will be reviewed annually to ensure their alignment with the sustainable development needs of our Group.

Social responsibility and governance***Employee rights and welfare***

In terms of employment, we have entered into employment contracts with our employees in strict compliance with applicable laws and regulations, and have established several internal systems to provide for hiring, firing, compensation, leave benefits, promotions, hours of work, transfers, and work allowances to fully protect the rights and interests of our employees. In general, we determine compensation based on each employee's qualifications, experience, position and seniority. Our employees are evaluated based on their performance on a regular basis by their supervisors. Employees can report and express their opinions to us through our established effective communication channels. We are also committed to providing equal employment opportunities for our employees in areas such as recruitment, career development and promotion, and avoid differential treatment of employees based on their gender, age, and marital status. Furthermore, we are committed to providing competitive remuneration packages to our employees, attracting and retaining talented people, and protecting the rights and interests of our employees. We also provide various employee benefits to improve their sense of belonging.

Occupational health and safety

We strive to operate our offices and warehouses in a manner that protects the work health and safety of our employees. We have implemented health and safety policies in our warehouses in different countries and regions to minimize accidents. We provide our new employees with an employee handbook through which they can familiarize themselves with the work place and enhance their awareness of safety issues. During the Track Record Period and as of the Latest Practicable Date, there were no material accidents or claims for personal or property damage. There were also no interruptions in our business which may have or have had a significant effect on our financial position during the Track Record Period and up to the Latest Practicable Date.

Employee development and training

We follow the people-oriented principle and emphasize the establishment of a talent development pipeline for our employees, and provide them with a wide range of career development opportunities. We provide our employees with a "five levels, three grades" career dual-channel promotion model, which allows employees to choose a career path that suits their needs by combining business forms and career planning. We have also established a sound staff training system to cultivate the skills of our staff and assist them to continuously improve their business ability and professionalism, so that they can have a clear career development path. The staff training system covers all new and existing staff and covers not only essential skills and knowledge closely related to our business and industry trends, such as international logistics

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knowledge, cross-border e-commerce business hotspots, cross-departmental communication skills, etc., but also environmental, social and governance-related content, such as anti-corruption and anti-bribery laws and regulations, salary and performance appraisal mechanism, and corporate culture.

Community engagement

We responded to the worldwide spread of the COVID-19 epidemic with a high degree of vigilance and stood at the front line of epidemic prevention and control as active members of the community. We not only cooperated with the community in registration, temperature testing, disinfection, etc., but also strictly enforced the anti-epidemic policies of the state and the government, and proactively adopted a series of anti-epidemic measures to set an example in controlling the epidemic in our community. During the COVID-19 outbreak, we ensured that our office and operation areas were adequately equipped with epidemic prevention items, such as masks, disinfectants, antigen detection reagents, etc. We carried out rigorous disinfection of public areas such as offices, corridors, elevators, warehouses, etc., and maintained good indoor ventilation, as well as regular inspections in order to protect all our staff from the virus.

We are mindful of the development of the communities in which we operate, and are committed to fulfilling our social responsibilities, contributing to the wider community and encouraging our staff to participate in community building. We have contacted the Shenzhen Weiyi Charity Foundation through various channels and since 2020, we have contributed to the popularization of rural education and the development of rural children and youths by donating money every year, with a cumulative total of RMB200,000 donated so far.

Board diversity

We are committed to achieving Board diversity to enhance the effectiveness and performance of the Board and to bring a unique perspective to the Board. The Board Diversity Policy states that in considering the nomination and appointment of Directors, with the assistance of the Nomination Committee, the Board will take into account their potential contribution to the Board from a diversity of perspectives to better suit the needs and development of the Group. Among others, Ms. Li Qin has been appointed as an executive director and Chief Executive Officer to promote gender diversity on the Board. For further details, please refer to “Directors and Senior Management”.

After the Listing, the Board will continue to progressively increase the proportion of female Directors and, where necessary, agree on measurable targets for achieving Board diversity, including gender diversity, with the ultimate goal of moving towards gender parity on the Board.

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Governance

We aim to build a sustainable community with our employees, customers and suppliers by supporting local initiatives that create effective and lasting benefits to the local community. We recognize the value and importance of taking social responsibility and achieving high corporate governance standards on enhancing corporate performance, transparency and accountability and earning the confidence of Shareholders and the public. For further information about the measures which we have adopted in this regard, please refer to “Directors and Senior Management”.

PROPERTIES

As of the Latest Practicable Date, we leased 10 properties overseas which we primarily used as self-operated warehouses. As of the Latest Practicable Date, we leased five properties in the PRC which were primarily used as office spaces.

The following table sets forth the number of properties leased to us as of the Latest Practicable Date and their locations:

Locations	Number of warehouses	Number of offices	Approximate aggregate gross floor area (sq.m.)
<i>The PRC</i>	—	5 ^{Note 1}	2,783.4
<i>United States</i>			
East Coast	1 ^{Note 2}	—	28,750.4
West Coast	2 ^{Note 2}	—	25,351.3
Midland	1 ^{Note 2}	—	11,594.2
<i>United Kingdom</i>	2 ^{Note 3}	—	20,877.0
<i>Canada</i>	2 ^{Note 4}	—	6,052.6
<i>Australia</i>	1 ^{Note 5}	—	2,451.4
<i>Germany</i>	1 ^{Note 6}	—	33,858.0
Total	<u>10</u>	<u>5</u>	<u>131,718.3</u>

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Notes:

1. Our five leased properties located in the PRC are expiring on March 2, 2025, March 31, 2025, July 23, 2024, October 31, 2024 and January 4, 2026, respectively.
2. Our four leased properties located in the United States are expiring on September 30, 2025, August 1, 2026, April 1, 2028 and June 1, 2031, respectively.
3. Our two leased properties located in the United Kingdom are expiring on February 28, 2025 and April 30, 2025, respectively.
4. Our two leased properties located in Canada are expiring on March 31, 2026 and December 31, 2026, respectively.
5. Our leased property located in Australia is leased from a subsidiary of Lesso and is expiring on September 30, 2024. For further details, see “Connected Transactions — Fully-Exempt Continuing Connected Transactions” in this prospectus. Our Group intends to enter into a new lease with the Lesso Group for a warehouse in Australia upon expiry of the existing lease.
6. Our leased property located in Germany is expiring on January 31, 2029.

Landlords for all of our leased properties in the PRC have not provided us with valid title certificates or relevant authorization documents evidencing their rights to lease the properties to us. Consequently, if any of these leases are terminated as a result of challenges by third parties, we may not be able to continue to use such properties. If we are not able to continue to own or lease these properties due to any of the issues mentioned above, we may need to seek alternative properties and relocate. We believe that there are alternative premises available at reasonable market rents in the relevant regions if we have to relocate, and we do not anticipate such relocation to have any material adverse effect on our business operations and financial condition. See “Risk Factors — We do not own any real properties and we lease all properties for our business activities and therefore we are exposed to risks in relation to unpredictable and increasing rental costs and relocation costs. Our leased properties may potentially be contested by third parties or government bodies causing our operations to be disrupted” for further details of the related risk.

Pursuant to the applicable laws and regulations in the PRC, property lease contracts must be registered with the relevant local branches of the PRC Ministry of Housing and Urban Development. As of the Latest Practicable Date, we had not completed lease registration of four properties we leased in the PRC, primarily due to the landlords’ failure to provide valid title certificates or the difficulty of procuring the relevant landlords’ cooperation to register such leases. Our PRC Legal Adviser has advised us that the lack of registration for the lease contracts will not affect the validity of such lease contracts under PRC law, and has also advised us that the competent housing authorities may order us to register the lease agreement in a prescribed period of time and a maximum penalty of RMB10,000 may be imposed for each non-registered lease agreement if we fail to complete the registration within the prescribed timeframe. As of the Latest

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Practicable Date, we were not subject to any penalties arising from the non-registration of lease agreements in the PRC, and we have not received any notice from relevant authorities in relation to the non-registration of the lease agreements. We believe that there is a sufficient supply of properties in the PRC, and thus we do not rely on existing leases in the PRC for our business operations.

As of the Latest Practicable Date, while our leased property in Hangzhou (the “**Hangzhou Property**”) was planned for industrial use, the Hangzhou Property was rented to Shenzhen EDA and used by our Group for office purposes. As advised by our PRC Legal Adviser, the actual use of the property was not in line with its planned use, according to the relevant rules of the Administrative Measures for Commodity Housing Tenancy (商品房屋租賃管理辦法), a property shall not be leased if its usage is changed in violation of the application regulations. If a property is leased in violation of the above requirement, the competent construction (real estate) administrative authority may urge the violator to make corrections within a specified time limit, and impose a fine below RMB5,000 if no illegal gains have been obtained, or a fine between one and three times of the illegal gains but below RMB30,000 if illegal gains have been obtained.

The PRC Legal Adviser is of the view that we, as lessee will not be subject to any fines or penalties for such property, but if such lease is challenged by any interested parties or if the lessor is penalized by competent government authorities, we may not be able to lease, occupy and use the Hangzhou Property. Even if we are required not to use the Hangzhou Property for office purpose and to relocate in the future, since the Hangzhou Property is used for office purpose, the Directors believe that we will not experience any difficulties in finding alternative premises for relocation and our business operations will not be disrupted. To the best knowledge of our Directors, the lease involving the Hangzhou Property has not been challenged by any third parties. In light of the above, our PRC Legal Adviser is of the view that the risk that our Group would be subject to material adverse impact due to the inability to continue to use the Hangzhou Property as a result of the unconformity between the actual use and the planned use of the Hangzhou Property is relatively low.

As for our overseas leased properties, as advised by our legal advisers as to U.S. corporate law, legal advisers as to England & Wales law, legal advisers as to Canadian law and legal advisers as to Australian law, all respective lease agreements in the United States, Canada and Australia as of the Latest Practicable Date were valid and enforceable, and in the case of England & Wales as of the Latest Practicable Date, valid and enforceable as a deed or valid as an agreement for lease and enforceable as to rights of occupation with security of tenure if current occupancy arrangements continue.

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As of December 31, 2023, our Group had no single property with a carrying amount of 15% or more of our Group's total assets. On this basis, our Group is not required by Rule 5A of the Listing Rules to include any valuation report in this prospectus. Pursuant to section 6(2) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong), this prospectus is exempted from compliance with section 342(1)(b) of the Companies (WUMP) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (WUMP) Ordinance in respect of the requirements for a valuation report with respect to interests in land or buildings.

INSURANCE

As a B2C export e-commerce supply chain solutions provider with global business presence, we face a number of inherent risks in the ordinary course of our business operations. Such risks include, but are not limited to, property loss during the delivery process, business interruptions due to natural disasters, political unrest and hostilities or otherwise. Per our service agreements with our customers, we may have to compensate our customers in the event of loss or damage to goods in specified circumstances (such as when the loss or damage of good occurs before the “first-mile” international freight forwarding). However, the service agreements also stipulate when the loss or damage of goods is responsible by the third-party service provider (i.e. the suppliers engaged by us), such service provider is liable for the loss or damage. In such cases, practically, our Group will claim for compensation from our suppliers in accordance with the agreement between us and the supplier and then compensate our customers with the sum retrieved from the supplier. Shall there be loss or damage to goods under stipulated circumstances, our customers will apply for refund from us and having accessed their application, we will remit the compensation to our customers and at the same time, we will apply for a refund from our suppliers. For FY2021, the amount of compensation remitted to Shenzhen EDA Group's customers amounted to approximately RMB1.2 million and for FY2022 and FY2023, the amount of compensation remitted to our customers amounted to approximately RMB3.5 million and RMB3.4 million, respectively.

We maintain insurance policies to provide insurance coverage relating to third-party liability, transportation risks, property loss and damage for our warehouses, equipment and stored goods, business disruptions and workers' compensation for injury and death, and various other areas. We are generally not liable for any damage or loss to the goods stored and/or delivered by us unless such damage or loss is caused by our negligence. In the event that we are found to be liable for the damage or loss to such goods, claims against us from our customers are generally covered by the aforementioned insurance policies that we maintain. Our Directors believe that the insurance coverage we currently have is in line with market practices in the B2C export e-commerce supply chain solutions industry and is adequate for us to conduct normal business operations.

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Our Directors confirmed that we were not subject to any material insurance claims or liabilities arising from our operations during the Track Record Period and we did not make any material insurance claims during the Track Record Period.

Certain risks which are inherent to our industry and business operations, such as labor shortage and increase in labor costs, our ability to establish and maintain business relationships with our customers, and the availability and performance of our suppliers, are not covered by our current insurance policies because they are not under the scope of available insurance policies or it is not commercially justifiable or consistent with market practice to insure against such risks. Furthermore, our limited insurance coverage could expose us to significant costs and business disruption. See “Risk Factors — Our insurance coverage may not be adequate” for details of such risks. As such, we have adopted certain risk management and internal control policies in order to mitigate insurance-related risks.

LICENSES, APPROVALS AND PERMITS

During the Track Record Period and up to the Latest Practicable Date, our Group has obtained all requisite licenses, approvals and permits that are material to our business and for our operations and all of them were in force as of the Latest Practicable Date. We renew all such material licenses, approvals and permits from time to time to comply in all material aspects with the relevant laws and regulations. Our Directors are of the view that there is no material legal impediment to renewing such licenses, approvals or permits. We set out below the material licenses, approvals and permits for our operations:

<u>Holder</u>	<u>Name of license, approval or permit</u>	<u>Issuing authority</u>	<u>Date of first grant</u>	<u>Expiry date</u>
Shenzhen EDA	Archival Filing Form of International Freight Forwarders* (國際貨運代理企業備案表)	Commerce Bureau of Shenzhen Municipality	April 4, 2023	N/A
Shenzhen Haolian	Archival Filing Form of International Freight Forwarders* (國際貨運代理企業備案表)	Commerce Bureau of Shenzhen Municipality	May 29, 2023	N/A
Shenzhen Haolian	Registration of Non-Vessel Operating Common Carriers (無船承運業務備案)	Harbor and Navigation Administration of Guangdong Province	October 26, 2022	N/A

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During the Track Record Period and up to the Latest Practicable Date, our Group provided services to customers through the EDA Cloud platform which is operated on our website (edayun.cn). Considering that we do not provide platform services for other individuals, organizations or users for the purpose of publication or release of information, nor does our platform provide functions on information search and inquiry, information community platform, information real-time interaction or information protection and processing, nor do other units, organizations or individuals utilize our website to sell its products or services, our operations through and on the EDA Cloud platform does not qualify as an information service business as stipulated in the “Telecommunications Business Classification Catalogue” (《電信業務分類目錄》) (issued by the Ministry of Industry and Information Technology on December 28, 2015 and implemented on March 1, 2016). As such, the PRC Legal Adviser are of the view that the Group does not need to obtain an ICP license for the operation of the EDA Cloud platform. Shenzhen EDA has completed the ICP filing for the domain name *edayun.cn*, which complies with the relevant PRC laws and regulations on the filing and management of non-commercial internet information services.

Since our business model is different from that of a traditional freight forwarder, we previously did not understand that we should also complete the archival filing of international freight forwarders according to relevant laws and regulations. Despite our failure to complete the archival filing, during the Track Record Period, we did not receive any notice from the competent authority ordering us to make corrections or subjecting us to any administrative penalties. Shenzhen EDA and Shenzhen Haolian, our main operating subsidiaries in the PRC, have completed the archival filing of international freight forwarders on April 4, 2023 and May 29, 2023, respectively.

According to the PRC Legal Adviser, the relevant laws and regulations in the PRC as of the Latest Practicable Date do not clearly stipulate the legal consequences of engaging in international freight forward enterprise without completing the archival filing of international freight forwarders. According to the telephone enquiries with a section member of the Commerce Bureau of Shenzhen Municipality (深圳市商務局) (on a named basis) and with a staff of the Department of Commerce of Guangdong Province (廣東省商務廳) (on an unnamed basis), conducted by our PRC Legal Adviser, (i) they will not impose administrative penalties on companies which engaged in international freight forwarding business without obtaining the archival filing of international freight forwarders; and (ii) in the event that the business scope as set forth on the business license of relevant company includes international freight forwarding services, even if the archival filing of international freight forwarders has not been obtained, a company is permitted to be engaged in relevant international freight forwarding business, which shall not constitute a material non-compliance. Our PRC Legal Adviser has confirmed that the relevant interviewees and the authorities interviewed are competent to confirm whether administrative penalties will be imposed and whether not obtaining the archival filing will be a material non-compliance. Given that (i) the

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relevant laws and regulations in the PRC as of the Latest Practicable Date do not clearly stipulate the legal consequences of engaging in international freight forward business without completing the archival filing of an international freight forwarder, (ii) Shenzhen EDA and Shenzhen Haolian have completed the archival filing form of international freight forwarders, and (iii) Shenzhen EDA and Shenzhen Haolian have included the international freight forwarding services in their business scope, the PRC Legal Adviser is of the view that, and our Sole Sponsor concurs, our Group's failure to promptly complete the archival filing form of international freight forwarders is not a material non-compliance.

AWARDS, RECOGNITIONS AND ACCREDITATIONS

The following table sets forth the major awards, recognitions and accreditations that we have received as of the Latest Practicable Date:

<u>Company</u>	<u>Name of award/recognition/accreditation</u>	<u>Awarding Organization(s)</u>	<u>Year</u>
Shenzhen EDA	Provincial Public Overseas Warehouse* (省級公共海外倉)	Department of Commerce of Guangdong Province (廣東省商務廳)	2023
Shenzhen EDA	eBay Certified Docking Warehouse* (eBay金牌認證對接倉)	eBay	2022
Shenzhen EDA	Excellent Cross-border E-commerce Service Provider* (優秀跨境電商物流服務商)	Shenzhen Cross-Border E-commerce Association (深圳市跨境電子商務協會)	2022
Shenzhen EDA	High and New Technology Enterprise Certificate (高新技術企業證書)	Shenzhen Science and Technology Innovation Commission, Shenzhen Finance Bureau and Shenzhen Taxation Bureau of the State Administration of Taxation (深圳市科技創新委員會、深圳市財政局及國家稅務總局深圳市稅務局)	2021

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Company	Name of award/recognition/accreditation	Awarding Organization(s)	Year
Shenzhen EDA	2020 Guangdong Province Major Credible Enterprise* (2020年度廣東省“守合同重信用”企業)	Shenzhen Administration for Market Regulation (深圳市市場監督管理局)	2020
Shenzhen EDA	Excellent Cross-border E-commerce Technology Enterprise* (優秀跨境電商科技類企業)	Shenzhen Cross-Border E-commerce Association (深圳市跨境電子商務協會)	2020
Shenzhen EDA	2018 Business Circle Co-Building Award* (2018年度行業商圈服務共建獎)	Shunde International E-commerce Chamber (佛山市順德區跨境電子商務協會)	2019
Shenzhen EDA	2019 Guangdong Province Major Credible Enterprise* (2019年度廣東省“守合同重信用”企業)	Shenzhen Administration for Market Regulation (深圳市市場監督管理局)	2019
Shenzhen EDA	Valuable Cross-Border E-commerce service provider* (極具價值跨境電商服務機構)	Guangdong e-Business Association (廣東省網商協會)	2016
Shenzhen EDA	2016 Strategic Cooperation Partner* (2016年度戰略合作夥伴)	Shunde International E-commerce Chamber (佛山市順德區跨境電子商務協會)	2016

LEGAL PROCEEDINGS AND COMPLIANCE

During the Track Record Period and as of the Latest Practicable Date, no member of our Group was engaged in any litigation, claim or arbitration of material importance and no litigation, claim or arbitration is known to our Directors to pending or threatened against any member of our Group which would have material adverse effect on our financial position or results of operations.

During the Track Record Period and as of the Latest Practicable Date, members of our Group had not been and were not involved in any non-compliance incidents that have led to fines, enforcement actions or other penalties that could, individually or in the aggregate, have a material adverse effect on our financial condition and results of operations.

U.S. Tariff on goods originated from China

Currently, goods of Chinese origins being exported into the U.S. are subject to a duty ranging from 7.5% to 25% under section 301 of the U.S. Trade Act of 1974 (the “**Section 301 Duties**”) and formal entry procedures, which apply to our “first-mile” international freight services and are primarily borne by or passed on to our customers. The U.S. Tariff Act of 1930 provides for an exemption (the “**Tariff Exemption**”) to admit certain articles free of the Section 301 Duties using informal entry procedures if they have an aggregate fair retail value of less than US\$800 per day.

Purpose of the Tariff Exemption

As advised by the U.S. Tariff Legal Adviser, the purpose of the Tariff Exemption is to avoid administrative burden, including the “expense and inconvenience” to the U.S. Customs and Border Protection of formal entry procedures that would be “disproportionate to the amount of revenue that would otherwise be collected.” Prior to 2016, the threshold for the Tariff Exemption was limited to entries of an aggregate fair retail value of no more than US\$200. The dollar threshold was increased to US\$800 via amendment to the Tariff Act of 1930 as part of the Trade Facilitation and Trade Enforcement Act of 2015.

According to Frost & Sullivan, it is common for e-commerce vendors to deliver goods valued at US\$800 or less to the U.S. and enjoy the tariff exemption in order to lower the logistics costs, given that most cross-border e-commerce sellers are focused on the B2C (Business-to-Consumer) business model, accounting for over 60% of all cross-border e-commerce sellers in the PRC, and under the B2C business model, about 80% to 90% of the sellers focuses on delivering small goods, of which about 80% to 90% are priced below US\$800.

During the Track Record Period, unless the order involves direct shipping to end-consumers, third-party customs brokers are the importer of record for the shipments delivered to the U.S. in our “first-mile” international freight services. The fair retail value of goods handled by a single importer are assessed at the customs clearance on an aggregated basis per day for the assessment on whether they exceed the US\$800 threshold under the Tariff Exemption, and it is not permissible to separate out some shipments for the Tariff Exemption. Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, all goods delivered to the U.S. in our “first-mile” international freight services except where direct shipping services are involved exceed US\$800 per day, and hence did not, on any day of delivery, fall below the US\$800 threshold under the Tariff Exemption. In light of the above, our Directors believe that, and the Sole Sponsor concurs that the proposed change in the Tariff Exemption would not adversely affect the demand for our end-to-end B2C export e-commerce supply chain solutions.

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In FY2023, we began to provide direct shipping services to Customer G, one of the large scale e-commerce platforms in the PRC. Direct shipping involves the delivery of goods directly from domestic sellers to overseas end-consumers. To the best knowledge of our Directors, in FY2023, the fair retail value of all of the parcels delivered by us to the U.S. through direct shipping falls below the US\$800 threshold and therefore, falling within the Tariff Exemption. For FY2021, nil was generated from parcels valued at US\$800 or below delivered to the U.S. by Shenzhen EDA Group per day. For FY2022 and FY2023, nil and RMB151.5 million were generated from parcels valued at US\$800 or below delivered to the U.S. by us per day, respectively, representing 0% and 12.5% of our total revenue for each year in FY2022 and FY2023, respectively.

Potential changes in the Tariff Exemption

As of the Latest Practicable Date, two legislative proposals to limit the Tariff Exemption are pending before the U.S. Congress, namely, the Import Security and Fairness Act (ISFA) and the De Minimis Reciprocity Act of 2023 (DMRA). The two proposals, although varying in substance, both propose to exclude goods of Chinese origin imported to the U.S. from benefiting from the Tariff Exemption.

As advised by the U.S. Tariff Legal Adviser, if either of the proposals is enacted and implemented in its current form, goods from China that would currently be eligible for the Tariff Exemption would become ineligible for such exemption, and would have to enter the U.S. through a formal entry process. However, the proposals may eventually be revised to provide a less restrictive standard related to the use of the Tariff Exemption for China-origin goods to enter the U.S. As advised by the U.S. Tariff Legal Adviser, the U.S. Congress is unlikely to pass either the ISFA or the DMRA as a standalone bill. Instead, if there is sufficient Congressional support to move legislation limiting use of the Tariff Exemption, U.S. Congress will likely include text from either bill (or some combination thereof) in a comprehensive legislative “package” containing many different sections relating to a single subject. At this point in time, it is unclear if a legislative proposal limiting use of the Tariff Exemption for imports of China-origin goods will move through U.S. Congress and become law. Moreover, the final form and potential effective date of any limitation is also unclear. It is possible that legislation as passed could retain the Tariff Exemption but only impose a lower dollar value threshold, including on imports of China-origin goods.

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In terms of timeline, as advised by the U.S. Tariff Legal Adviser, U.S. Congress will consider a China competitiveness package in early 2024. Only once the U.S. Treasury publishes a Final Rule (or an Interim Final Rule) would any final change to the Tariff Exemption go into effect. The rulemaking process generally takes several months to over a year, depending on how fast the agency moves to issue regulations, whether the agency uses the notice and comment rulemaking process, or whether the agency determines to issue an Interim Final Rule.

Under any of the above scenarios, and assuming the earliest that the Tariff Exemption legislation would be signed into law is 2024, the earliest effective date for any change to the Tariff Exemption likely would be mid to late 2024. However, it is inherently impossible to predict the timing or outcome of the legislative process in the U.S., and progress on current legislative proposals may be suddenly accelerated, delayed or may not happen at all due to a number of factors. In addition, it is possible that new legislative proposals or regulatory proposals related to the Tariff Exemption could be introduced.

Potential impacts

The formal entry process may have certain additional information and documentation requirements. As a result, our customers may experience increased administrative costs arising from documentary requirements associated with the formal entry process and compliance costs to ensure the accuracy of such documentation. To the best knowledge of our Directors, we arranged third-party customs brokers for customs declaration and to deal and pay upfront the duties involved, if any, in the delivery of parcels to the U.S. We will not be serving as the importer of record into the U.S. for the goods that we deliver to the U.S. by direct shipping, nor we intend to do so in the foreseeable future. Therefore, we ourselves will not be directly responsible for compliance or cost increases in relation to the Tariff Exemption. In addition, these increased costs would likely be similar across logistics providers importing China-origin goods.

Potential impact on the industry

According to Frost & Sullivan, if the Tariff Exemption is restricted, Chinese e-commerce vendors which have target end-consumers in the U.S. may choose to pass on the costs to end-consumers, absorb the extra fees themselves, or combine the two options. Nevertheless, according to Frost & Sullivan, end-consumers in the U.S. would still likely continue to purchase China-origin products that they purchase before such changes, as these products would still be of relatively low price even after the changes in the Tariff Exemption as mentioned above.

According to Frost & Sullivan, increases in prices induced by the potential changes in the Tariff Exemption are not likely to materially change U.S. consumer's purchasing decisions. The vast majority of goods exported from China to the U.S. are items that U.S. consumers are

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relatively less price-sensitive to, meaning changes in prices of these items are not as likely to affect already-existing consumer behavior and decisions as the same in some other items. In addition, according to Frost & Sullivan, past increases in tariff indicated that increases in tariff had not historically materially affected the volume and value of exports of China-origin goods to the U.S. In 2018, the U.S. government announced two plans to impose a 25% tariff on approximately US\$50 billion worth of Chinese goods and a 10% tariff on US\$200 billion worth of Chinese goods. Subsequently, the total value of goods exported from China to the U.S. decreased from RMB3.2 trillion in 2018 to RMB2.9 trillion in 2019, and then rose from RMB3.1 trillion in 2020 to RMB3.7 trillion in 2021 and reached RMB3.9 trillion in 2022. Based on historical data, changes in tariff for goods exported from China to the U.S., albeit with limited impact on shipping volume, are not likely to have significant impact on shipping volume in the long run.

Our mitigating measures

As advised by the U.S. Tariff Legal Adviser, should the current Tariff Exemption rules be changed, our customers will be legally responsible under U.S. import laws for payment of the ordinary duties applicable to the goods that we deliver, as well as additional special duties, if applicable, to some of the items that we deliver.

Currently, under our arrangements with our customers who have goods delivered to the U.S., (i) we are not responsible for the duties incurred during our services provided; and (ii) the duties incurred during our services provided are borne by our customers. Our Directors confirmed that during the Track Record Period, we had not been responsible for any of the duties incurred by our customers during our services provided. However, in light of the above potential changes in the Tariff Exemption, we plan to appoint certain designated employees to (i) monitor recent development of the Tariff Exemption for the purpose of assessing whether any goods delivered by us to the U.S. will be subject to the Tariff Exemption; (ii) review our current pricing policies and arrangements with our customers of direct shipping services which involves the delivery of parcels to the U.S. to determine how they currently handle duties and fees owed on goods exceeding the Tariff Exemption threshold; (iii) to review our arrangements with customers to ensure that the arrangements do not make us ultimately responsible for duties, fees, and taxes associated with the potential formal entries into the U.S. and that our customers would ultimately be responsible for additional payment of the costs associated with a formal entry, such as including contractual language in our arrangements to request our customers to provide the customers' information to our partnered third-party customs brokers for the formal entry; and (iv) to communicate with our customers to ensure that they are contractually responsible for ensuring their goods are in compliance compliant with U.S. customs laws. In addition, we plan to continue to maintain our focus on the offering of our end-to-end supply chain solutions with pre-sale stocking model to our customers in the future. In light of the above, our Directors believe that, and the Sole Sponsor

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concur that (a) the potential changes in the Tariff Exemption would not affect our cost structure for delivery to the U.S. materially; and (b) the impacts on our business operation and financial performance to be limited.

RISK MANAGEMENT AND INTERNAL CONTROL

Our Board is responsible for the overall effectiveness of our risk management and establishing our internal control system and reviewing its effectiveness. We have established and maintain risk management and internal control systems consisting of policies and procedures that are appropriate for our business operations, and we are dedicated to continuously improving and implementing these systems to ensure our policies and implementation are effective and sufficient.

In preparation for the Listing, we have engaged an independent third-party consultant (the “**Internal Control Consultant**”) to perform a review over selected areas of our internal controls over financial reporting from January 1, 2022 to December 31, 2022 (the “**Internal Control Review**”). The scope of the Internal Control Review performed by the Internal Control Consultant was agreed between us and the Internal Control Consultant. The selected areas of our internal controls over financial reporting that were reviewed by the Internal Control Consultant included entity-level controls and business process level controls, including but not limited to corporate governance practice, sales and receivables, procurement and payables, warehouse management, human resources and remuneration, treasury and investment, taxation, IT system, financial reporting, R&D activities, intellectual properties, transfer pricing, international sanctions, data privacy and security, and insurance.

In the Internal Control Review, our Internal Control Consultant identified several internal control deficiencies which may pose risks to our operations. These deficiencies primarily include the lack of written criteria and policies regarding (i) our transportation and delivery management, (ii) selection and management of warehousing service providers, (iii) sales and procurement process management, (iv) corporate governance, (v) human resources management and (vi) intellectual property management. We have been taking steps to rectify these deficiencies and enhance our internal control measures based upon the recommendations given by the Internal Control Consultant.

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The Internal Control Consultant performed the follow-up reviews from January 1, 2023 to June 30, 2023, to assess the status of the management actions taken by us to address the findings of the Internal Control Review (the “**Follow-up Review**”). Having conducted the Follow-up Review, the Internal Control Consultant is of the view that nothing has come to its attention that cause to believe that the Company did not maintain, in all material respects, effective internal control as of June 30, 2023. The Internal Controls Review and the Follow-up Review were conducted based on information provided by our Group.

Having considered the report prepared by our Internal Control Consultant, the Directors confirmed that all of the major recommendations provided by the Internal Control Consultant have been followed and corrective actions were taken accordingly to address our internal control deficiencies and weaknesses. Our Directors are of the view that our enhanced internal control measures are adequate and effective to ensure compliance with relevant laws and regulations going forward.

We have put in place or are in the course of adopting the following measures in order to rectify and manage risk arising from our business operation and corporate governance.

Transportation and delivery risk management

We have established various modular systems on the EDA cloud platform such as OMS (Order Management System) and TMS (Transport Management System) to facilitate our transportation and delivery services management. Our customers generally place purchase orders with us through OMS. After a customer chooses its preferred solutions, OMS will automatically generate an information sheet which will be passed to the logistics service providers for their execution, and such information sheet can also be used for logistics information tracking purpose. Our local “last-mile” fulfillment service providers are also required to receive local “last-mile” fulfillment instruction by our customers through our TMS for the ease of our management. Our staff closely monitors the logistics delivery progress through our modular systems to ensure the quality and timeline of our transportation and delivery services.

Warehousing service risk management

We have established standardized warehouse management procedures with the support of our WMS (Warehouse Management System), including but not limited to warehousing timeline, quality control on the warehousing services, inbound and outbound acceptance of products, work safety within the warehouses, etc. for all our warehouses. Such measures allow us to ensure consistent quality across our warehouses. To maintain good warehousing services, we will further establish written criteria and policies in relation to the selection of warehouse service providers. In addition, we will keep written records of our reviews on potential warehouses providers, and our internal approval procedures for reference and review.

Corporate governance risk management

We have established a Board of Directors and prepare a comprehensive Board written policy outlines the roles, functions, and responsibilities of the Board. We have also implemented a Board diversity policy. Additionally, we have established our Audit Committee, Remuneration Committee and Nomination Committee and formulated their terms of reference. Further, our Directors and management have received trainings and guidance on the Listing Rules.

We have developed anti-money laundering management policy and procedure, and delivered relevant trainings to our employees. To mitigate the risk of money laundering, we have established agreements with trusted third-party payment platforms, ensuring that all payments made by our customers are processed only through these authorized platforms, and have ceased all third-party payment arrangements.

In our commitment to sound corporate governance practices, we have formulated various policies for guidance purposes including general corporate governance policy, connected transaction management policy, conflict of interest policy, overall risk management policy, internal audit policy, information management policy, etc.

Anti-corruption risk management

We have established an anti-corruption risk management policy to safeguard against any instances of corruption within our Group, which serves as a comprehensive framework that outlines the procedures for reporting and investigating corruption incidents.

BUSINESS

In line with our commitment to promoting a culture of integrity and compliance, we have delivered and will continue to deliver trainings to our employees on preventing corruption either for the pursuit of improper personal benefits or improper interests of the Company. These training programs aim to raise awareness among employees about existing and potential corruption activities, enabling the management to promptly address and handle such issues.

Human resources risk management

We have formulated and implemented various written policies and procedures regarding human resource management to ensure the effective functioning of our Group, safeguard the legitimate rights and interests of both parties to the employment relationship and improve operating efficiency. Our internal human resource management system covers all the stages of employment relationship, from recruitment to probation, appraisal, transition and exit.

Intellectual property risk management

We are committed to establishing and maintaining intellectual property risk management policies and mechanisms to protect our intellectual properties and prevent liabilities resulting from infringement of, or conflicts with, third-party intellectual properties. We will establish written policies regarding the procedure for application, registration and renewal of intellectual properties, and we will also have intellectual property protection mechanisms in place to identify potential intellectual property infringements and conflicts and to rectify our position in a timely manner after any such identification. Such policies and mechanisms will be reviewed by our senior management on a regular basis. Besides, actions regarding intellectual properties carried out by us will be filed properly for our record and review.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

OUR CONTROLLING SHAREHOLDERS

Immediately upon completion of the Capitalization Issue and the Global Offering (assuming the Over-Allotment Option is not exercised and without taking into account any Shares to be issued upon the exercise of any options granted under the Pre-IPO Share Option Scheme and Post-IPO Share Option Scheme, and vesting of RSUs granted under the Pre-IPO RSU Plan and Post-IPO RSU Plan):

1. one of our Controlling Shareholders, EDA Shine International Limited will directly hold approximately 34.6% of our total number of issued Shares. EDA Shine International Limited is owned as to 1.0% by Edaurora Holdings Limited and as to 99.0% by Skyline Investment International Limited. Skyline Investment International Limited is wholly owned by Sovereign Fiduciaries (Hong Kong) Limited, which is the trustee of the Liu Yong Trust, of which the settlor is Mr. Liu Yong and the beneficiaries are Mr. Liu Yong and Edaurora Holdings Limited. Edaurora Holdings Limited is wholly owned by Mr. Liu Yong, our executive Director, the chairman of our Board and a Controlling Shareholder of our Group. Each of EDA Shine International Limited, Skyline Investment International Limited, Edaurora Holdings Limited and Mr. Liu Yong will be regarded as our Controlling Shareholders under the Listing Rules; and
2. the members of the Lesso Consortium will be interested in approximately 40.4% of our total number of issued Shares. Because each member of the Lesso Consortium is acting in concert with each other, they will together be entitled to exercise and control the voting power in the general meetings of our Company attached to these Shares, and will collectively be regarded as our Controlling Shareholders under the Listing Rules. For further details of the identities of, and relationship among, each member of the Lesso Consortium as well as their respective shareholdings in our Company, see “— Controlling Shareholders acting in concert” in this section and “Substantial Shareholders” in this prospectus.

The Lesso Consortium comprises (i) LS DiDi Network Technology Limited; (ii) Samanea China Holdings Limited; (iii) Lesso Home International Holdings Limited; (iv) China Lesso Group Holdings Limited; (v) Mr. Wong Luen Hei; (vi) Ms. Zuo Xiaoping; (vii) Zhan Hua Limited; (viii) Mr. Zuo Manlun, our Non-executive Director; (ix) Dawnhill Group Limited; (x) Mr. Luo Jianfeng, our Non-executive Director; (xi) LittleBear Investment Limited; (xii) Mr. Cheung Man Yu, our executive Director; (xiii) QCJJ Group Limited; (xiv) QCZC Group Limited; (xv) Ms. Tang Jia Jia; (xvi) QCBM Group Limited; and (xvii) Mr. Qian Yu Cheng.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Controlling Shareholders acting in concert

In December 2021, each of Mr. Zuo Manlun, Mr. Luo Jianfeng, Mr. Cheung Man Yu, Ms. Tang Jia Jia and Mr. Qian Yu Cheng entered into an acting-in-concert agreement with Samanea in respect of their interests in our Company.

Mr. Zuo Manlun holds his interest in our Company through his wholly owned company, Zhan Hua Limited. Pursuant to the Takeovers Code, Mr. Zuo Manlun and Zhan Hua Limited are presumed to be parties acting in concert.

Mr. Luo Jianfeng holds his interest in our Company through his wholly owned company, Dawnhill Group Limited. Pursuant to the Takeovers Code, Mr. Luo Jianfeng and Dawnhill Group Limited are presumed to be parties acting in concert.

Mr. Cheung Man Yu holds his interest in our Company through his wholly owned company, LittleBear Investment Limited. Pursuant to the Takeovers Code, Mr. Cheung Man Yu and LittleBear Investment Limited are presumed to be parties acting in concert.

Mr. Zuo Manlun and Mr. Luo Jianfeng are our Non-executive Directors. Mr. Cheung Man Yu is our executive Director. For further details of their backgrounds, see “Directors and Senior Management” in this prospectus.

Ms. Tang Jia Jia holds her interest in our Company through her wholly owned company, QCJJ Group Limited. QCZC Group Limited is wholly owned by Ms. Tang Jia Jia. Pursuant to the Takeovers Code, Ms. Tang Jia Jia, QCZC Group Limited and QCJJ Group Limited are presumed to be parties acting in concert.

Mr. Qian Yu Cheng holds his interest in our Company through his wholly owned company, QCBM Group Limited. Pursuant to the Takeovers Code, Mr. Qian Yu Cheng and QCBM Group Limited are presumed to be parties acting in concert.

As (i) LS DiDi Network Technology Limited is owned as to 70.0% by Samanea; (ii) Samanea is wholly owned by Lesso Home International Holdings Limited; (iii) Lesso Home International Holdings Limited is wholly owned by China Lesso Group Holdings Limited; and (iv) China Lesso Group Holdings Limited is controlled by Mr. Wong Luen Hei and his spouse, Ms. Zuo Xiaoping, pursuant to the Takeovers Code, LS DiDi Network Technology Limited, Samanea, Lesso Home International Holdings Limited, China Lesso Group Holdings Limited, Mr. Wong Luen Hei and Ms. Zuo Xiaoping are presumed to be parties acting in concert.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Therefore, the members of the Lesso Consortium are a group of Controlling Shareholders acting in concert, and will be deemed to control approximately 40.4% of our total number of issued Shares.

DELINEATION OF BUSINESS

Apart from our business in the provision of one-stop end-to-end B2C export e-commerce supply chain solutions, Lesso is currently operating a business to provide logistics services to deliver goods from the PRC to South East Asia (the “**Excluded Business**”).

The Excluded Business are operated by Sea Lark Solution Limited (東南雲雀科技有限公司) and Sea Lark Technology (Shenzhen) Company Limited (雀橋科技(深圳)有限公司), indirect wholly-owned subsidiaries of Lesso. None of the entities under the Excluded Business had been the subject of any material non-compliant incidents, claims, litigation or legal proceedings, whether actual or threatened, during the Track Record Period and up to the Latest Practicable Date.

The operations of our Group are independent of and separate from the Excluded Business, and our Directors are of the view that there is a clear delineation between the Excluded Business and our businesses. The management of Lesso and our Group decided not to inject the Excluded Business into our Group as it would bring about no apparent commercial benefits as well as unnecessary costs for such restructuring (including the time and costs for integrating two entirely separate businesses which involve different management, employees and business reporting lines). In addition, as Lesso utilized the same human resources for the operation of its property leasing business as the Excluded Business without a separate business reporting line during the Track Record Period, there would be practical difficulties in merging the Excluded Business into our Group.

Our Directors do not expect there to be any overlap or competition of the Excluded Business and our Group’s business after the Listing due to the following reasons:

Different geographical presence: our Group mainly provides supply chain solutions that transport goods from Greater China to North America, Europe and Australia. Our Group does not and will not transport goods to South East Asia. On the other hand, the Excluded Business is limited only to the transfer of goods from Greater China to South East Asia, and involves no export activities to North America, Europe and Australia. As the destinations of the goods transported under our business and the Excluded Business are in different continents, our Directors consider that there is neither overlap nor competition in the services provided between our Group and the Excluded Business.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

No meaningful competition between Lesso and our Group: the revenue derived from the Excluded Business is immaterial to Lesso as a whole. The historical transaction amounts deriving from the South East Asia Logistics Services for FY2021, FY2022 and FY2023, were RMB0.2 million, RMB1.5 million and RMB9.8 million, respectively, representing 0.0%, 0.0% and 0.0% of the total revenue of Lesso for the respective periods. Lesso's main business has been and will continue to be the manufacturing and sale of plastic piping systems, and its building materials and home improvement business. On the other hand, our Group does not derive any revenue from transporting goods to South East Asia at all. In addition, for illustration purposes, the historical transaction amounts that Lesso received from its Excluded Business would also be insignificant sums to our Group, as they would account for only 0.0% of Shenzhen EDA Group's total revenue for FY2021 and 0.2% and 0.8% of the total revenue of our Group for FY2022 and FY2023, respectively, had our Group undertaken the Excluded Business. Based on the above, our Directors are of the view that no meaningful competition is considered to exist between the Excluded Business and our business.

No involvement in any other logistics services which may overlap with our Group: during the Track Record Period and up to the Latest Practicable Date, except the Excluded Business, the Lesso did not engage in any logistic services with asset-light model, and as confirmed by our Directors, Lesso has no intention to expand its logistics services with asset-light model beyond the Excluded Business after our Group's Listing.

Undertaking from Lesso: in order to further strengthen the clear delineation between our business and the Excluded Business, Lesso and its controlling shareholder entered into a deed of non-competition in favor of our Group that will take effect upon completion of the Listing, pursuant to which the Lesso will undertake not to, directly or indirectly, carry on, participate or engage in any business which is in competition with our business. For further details, see “—Deed of Non-competition” in this section.

RULE 8.10 OF THE LISTING RULES

Neither our Controlling Shareholders nor any of our Directors, including their respective close associates, was, as of the Latest Practicable Date, interested in any business, other than our Group, which, competes or is likely to compete, either directly or indirectly, with our Group's business and which requires disclosure pursuant to Rule 8.10 of the Listing Rules.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Having considered the following factors, our Directors are satisfied that we are capable of carrying out our business independently of our Controlling Shareholders and their close associates after Listing.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Operational Independence

Our Company makes business decisions independently. We have established our own organizational structure with independent departments, and each department is assigned to specific areas of responsibilities. We maintain a set of comprehensive internal control procedures to facilitate the effective operation of our business. We have sufficient capital, facilities, premises and employees to operate our business independently from our Controlling Shareholders and their close associates. We have independent access to suppliers and customers and are not dependent on our Controlling Shareholders and their close associates with respect to supplies for our business operations. We are also in possession of all relevant licenses necessary to carry out and operate our business and we have sufficient operational capacity in terms of capital and employees to operate independently.

Although during the Track Record Period, there had been transactions between us and our related parties, details of which are set out in Notes 31 and 27 set forth in the Accountants' Reports contained in Appendices IA and IB to this prospectus, respectively, our Directors have confirmed that these related party transactions, were conducted on normal commercial terms or better to us. Save as disclosed in "Connected Transactions" of this prospectus, none of the historical related party transactions with the connected persons as defined in the Listing Rules are expected to continue after the Listing.

During the Track Record Period, except for the dual roles in Lesso and our Group assumed by each of Mr. Zuo Man Lun, Mr. Luo Jianfeng and Mr. Cheung Man Yu as detailed in "Independence from Our Controlling Shareholders — Management Independence" in this section, there were no sharing of personnel, resources or premises between our Group and our Controlling Shareholders.

Accordingly, our Directors are satisfied that we will be able to function and operate independently from our Controlling Shareholders and their close associates.

Management Independence

Our Board comprises three executive Director(s), two Non-executive Director(s) and three Independent Non-executive Directors. See "Directors and Senior Management" in this prospectus for more details of our Directors. Mr. Liu Yong, our executive Director and chairman of the Board, is a Controlling Shareholder of our Group. Mr. Cheung Man Yu, our executive Director, our chief financial officer and our company secretary is a director of a wholly-owned subsidiary of Lesso and a member of the Lesso Consortium hence a Controlling Shareholder of our Group. Each of Mr. Zuo Manlun and Mr. Luo Jianfeng, our Non-executive Directors, is an executive director of Lesso

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

and a member of the Lesso Consortium hence a Controlling Shareholder of our Group. Save as disclosed in this paragraph, all the other Directors and other members of our senior management are independent from our Controlling Shareholders.

Our directors consider that our Group will be able to operate independently of our Controlling Shareholders upon Listing for the following reasons:

- (a) the Excluded Business does not compete with our core business, and there are adequate corporate governance measures in place to manage the existing and potential conflicts of interest. Therefore, the dual roles in Lesso and our Group assumed by each of Mr. Zuo Man Lun, Mr. Luo Jianfeng and Mr. Cheung Man Yu in most cases will not affect the requisite degree of impartiality of Mr. Zuo Man Lun, Mr. Luo Jianfeng and Mr. Cheung Man Yu as our Directors in discharging their fiduciary duties owed to our Company;
- (b) although Mr. Zuo Man Lun and Mr. Luo Jianfeng hold directorship in Lesso, each of them only serves as a non-executive Director of our Company and they will not be involved in the day-to-day operations of our Group;
- (c) the daily operation of our Group is carried out by our experienced management team, and we have the capabilities and personnel to perform all essential administrative functions, including finance, accounting, human resources and business management on a standalone basis;
- (d) each Director is aware of his or her fiduciary duties as a Director, which require, among other things, that he or she acts for the benefit and in the best interests of our Company and does not allow any conflict between his or her duties as a Director and his or her personal interests; and
- (e) further, we believe our independent non-executive Directors have the depth and breadth of experience which will enable them to bring independent judgment to the decision-making process of our Board. Our independent non-executive Directors have been appointed in accordance with the requirements of the Listing Rules to ensure that the decisions of the Board are made only after due consideration of independent and impartial opinions. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Company and our Directors or their respective close associates, the interested Director(s) shall abstain from voting at the relevant Board meetings in respect of such transactions and shall not be counted in the quorum.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Based on the above, our Directors are satisfied that our Board as a whole, together with our senior management team, is able to perform the managerial role in our Group independently.

Financial Independence

Our Group has established an independent financial department with a team of independent financial staff, as well as a sound and independent financial system and makes financial decisions according to our Group's own business needs. Our Group has adequate capital to operate our business independently, and has sufficient internal resources to support our daily operations.

During the Track Record Period, our Group had certain non-trade related amounts due from our Controlling Shareholder, as disclosed in Note 31 of the Accountants' Report of our Group in Appendix IA and Note 27 of the Accountants' Report of Shenzhen EDA Group in Appendix IB to this prospectus, all of which will be fully settled prior to or upon the Listing.

During the Track Record Period, our Group had certain borrowings which were guaranteed by our Controlling Shareholder and his close associate, as disclosed in Note 26 of the Accountants' Report of our Group in Appendix IA and Notes 24 and 27 of the Accountants' Report of Shenzhen EDA Group in Appendix IB to this prospectus, all of which will be fully settled prior to or upon the Listing.

Our Group has sufficient capital to operate its business independently, and has adequate internal resources and a strong credit profile to support its daily operations. There will be no financial assistance, security and/or guarantee provided by our Controlling Shareholders or their close associates in favor of our Group or vice versa upon the Listing. We engaged an independent internal control consultant to assist us in putting in place controls in relation to transactions with connected persons and their associates to ensure that any advances to or from such persons are in compliance with the Listing Rules.

Having considered that our future operations are not expected to be financed by our Controlling Shareholders or their close associates, we believe our Group is financially independent from our Controlling Shareholders and their close associates.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

DEED OF NON-COMPETITION

Each of our Controlling Shareholders has undertaken to us in the Deed of Non-competition that he/she/it will not, and will procure his/her/its close associates (other than members of our Group) not to directly or indirectly participate, acquire or hold any right or interest in or otherwise be involved in or undertake any business that directly or indirectly competes, or may compete, with our business (the “**Restricted Activity**”), or hold shares or interest in any companies or business that compete or may compete directly or indirectly with the business engaged by our Group from time to time except where our Controlling Shareholders and their close associates hold less than 10% of the total issued share capital of any company which is engaged in any business that is or may be in competition with any business engaged by any member of our Group and they do not possess the right to control the board of directors of such company. For the avoidance of doubt, (i) the provision of storage space and storage-related ancillary services at the Controlling Shareholder’s self-invested properties; and (ii) conducting the Excluded Business are not regarded as carrying on Restricted Activity.

Each of our Controlling Shareholders has also undertaken to us in the Deed of Non-competition that if he/she/it or their respective close associates (other than members of our Group) become aware of and wishes to undertake any business opportunity to own, invest in, participate in, develop, operate or engage in any Restricted Activity (the “**Business Opportunity**”), they shall, and shall procure their close associates (other than members of our Group) to first refer the Business Opportunity to our Company in writing. Any decision on whether to take up the Business Opportunity shall be decided by our Independent Non-executive Directors. Our Controlling Shareholders or any of their close associates (other than members of our Group) may only take up the Business Opportunity after our Company has issued a written confirmation signed by the Independent Non-executive Directors confirming that our Company has decided not to take up the Business Opportunity or our Company fails to respond within twenty (20) business days.

Pursuant to the Deed of Non-competition, the above restrictions and undertakings will cease to have effect on the earlier of the date on which (i) so far as a Controlling Shareholder is concerned, he/she/it ceases to be our Controlling Shareholder under the Listing Rules; or (ii) our Shares cease to be listed on the Stock Exchange.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

In order to promote good corporate governance practices and to improve transparency, the Deed of Non-competition includes the following provisions:

- our Independent Non-executive Directors will review, at least on an annual basis, the compliance with the Deed of Non-competition by our Controlling Shareholders;
- each of our Controlling Shareholders will and will procure his/her/its relevant close associates to provide all information necessary for the annual review by our Independent Non-executive Directors for the enforcement of the Deed of Non-competition;
- we will disclose the review by our Independent Non-executive Directors on the compliance with and the enforcement of, the Deed of Non-competition and the decisions on matters reviewed by our Independent Non-executive Directors either through our annual report or by way of announcement to the public in compliance with the Listing Rules;
- each of our Controlling Shareholders will make an annual declaration on the compliance with the Deed of Non-competition in our annual report in accordance with the principle of voluntary disclosure in the corporate governance report; and
- in the event that any of our Directors and/or their respective close associates has material interests in any matter to be deliberated by our Board in relation to the compliance and enforcement of Deed of Non-competition, he/she may not vote on the resolutions of our Board approving the matter and may not be counted towards the quorum for the voting pursuant to the applicable provisions in the Articles.

CORPORATE GOVERNANCE

Our Directors recognize the importance of good corporate governance to protect the interest of our Shareholders. We would adopt the following corporate governance measures to manage potential conflict of interests between our Group, the Controlling Shareholders and/or the Directors:

- (i) where a Shareholders' meeting is held for considering proposed transaction in which the Controlling Shareholders have a material interest, the Controlling Shareholders shall abstain from voting on the resolutions and shall not be counted in the quorum for the voting;

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- (ii) any transaction between (or proposed to be made between) our Group and the connected persons will be subject to the requirements under Chapter 14A of the Listing Rules, including, where applicable, the announcement, reporting, annual review, circular (including independent financial advice) and independent Shareholders' approval requirements and with those conditions imposed by the Stock Exchange for the granting of waiver from strict compliance with relevant requirements under the Listing Rules;
- (iii) in the event that our Independent Non-executive Directors are requested to review any conflict of interests between our Group and the Controlling Shareholders, the Controlling Shareholders shall provide the Independent Non-executive Directors with all necessary information and our Company shall disclose the decisions of the Independent Non-executive Directors either in its annual report or by way of announcements to the public; and
- (iv) Our Company has appointed Opus Capital Limited as our compliance adviser, which will provide advice and guidance to our Group in respect of compliance with the applicable laws and Listing Rules including various requirements relating to Directors' duties and corporate governance.

Based on the above, our Directors are satisfied that sufficient corporate governance measures have been put in place to manage conflicts of interest between our Group and our Controlling Shareholders and/or Directors to protect the minority Shareholders' rights after Listing.

CONNECTED TRANSACTIONS

Overview

Pursuant to Chapter 14A of the Listing Rules, our Directors, substantial shareholders and chief executive or those of our subsidiaries (other than the directors, substantial shareholders and chief executive of our insignificant subsidiaries), any person who was our Director or a director of our subsidiaries within 12 months preceding the Listing Date and any of their associates will become a connected person of our Company upon Listing. Upon Listing, our transactions with such connected persons will constitute connected transactions under Chapter 14A of the Listing Rules.

Our Directors confirm that after Listing, the following transactions between our Group and the relevant connected persons will continue, which will constitute our continuing connected transactions under Chapter 14A of the Listing Rules.

OUR CONNECTED PERSONS

We have entered into transactions with the following parties which will become our connected persons upon Listing:

<u>Name</u>	<u>Relationship</u>
Lesso	As of the Latest Practicable Date, Lesso is one of our Controlling Shareholders and hence our connected person under the Listing Rules.
Lesso Mall Development (Auburn) Pty Limited (“LMDA”)	As of the Latest Practicable Date, LMDA is an indirectly wholly-owned subsidiary of Lesso and hence our connected person under the Listing Rules.

(A) FULLY-EXEMPT CONTINUING CONNECTED TRANSACTION

On 8 February 2024, EDA Au Pty Ltd (“**EDA Au**”), our wholly-owned subsidiary, entered into a warehouse lease agreement in Australia (the “**Australia Warehouse Lease Agreement**”) with LMDA, pursuant to which EDA Au shall lease from LMDA a warehouse in Australia (the “**Australia Warehouse**”) for AUD19,203 per month plus applicable tax.

The term of the Australia Warehouse Lease Agreement is from 1 October 2023 to 30 September 2024.

CONNECTED TRANSACTIONS

For FY2021, the total rental paid by Shenzhen EDA Group to LMDA amounted to approximately RMB0.5 million and for each of FY2022 and FY2023, the total rental paid by us to LMDA amounted to approximately RMB1.8 million and RMB2.0 million, respectively.

Pricing basis

The rental payable under the Australia Warehouse Lease Agreement is determined on arm's length basis and on normal commercial terms in the ordinary and usual course of business of our Group with reference to:

- (a) the terms and conditions, in particular, the rent, under the previous agreement relating to the lease of the Australia Warehouse; and
- (b) the prevailing market rent and fees of similar premises in similar areas with inflation adjustments where applicable.

Annual cap and basis of cap

Our Directors estimate that the maximum rental payable by us under the Australia Warehouse Lease Agreement for FY2024 will not exceed RMB2.0 million, which is based on the agreed rental under the Australia Warehouse Lease Agreement.

Listing Rules implications

As the applicable percentage ratios under the Listing Rules in respect of the expected annual cap for the Australia Warehouse Lease Agreement are expected to be less than 5% and the total consideration of the Australia Warehouse Lease Agreement is less than HK\$3,000,000, the transaction in respect of the Australia Warehouse Lease Agreement is expected to be exempt from the reporting, announcement, annual review and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

CONNECTED TRANSACTIONS

(B) PARTIALLY-EXEMPT CONTINUING CONNECTED TRANSACTIONS

On May 14, 2024, our Company (for ourselves and on behalf of our other subsidiaries) entered into a cross-border logistics and warehouse framework agreement (the “**Cross-border Logistics and Warehouse Framework Agreement**”) with the Lesso Group, pursuant to which, our Group will provide cross-border logistics and warehousing services to the Lesso Group, including but not limited to cross-border logistics services from the PRC, to Europe and America, as well as overseas warehousing services of the transported goods in Europe and America (the “**Cross-border Logistics and Warehousing Services**”). The transactions under the Cross-border Logistics and Warehouse Framework Agreement will be negotiated by the relevant entities of our Group and the Lesso Group, and the Cross-border Logistics and Warehousing Services to be provided will be made on terms no more favorable terms to the Lesso Group than those to independent third parties. The pricing of each such transaction be determined based on the same approach adopted by our Group as detailed in the section headed “Business — Pricing and Fee Model”. The type of goods transported under the Cross-border Logistics and Warehouse Framework Agreement will mostly include building materials produced by the Lesso Group.

The initial term of the Cross-border Logistics and Warehouse Framework Agreement will commence on the Listing Date to 31 March 2027, subject to renewal upon the mutual consent of both parties.

For each of FY2021, FY2022 and FY2023, the total amounts paid by the Lesso Group for the Cross-border Logistics and Warehousing Services amounted to RMB0.4 million, nil and RMB2.5 million, respectively.

Pricing basis

The service fees to be paid by the Lesso Group under the Cross-border Logistics and Warehouse Framework Agreement shall be determined on arm’s length basis and on normal commercial terms in the ordinary and usual course of business of our Group, with reference to, among others, (i) the prevailing market rates of similar warehouses located in the vicinity in respect of the warehousing services; and (ii) the price offered by other cross-border logistics services provider for similar services.

Annual caps and basis of caps

Our Directors estimate that the maximum annual amounts payable to us under the Cross-border Logistics and Warehouse Framework Agreement for each of FY2024, FY2025 and FY2026 will not exceed RMB3.2 million, RMB3.5 million and RMB3.9 million, respectively.

CONNECTED TRANSACTIONS

In arriving at the above annual caps of the Cross-border Logistics and Warehousing Services, our Directors have considered the following factors which are considered to be reasonable and justifiable in the circumstances:

- (a) historical transaction amounts;
- (b) the prevailing market per cargo rates for cross-border logistics;
- (c) the expected increase in number cargos shipped per year as required by the Lesso Group; and
- (d) the prevailing market rent and fees of similar warehousing premises with inflation adjustments where applicable.

Listing Rules implications

Lesso is one of our Controlling Shareholders and is therefore a connected person of our Company under the Listing Rules. Accordingly, the transactions contemplated under the Cross-border Logistics and Warehouse Framework Agreement will constitute a continuing connected transaction for our Company under Chapter 14A of the Listing Rules upon the Listing.

As the highest applicable percentage ratio (other than the profit ratio) under the Listing Rules in respect of the Cross-Border Logistics and Warehousing Services is expected to be, on an annual basis, exceed 0.1% but less than 5%, such transactions will be considered to be partially-exempt continuing connected transactions subject to reporting, annual review and announcement requirements under Chapter 14A of the Listing Rules.

WAIVER APPLICATION

As the Cross-Border Logistics and Warehousing Services are expected to continue on a recurring and continuing basis and have been fully disclosed in the prospectus and will be disclosed in the annual reports of the Company on an on-going basis, the Company considers that strict compliance with the announcement requirement would be impractical, unduly burdensome and would impose unnecessary administrative cost upon the Company. As such, the Company has applied to the Stock Exchange, and the Stock Exchange has granted the Company a waiver pursuant to Rule 14A.105 of the Listing Rules from strict compliance with the announcement requirement under Rule 14A.35 of the Listing Rules in respect of the Cross-Border Logistics and Warehousing Services.

CONNECTED TRANSACTIONS

CONFIRMATION BY DIRECTORS

Our Directors (including Independent Non-executive Directors) are of the view that:

- (a) the continuing connected transaction set out above have been entered into in the ordinary and usual course of our business, on normal commercial terms or better, on terms that are fair and reasonable, and are in the interests of our Company and the Shareholders as a whole; and
- (b) the proposed annual caps in respect of the partially-exempt continuing connected transaction set out above are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

CONFIRMATION BY THE SOLE SPONSOR

Based on the documentation, information and data (including historical figures) provided by the Company, the representations and confirmations provided by the Company and the Directors to the Sole Sponsor, and participation in due diligence and discussions, the Sole Sponsor are of the view that:

- (a) the aforesaid continuing connected transaction for which a waiver has been sought have been entered into in the ordinary and usual course of the Company's business, on normal commercial terms or better, that are fair and reasonable, and are in the interests of the Company and the Shareholders as a whole; and
- (b) the proposed annual caps in respect of the partially-exempt continuing connected transaction set out above are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Upon Listing, the Board will consist of eight Directors, comprising three executive Directors, two Non-executive Directors and three Independent Non-executive Directors. The following table sets forth certain information regarding our Directors:

Name	Age	Position	Date of joining our Group	Date of appointment as Director	Roles and responsibilities
Mr. LIU Yong (劉勇)	44	Executive Director and chairman of the Board	14 March 2014	23 June 2023	Overall management, strategic and business development of our Group
Ms. LI Qin (李勤)	37	Executive Director and chief executive officer	17 November 2016	23 June 2023	Operation and management of our Group
Mr. CHEUNG Man Yu (張文宇)	49	Executive Director, chief financial officer and company secretary	11 October 2022	23 June 2023	Overall financial management of our Group
Mr. ZUO Manlun (左滿倫)	51	Non-executive Director	11 October 2022	23 June 2023	Investment and strategic development of our Group
Mr. LUO Jianfeng (羅建峰)	52	Non-executive Director	22 October 2019	23 June 2023	Investment and strategic development of our Group
Mr. CHAN Kwok Cheung Kevin (陳國璋)	62	Independent Non-executive Director	18 April 2024	18 April 2024	Providing independent opinion and judgment to our Board
Mr. NG Cheuk Him (吳卓謙)	49	Independent Non-executive Director	18 April 2024	18 April 2024	Providing independent opinion and judgment to our Board
Mr. WONG Ping Yee Natalis (王秉怡)	47	Independent Non-executive Director	18 April 2024	18 April 2024	Providing independent opinion and judgment to our Board

DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Mr. LIU Yong (劉勇), aged 44, is the chairman of our Board and executive Director of our Group. Mr. Liu joined as a Director of our Group in 14 March 2014 and was redesignated as our executive Director on 23 June 2023, primarily responsible for the overall management, strategic and business development of our Group.

Mr. Liu has over 21 years of operational management experience in the technology sector. From October 2003 to May 2011, Mr. Liu worked as a deputy department head at Huawei Technologies Co., Ltd (華為技術有限公司), and primarily responsible for telecommunications engineering construction.

Mr. Liu graduated from South-Central Minzu University (中南民族大學) in the PRC and obtained his bachelor's degree in computer science and technology in June 2002.

Mr. Liu was a director, supervisor or manager of the following companies, which were established in the PRC, at the time or within 12 months from the time of their respective deregistration. The relevant details are as follows:

Company name	Position held	Nature of business immediately prior to deregistration	Date of deregistration	Reasons for deregistration
Chengdu Car Cube Technology Co., Ltd. (成都車立方科技有限 公司)	Supervisor	Automobile aftersales technology	January 2019	Voluntarily dissolved due to cessation of business operations
Shenzhen Wangtao Technology Co., Ltd. (深圳市網淘技術有限 公司)	General Manager	Trading and e-commerce	June 2019	Voluntarily dissolved due to cessation of business operations
Zhongshan Russia E-Shang Technology Co., Ltd. (中山俄易商科技有限 公司)	Director, Manager	Provision of internet information services, software development and consulting services	March 2018	Voluntarily dissolved due to cessation of business operations

DIRECTORS AND SENIOR MANAGEMENT

Mr. Liu confirmed that (i) each of the above companies were deregistered due to termination of business and were solvent immediately prior to their respective deregistration; (ii) he was not aware of any actual or potential claim which has been or could potentially be made against him as a result of such deregistration; and (iii) there was no wrongful act on his part leading to the deregistration of the above companies.

Ms. LI Qin (李勤), aged 37, is our executive Director and chief executive officer of our Group. Ms. Li joined as a human resources manager of our Group in 17 November 2016 and redesignated as our executive Director on 23 June 2023, primarily responsible for the operation and management of our Group.

Ms. Li has over 15 years of operational management experience in human resources and business operation management. From April 2009 to March 2013, Ms. Li worked as a human resources manager at Shenzhen Yinglong Jian'an (Group) Co., Ltd. (深圳市英龍建安(集團)有限公司), and primarily responsible for the management of human resources and administrative matters. From June 2013 to November 2016, Ms. Li served as a human resources director at Shenhua Construction (Shenzhen) Co., Ltd (深華建設(深圳)股份有限公司), and primarily responsible for the management of human resources and administrative matters.

Ms. Li graduated from Nanjing University of Finance and Economics (南京財經大學) in the PRC and obtained her bachelor's degree in food quality and safety in June 2008. She obtained her master of human resources management degree from Renmin University of China (中國人民大學) in the PRC in October 2014 and her master of business administration degree from Sofia University in the US in December 2020.

Mr. CHEUNG Man Yu (張文宇), aged 49, is our executive Director, our chief financial officer and company secretary of our Group. Mr. Cheung joined as our Director in 11 October 2022 and was redesignated as our executive Director on 23 June 2023, and is responsible for the overall financial management of our Group.

Mr. Cheung has more than 23 years of experience in financial reporting, management and services. Mr. Cheung has served as the chief financial officer, from August 2014 to September 2018, and company secretary, from June 2014 to September 2018, of Feiyu Technology International Company Ltd. (飛魚科技國際有限公司), a company listed on the Main Board of the Stock Exchange (stock code: 1022). Mr. Cheung has also served as an independent non-executive director, a member of the audit committee, from December 2012 to September 2020, and a member of the remuneration committee, from September 2015 to September 2020, of Lesso. Mr. Cheung is currently serving as a director of subsidiary of Samanea.

DIRECTORS AND SENIOR MANAGEMENT

From December 2012 to January 2014, Mr. Cheung served as the vice general manager of Zhongxing Urban Digital Culture Media (Beijing) Co., Ltd. (中興都市數字文化傳媒(北京)有限責任公司), primarily responsible for its financial management and financial reporting matters. From February 2011 to December 2012, Mr. Cheung was the vice president of China Forestry Holdings Co., Ltd. (中國森林控股有限公司), a company listed on the Main Board of the Hong Kong Stock Exchange in December 2009 under the stock code “930” and delisted from the Hong Kong Stock Exchange in February 2017. Before that, Mr. Cheung worked at J.P. Morgan Securities (Asia Pacific) Limited from July 2010 to February 2011, with his last position held as vice president in the investment banking department. From August 2007 to July 2010, he worked at UBS AG, with his last position held as director in the investment banking department. From April 2004 to August 2007, he worked at BNP Paribas Capital (Asia Pacific) Limited, with his last position held as vice president in the corporate finance — execution department. Between March 2000 to April 2004, Mr. Cheung held various positions in the assurance and advisory business services department of Ernst & Young in Hong Kong and Beijing, with his last position held as manager.

Mr. Cheung received his bachelor’s degree in accountancy from the Hong Kong Polytechnic University in Hong Kong in November 1997. He is currently a member of the Hong Kong Institute of Certified Public Accountants.

Non-executive Directors

Mr. ZUO Manlun (左滿倫), aged 51, joined as our Director in 11 October 2022 and redesignated as our Non-executive Director on 23 June 2023, and is responsible for the investment and strategic development of our Group.

Mr. Zuo has approximately 24 years of experience in the plastic pipe industry. Mr. Zuo joined Lesso in December 1999 and has held various positions in operation management since then, including director, general manager and supervisor. Mr. Zuo also currently serves as an executive director and chief executive officer of Lesso.

Mr. Zuo currently serves as a non-executive director of Xingfa Aluminium Holdings Limited (興發鋁業控股有限公司), a company listed on the Main Board of the Stock Exchange (stock code: 98). He also currently serves as a non-independent director of Keda Industrial Group Co Ltd (科達制造股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600499).

Mr. Zuo won several awards including “Outstanding Worker of the Plastic Industry in the PRC” (中國塑料行業先進工作者) by China Plastics Processing Industry Association (中國塑料加工工業協會) in 2009.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Zuo received his master in business administration from Sun Yat-sen University (中山大學) in the PRC in April 2001.

Mr. Zuo is the brother-in-law of Mr. Wong Luen Hei, a controlling shareholder of Lesso.

Mr. Zuo was a director or supervisor of the following companies, which were established in the PRC, at the time or within 12 months from the time of their respective deregistration. The relevant details are as follows:

Company name	Position held	Nature of business immediately prior to deregistration	Date of deregistration	Reasons for deregistration
Foshan Shunde Lesso Machinery Manufacturing Co., Ltd. (佛山市順德聯塑機械制造有限公司) . . .	Director	Production of machinery, pipes, slots, plastic profiles and related accessories	October 2006	Voluntarily dissolved due to cessation of business operations
Foshan Shunde Lianyi Mechanical and Electrical Installation Engineering Co., Ltd. (佛山市順德區聯益機電安裝工程有限公司)	Director, chairman of the board	Provision of mechanical and electrical equipment, building intelligence, fire protection facilities installation engineering services	October 2022	Voluntarily dissolved due to cessation of business operations
Guangdong Lesso Firefighting Equipment Technology Co., Ltd. (廣東聯塑消防器材科技有限公司)	Director	Development of fire fighting equipment	July 2012	Voluntarily dissolved due to cessation of business operations
Guangdong Lianqing Environmental Co., Ltd. (廣東聯清環境有限公司) .	Director	Provision of environmental restoration technology research and development services	May 2020	Voluntarily dissolved due to cessation of business operations

DIRECTORS AND SENIOR MANAGEMENT

Company name	Position held	Nature of business immediately prior to deregistration	Date of deregistration	Reasons for deregistration
Guangzhou Lingshang Household Products Co., Ltd. (廣州市領尚家居用品有限公司).	Director, General Manager	Production of operating household products	June 2017	Voluntarily dissolved due to cessation of business operations
Lesso Mall Development (Frisco) Limited	Director	Property holding	June 2023	Voluntarily dissolved due to cessation of business operations
Shanghai Lesso Plastic Trading Co., Ltd. (上海聯塑貿易有限公司).	Supervisor	Development and sales of plastic pipes, pipe fittings, hardware accessories and electronic products	December 2002	Voluntarily dissolved due to cessation of business operations

Mr. Zuo confirmed that (i) each of the above companies were deregistered due to termination of business and were solvent immediately prior to their respective deregistration; (ii) he was not aware of any actual or potential claim which has been or could potentially be made against him as a result of such deregistration; and (iii) there was no wrongful act on his part leading to the deregistration of the above companies.

Mr. LUO Jianfeng (羅建峰), aged 52, joined as a Director of our Group in 22 October 2019 and redesignated as our Non-executive Director on 23 June 2023, primarily responsible for the investment and strategic development of our Group.

Mr. Luo has approximately 31 years of experience in accounting and worked at Shunde City Accounting Firm (順德市會計師事務所) from July 1993 to March 1996, Guangdong Dezheng Accounting Firm with Limited Liability (廣東德正有限責任會計師事務所) from April 1996 to December 2001 and Guangdong Gongcheng Accounting Firm (廣東公誠會計師事務所) from January 2002 to December 2007. From January 2008 to April 2016, Mr. Luo worked for Foshan City Zhongzhengcheng Accounting Firm Co., Limited (佛山市中正誠會計師事務所有限公司) as a certified public accountant. Mr. Luo is a member of The Chinese Institute of Certified Public Accountants (中國註冊會計師協會) since June 2016. Mr. Luo joined Lesso in April 2010 and has held various positions and currently serves as an executive director of Lesso. Mr. Luo joined our Group in October 2019 and is currently a director of EDAHK and a director of Global Logistics.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Luo currently serves as an executive director of Xingfa Aluminium Holdings Limited (興發鋁業控股有限公司), a company listed on the Main Board of the Stock Exchange (stock code: 98).

Mr. Luo obtained a bachelor's degree in economics from Guangdong University of Business Studies (廣東商學院) in the PRC in June 1993.

Independent Non-executive Directors

Mr. CHAN Kwok Cheung Kevin (陳國璋), aged 62, was appointed as our Independent Non-executive Director on 18 April 2024, and is responsible for providing independent opinion and judgment to our Board.

Mr. Chan has over 31 years of experience in investment management. From October 1991 to May 1998, Mr. Chan served as an executive in the banking department and his last position was a manager in the banking and capital markets department at Schroders Asia Limited. From January 1999 to August 2001, he served as a portfolio manager and a compliance officer at Long Investment Management Limited, responsible for fixed income management. From September 2007 to December 2022, Mr. Chan served as an investment manager at a number of Edward Wong Group companies including Edragon Management Ltd., he was primarily responsible for private equity and venture capital investment management.

Mr. Chan obtained his bachelor's degree in applied science from the Faculty of Applied Science and Engineering of the University of Toronto in June 1985. He obtained his master's degree in business administration from the University of Toronto in Canada in June 1987. He is a chartered financial analyst certified by the Institute of Chartered Financial Analysts in September 1992. He obtained a Certificate in ESG Investing from the CFA Institute in April 2023.

Mr. Chan is a director of Access (Holdings) Company Limited (大通(控股)有限公司), which was established in the Hong Kong and principally engaged in the provision of professional training, and it filed for deregistration pursuant to section 750 of the Companies Ordinance on 1 February 2023.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Chan was a director of the following company, which was established in Hong Kong, at the time or within 12 months from the time of its deregistration. The relevant details are as follows:

Company name	Position held	Nature of business immediately prior to deregistration	Date of deregistration	Reasons for deregistration
Access (Holdings) Company Limited 大通(控股)有限公司	Director	Provision of professional training	June 2023	Voluntarily dissolved due to cessation of business operations

Mr. Chan confirmed that (i) the above company was deregistered due to termination of business and was solvent immediately prior to its respective deregistration; (ii) he was not aware of any actual or potential claim which has been or could potentially be made against him as a result of such deregistration; and (iii) there was no wrongful act on his part leading to the deregistration of the above company.

Mr. NG Cheuk Him (吳卓謙), aged 49, was appointed as our Independent Non-executive Director on 18 April 2024. He is responsible for providing independent opinion and judgment to our Board.

Mr. Ng has over 21 years of experience in accounting and auditing, corporate financial management, investment and mergers and acquisitions, and he worked with companies listed on the Main Board of the Stock Exchange as well as an international investment bank. Since May 2020, Mr. Ng has served as an executive director of LAV Capital Management Limited, principally responsible for provision of advisory and consultancy services.

From April 2000 to May 2004, Mr. Ng served as an accountant and his last position was a manager at Ernst & Young Business Services Ltd., principally engaged in assurance and advisory business services. From August 2005 to April 2007, Mr. Ng served as a financial manager and his last position was a senior finance manager in China Ting Group Holding Limited (華鼎集團控股有限公司), a company listed on the Main Board of the Stock Exchange (stock code: 3398) principally engaged in manufacturing and retailing of garment. From June 2007 to January 2009, Mr. Ng served as a senior manager in the corporate finance, greater China investment banking department at BNP Paribas Capital (Asia Pacific) Limited (法國巴黎融資(亞太)有限公司), a corporate finance advisory firm, and he was mainly responsible for advising on investment and mergers and acquisitions. From April 2009 to August 2013, he acted as the chief financial officer and joint company secretary of China Sunshine Paper Holdings Company Limited (中國陽光紙業控股有限公司), a company listed on the Main Board of the Stock Exchange (stock code: 2002) and principally engaged in the production and sale of white top linerboard, light-coated linerboard

DIRECTORS AND SENIOR MANAGEMENT

and core board, and he was primarily responsible for its overall financial management and company secretarial affairs. From August 2013 to September 2015, he acted as the chief financial officer and a joint company secretary of Miko International Holdings Limited (米格國際控股有限公司), a company listed on the Main Board of the Stock Exchange (stock code: 1247) principally engaged in the manufacture and sale of children's apparel, and he was primarily responsible for its overall financial management and company secretarial affairs. Mr. Ng has also served as an executive director, from June 2016 to January 2018, a chief financial officer, from June 2016 to November 2019, and a company secretary, from September 2015 to September 2019, of Wisdom Education International Holdings Company Limited (光正教育國際控股有限公司), a company listed on the Main Board of the Stock Exchange (stock code: 6068) and principally engaged in operating premium private primary and secondary schools in South China, and he was primarily responsible for its overall financial management and company secretarial affairs.

Mr. Ng obtained a bachelor's degree of arts in accountancy from the Hong Kong Polytechnic University in November 1997. He is an associate member of the Hong Kong Institute of Certified Public Accountants since May 2003 and an associate of The Hong Kong Chartered Governance Institute since July 2008.

Mr. WONG Ping Yee Natalis (王秉怡), aged 47, was appointed as our Independent Non-executive Director on 18 April 2024, and is responsible for providing independent opinion and judgment to our Board.

Mr. Wong has over 21 years of experience in quantity surveying and project management. From July 1999 to May 2002, Mr. Wong served as a quantity surveyor in Levett & Bailey Chartered Quality Surveyors Ltd., primarily responsible for surveying in the public and private sectors. From May 2002 to July 2004 and from July 2005 to June 2006, Mr. Wong served as an assistant quantity surveyor and project coordinator, respectively, at Wharf China Ltd. From July 2004 to July 2005, he served as a quantity surveyor of the chairman office at Henderson (China) Investment Co., Ltd., mainly responsible for land resumption and acquisition and obtaining government endorsement or approval of projects. From July 2006 to June 2010, he served as an office manager of the Chongqing Office at WT Partnership and since July 2010, Mr. Wong has served as a director of WT Partnership, principally responsible for the group's business development and providing consultancy services to major developers.

Mr. Wong graduated from the Hong Kong Polytechnic University in Hong Kong and obtained a bachelor's degree of science in Construction Economics and Management in December 1999. He is also a member of the Royal Institution of Chartered Surveyors and the Hong Kong Institute of Surveyors since February 2004. Mr. Wong is also a registered professional surveyor since January 2021 and a registered cost engineer in the PRC since October 2012.

DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Our senior management is responsible for the day-to-day management and operation of our business. The following sets forth the biographies of the members of our senior management.

Name	Age	Position	Time of joining our Group	Date of appointment as senior management	Roles and responsibilities
Mr. LIU Yong (劉勇) . . .	44	Chairman of the Board and executive Director	14 March 2014	23 June 2023	Overall management, strategic and business development of our Group
Ms. LI Qin (李勤)	37	Executive Director and chief executive officer	17 November 2016	23 June 2023	Operation and management of our Group
Mr. CHEUNG Man Yu (張文宇)	49	Executive Director, chief financial officer and company secretary	11 October 2022	23 June 2023	Overall financial management of our Group
Mr. LI Hong Jun (黎紅軍)	42	Chief technology officer	12 October 2021	23 June 2023	Overall development and operation of the technology platform of our Group

For biographical details of Mr. Liu Yong, Ms. Li Qin and Mr. Cheung Man Yu, see “—Directors” for their detailed background.

Mr. LI Hong Jun (黎紅軍), aged 42, was appointed as our chief technology officer of our Group on 23 June 2023, and is responsible for providing overall development and operation of the technology platform of our Group.

Mr. Li has nearly 21 years of experience in software research and development. From February 2006 to August 2008, Mr. Li served as a research and development engineer at Nanjing ZTESoft Technology Co., Ltd. (南京中興軟創科技股份有限公司), primarily responsible for the research and development of software. From October 2008 to August 2011, Mr. Li served as a senior research and development engineer at Huawei Technology Co., Ltd. (華為技術有限公司), primarily responsible for software development and technical management. From August 2011 to November 2013, Mr. Li served as a senior development engineer at Taobao (China) Software Co., Ltd. (淘寶(中國)軟件有限公司), primarily responsible for research and development of software. From December 2013 to June 2014, Mr. Li served as a senior project manager at Ping An Technology (Shenzhen) Co., Ltd. (平安科技(深圳)有限公司), primarily responsible for software development and project development. From July 2014 to August 2019, Mr. Li served as the

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president of technology department at Beijing Yilong Aviation Service Co., Ltd. Shenzhen Branch (北京藝龍航空服務有限公司深圳分公司), principally engaged in software development and planning. From September 2019 to June 2021, Mr. Li has served as the chief technology officer at Tiger Thorn Fear Internet Service (Shenzhen) Co., Ltd. (虎刺怕互聯網服務(深圳)有限公司), principally responsible for software and technology development and management.

Mr. Li graduated from the Hunan University in the PRC and obtained a bachelor's degree in information technology in June 2005.

OTHER INFORMATION IN RELATION TO OUR DIRECTORS AND SENIOR MANAGEMENT

For further details of our Directors' respective interests or short positions (if any) in our Shares, particulars of our Directors' service agreements and Directors' remuneration, see "Statutory and General Information — C. Further Information about our Directors and Substantial Shareholders" in Appendix IV to this prospectus.

Save as disclosed in this section, to the best of the knowledge, information and belief of our Directors, having made all reasonable enquiries, there are no other matters relating to the appointment of our Directors and senior management members that need to be brought to the attention of our Shareholders, nor is there any information relating to our Directors that is required to be disclosed pursuant to paragraphs (h) to (v) of Rule 13.51(2) of the Listing Rules, and none of our Directors and senior management members held any directorship in any public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years immediately preceding the date of this prospectus.

None of our Directors and senior management is related to other Directors and senior management.

COMPANY SECRETARY

Mr. Cheung Man Yu was appointed as our company secretary on 23 June 2023. For his biographical details, see "— Directors" for his detailed background.

DIRECTORS AND SENIOR MANAGEMENT

BOARD COMMITTEES

Audit Committee

Our Company has established an Audit Committee with written terms of reference in compliance with the requirements under the Listing Rules. The Audit Committee consists of three members, being Mr. Ng Cheuk Him, Mr. Luo Jianfeng and Mr. Chan Kwok Cheung Kevin. The chairperson of the Audit Committee is Mr. Ng Cheuk Him, who is the Independent Non-executive Director with the appropriate accounting and related financial management expertise. The primary duties of the Audit Committee include, among others:

- reviewing our compliance, accounting policies and financial reporting procedures;
- supervising the implementation of our internal audit system;
- advising on the appointment or replacement of external auditors;
- liaising between our internal audit department and external auditors; and
- other responsibilities as authorized by our Board.

Remuneration Committee

Our Company has established the Remuneration Committee with written terms of reference in compliance with the requirements under the Listing Rules. The Remuneration Committee consists of three members, being Mr. Liu Yong, Mr. Chan Kwok Cheung Kevin and Mr. Wong Ping Yee Natalis. The chairperson of the Remuneration Committee is Mr. Chan Kwok Cheung Kevin. The primary duties of the Remuneration Committee include, among others:

- making recommendations to the Board on our policy and structure concerning remuneration of our Directors and members of the senior management;
- making recommendations to the Board on the specific remuneration package of each Director and members of the senior management;
- reviewing and approving compensations payable to executive Directors and members of senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive;

DIRECTORS AND SENIOR MANAGEMENT

- reviewing and approving compensation arrangements relating to dismissal or removal of any Director for his or her misconduct to ensure that such arrangements are consistent with contractual terms and are otherwise reasonable and appropriate; and
- other responsibilities as authorized by our Board.

Nomination Committee

Our Company has established the Nomination Committee with written terms of reference in compliance with the requirements under the Listing Rules. The Nomination Committee consists of three members, being Mr. Liu Yong, Mr. Wong Ping Yee Natalis and Mr. Ng Cheuk Him. The chairperson of the Nomination Committee is Mr. Liu Yong. The primary duties of the Nomination Committee include, among others:

- reviewing the structure, size and composition of the Board annually, and advising on any changes of the Board proposed in accordance with the strategies of our Company;
- identifying, selecting or making recommendations to our Board on the selection of individuals nominated for directorships;
- making recommendations to the Board on relevant matters relating to the appointment and re-appointment of our Directors;
- assessing the independence of Independent Non-executive Directors; and
- other responsibilities as authorized by our Board.

CONFIRMATION FROM OUR DIRECTORS

Rule 8.10 of the Listing Rules

Each of our Directors confirms that as of the Latest Practicable Date, he or she did not have any interest in a business which competes or is likely to compete, either directly or indirectly, with our Company's business which would require disclosure under Rule 8.10 of the Listing Rules.

Rule 3.09D of the Listing Rules

Each of our Directors confirms that he or she (i) has obtained the legal advice referred to under Rule 3.09D of the Listing Rules on January 27, 2024, and (ii) understands his or her obligations as a director of a listed issuer under the Listing Rules.

DIRECTORS AND SENIOR MANAGEMENT

Rule 3.13 of the Listing Rules

Each of the independent non-executive Directors has confirmed (i) his independence as regards each of the factors referred to in Rules 3.13(1) to (8) of the Listing Rules, (ii) he has no past or present financial or other interest in the business of the Company or its subsidiaries or any connection with any core connected person of the Company under the Listing Rules as of the Latest Practicable Date, and (iii) that there are no other factors that may affect his independence at the time of his/her appointments.

CORPORATE GOVERNANCE

As of the Latest Practicable Date, we have adopted the following corporate governance measures:

- we have established the Audit Committee, Remuneration Committee and Nomination Committee with respective written terms of reference in accordance with the code provisions contained in the Corporate Governance Code;
- our Board has adopted the terms of reference with regard to corporate governance and a Shareholders' communication policy in accordance with the code provisions of the Code;
- we have appointed three Independent Non-executive Directors representing more than one-third of the Board and at least one of them has accounting expertise;
- our Directors will operate in accordance with the Articles which, unless otherwise provided in the Articles, require an interested Director not to vote (nor be counted in the quorum) on any resolution of our Board approving any contract or arrangement or other proposal in which he/she or any of his/her close associates is materially interested;
- pursuant to the Code, our Directors, including our Independent Non-executive Directors, will be able to seek independent professional advice from external parties in appropriate circumstances at our cost;
- we strictly abide by all the laws and regulations related to bribery, fraud and money laundering that have a significant impact on us, and we prohibit any kinds of corruption. We have formulated an anti-corruption management system which requires our employees to receive trainings to understand and comply with various regulations on corruptions, and whistle-blowing procedures for any suspected corruptions or illegal behaviors;

DIRECTORS AND SENIOR MANAGEMENT

- we will consider engaging an independent internal control consultant to perform regular review on corporate governance to ensure on-going compliance after the Listing; and
- our Directors will attend professional development seminars including the corporate governance to ensure on-going compliance after the Listing.

As of the Latest Practicable date and to the best of the knowledge, information and belief of our Directors, having made all reasonable enquiries, the Directors are not aware of any deviation from provisions in the Corporate Governance Code as set out in Appendix C1 to the Listing Rules.

BOARD DIVERSITY

We have adopted a board diversity policy which sets out the approach to achieve and maintain an appropriate balance of diversity perspectives of our Board that are relevant to our business growth. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merits and contribution that the selected candidates will bring to the Board.

Our Directors have a balanced mix of knowledge and skills, including overall management and strategic development, information technology, accounting and financial management. They obtained degrees in various majors, including in business administration, computer communication, clinical medicine, process equipment and control engineering. We have also taken and will continue to take steps to promote gender diversity at all levels of our Company, including but without limitation at the Board and senior management levels. In particular, Ms. Li Qin of our executive Directors and of our existing senior management contributes to the gender diversity of our management team and offers us valuable strategic, management and operational insights from a female perspective. Taking into account our existing business modes and specific needs as well as the different background of our Directors, we are of the view that the composition of our Board satisfies our board diversity policy.

Our Nomination Committee is responsible for ensuring the diversity of our Board. After the Listing, our Nomination Committee will review the board diversity policy from time to time to ensure its continued effectiveness and we will disclose in our corporate governance report about the implementation of the board diversity policy on annual basis.

DIRECTORS AND SENIOR MANAGEMENT

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

Our Directors and senior management members receive compensation from our Company in the form of salaries, bonuses, and other benefits in kind such as contributions to pension plans.

The aggregate amounts of remuneration (including fees, salaries, contributions to pension schemes, housing allowances and other allowances and benefits in kind and discretionary bonuses) paid to our Directors by Shenzhen EDA Group for FY2021 was RMB2.7 million and paid by our Group for FY2022 and FY2023 were RMB2.6 million and RMB3.9 million, respectively.

The five highest paid individuals for FY2021, FY2022 and FY2023, included two, two and two Directors, respectively, whose remunerations are included in the aggregate amount of remuneration set out above. For FY2021, FY2022 and FY2023, the aggregate amount of remuneration (including fees, salaries, contributions to pension schemes, housing allowances and other allowances and benefits in kind and discretionary bonuses) for the remaining three, three and three highest paid individuals who are not Directors of Shenzhen EDA Group was RMB3.1 million for FY2021 and who are not Directors of our Group were RMB3.0 million and RMB3.2 million for FY2022 and FY2023, respectively.

It is estimated that remuneration equivalent to approximately RMB6.0 million in aggregate will be paid to the Directors (inclusive of benefits in kind but exclusive of any discretionary bonuses) by our Company for FY2024 based on the arrangements currently in force.

No remuneration was paid by our Company to the Directors or the five highest paid individuals as inducement to join or upon joining our Company or as a compensation for loss of office during the Track Record Period. Furthermore, none of the Directors had waived or agreed to waive any remuneration during the Track Record Period.

COMPLIANCE ADVISER

We have appointed Opus Capital Limited as the compliance adviser pursuant to Rule 3A.19 of the Listing Rules, and the compliance adviser will advise our Company in the following circumstances:

- before the publication of any regulatory announcement, circular or financial report;
- where a transaction, which might be a notifiable or connected transaction under the Listing Rules, is contemplated, including share issues and share repurchases;

DIRECTORS AND SENIOR MANAGEMENT

- where our Company proposes to use the proceeds of the Global Offering in a manner that is different from that detailed in this prospectus or where our business activities, developments or results deviate from any forecasts, estimates or other information in this prospectus; and
- where the Stock Exchange makes an inquiry of our Company regarding unusual movements in the price or trading volume of the Shares or any other matters under Rule 13.10 of the Listing Rules a false market in the Shares.

The terms of the appointment of the compliance adviser will commence on the Listing Date and is expected to end on the date when our Company distributes the annual report of its financial results for the first full financial year commencing after the Listing Date.

CORNERSTONE INVESTORS

THE CORNERSTONE PLACING

We have entered into cornerstone investment agreements (the “**Cornerstone Investment Agreements**”) with the cornerstone investors set out below (the “**Cornerstone Investors**”), pursuant to which the Cornerstone Investors have agreed to, subject to certain conditions, subscribe, or cause their designated entities to subscribe, at the Offer Price for a certain number of Offer Shares (the “**Cornerstone Placing**”).

Assuming an Offer Price of HK\$2.28, being the low-end of the indicative Offer Price range set out in this Prospectus, the total number of Offer Shares to be subscribed by the Cornerstone Investors would be 22,091,000 Offer Shares, representing approximately 22.6% of the Offer Shares pursuant to the Global Offering and approximately 5.0% of the total issued share capital of our Company immediately upon completion of the Global Offering (assuming that the Over-Allotment Option is not exercised and without taking into account any Shares which may be issued upon the exercise of any options granted under the Pre-IPO Share Option Scheme and Post-IPO Share Option Scheme, and any vesting of RSUs granted under the Pre-IPO RSU Plan and Post-IPO RSU Plan).

Assuming an Offer Price of HK\$2.67, being the mid-point of the indicative Offer Price range set out in this Prospectus, the total number of Offer Shares to be subscribed by the Cornerstone Investors would be 18,864,000 Offer Shares, representing approximately 19.3% of the Offer Shares pursuant to the Global Offering and approximately 4.3% of the total issued share capital of our Company immediately upon completion of the Global Offering (assuming that the Over-Allotment Option is not exercised and without taking into account any Share which may be issued upon the exercise of any options granted under the Pre-IPO Share Option Scheme and Post-IPO Share Option Scheme, and any vesting of RSUs granted under the Pre-IPO RSU Plan and Post-IPO RSU Plan).

Assuming an Offer Price of HK\$3.06, being the high-end of the indicative Offer Price range set out in this Prospectus, the total number of Offer Shares to be subscribed by the Cornerstone Investors would be 16,460,000 Offer Shares, representing approximately 16.9% of the Offer Shares pursuant to the Global Offering and approximately 3.6% of the total issued share capital of our Company immediately upon completion of the Global Offering (assuming that the Over-Allotment Option is not exercised and without taking into account any Shares which may be issued upon the exercise of any options granted under the Pre-IPO Share Option Scheme and Post-IPO Share Option Scheme, and any vesting of RSUs granted under the Pre-IPO RSU Plan and Post-IPO RSU Plan).

CORNERSTONE INVESTORS

Our Company is of the view that, the Cornerstone Placing will help to raise the profile of our Company and to signify that such investors have confidence in the business and prospect of the Group. The Cornerstone Placing will form part of the International Placing and the Cornerstone Investors will not subscribe for any Offer Shares under the Global Offering (other than pursuant to the Cornerstone Investment Agreements). The Offer Shares to be subscribed by the Cornerstone Investors will rank *pari passu* in all respect with the fully paid Shares in issue and will be counted towards the public float of our Company under Rule 8.08 of the Listing Rules. Immediately following the completion of the Global Offering, the Cornerstone Investors will not become a substantial Shareholder of our Company, and the Cornerstone Investors will not have any Board representation in our Company. Other than a guaranteed allocation of the relevant Offer Shares at the final Offer Price, the Cornerstone Investors do not have any preferential rights in the Cornerstone Investment Agreements compared with other public Shareholders.

To the best knowledge of our Company and after making reasonable enquiries, (i) each of the Cornerstone Investors is independent from our Company, our connected persons and their respective associates and they are not our existing Shareholders; (ii) the Cornerstone Investors are independent from each other; (iii) the Cornerstone Investors are not accustomed to taking instructions from our Company, our subsidiaries, our Directors, chief executive of our Company, our Controlling Shareholders, our substantial Shareholders, our existing Shareholders or any of their respective close associates in relation to the acquisition, disposal, voting or other disposition of the Offer Shares registered in its name or otherwise held by it; and (iv) the subscription of Offer Shares pursuant to the Cornerstone Investment Agreements is not directly or indirectly financed by our Company, our Directors, chief executive of our Company, our Controlling Shareholders, our substantial Shareholders, our existing Shareholders or any of their respective subsidiaries or close associate.

As confirmed by the Cornerstone Investors, their subscription under the Cornerstone Placing would be financed by their internal resources or the funds under its management as asset manager. There are no side arrangements between our Company and the Cornerstone Investors or any benefit, direct or indirect, conferred on the Cornerstone Investors, other than a guaranteed allocation of the relevant Offer Shares at the final Offer Price, following the principles as set out in Chapter 4.15 under the Guide for New Listing Applicants published by the Stock Exchange. Our Company became acquainted with each of the Cornerstone Investors through the business network of our Group or through introduction by certain underwriters in the Global Offering. The Cornerstone Investors have agreed to pay for the relevant Offer Shares that they have subscribed before dealings in the Company's Shares commence on the Stock Exchange. There will be no delayed delivery of the Offer Shares for the Cornerstone Investors and no deferred settlement arrangement for all of the Cornerstone Investors under the Cornerstone Investment Agreements.

CORNERSTONE INVESTORS

To the best knowledge of our Company and as confirmed by each of the Cornerstone Investors, save as in relation to a shareholder of CPIC (HK) (as defined and disclosed below), none of the Cornerstone Investors nor their respective shareholders are listed on any stock exchanges. Each of the Cornerstone Investors has confirmed that all necessary approvals have been obtained with respect to the Cornerstone Placing and that no specific approval from any stock exchange (if relevant) or its shareholders is required for the relevant cornerstone investment.

The total number of Offer Shares to be subscribed by the Cornerstone Investors pursuant to the Cornerstone Placing may be affected by reallocation of the Offer Shares between the International Placing and the Hong Kong Public Offer in the event of over-subscription under the Hong Kong Public Offer as described in “Structure and Conditions of the Global Offering — The Hong Kong Public Offer — Reallocation”. Each of the Cornerstone Investors has agreed that, in the event that the requirement pursuant to Rule 8.08(3) of the Listing Rules, which provides that no more than 50% of our Shares in public hands on the Listing Date can be beneficially owned by the three largest public Shareholders, cannot be satisfied, our Company, the Sole Overall Coordinator, the Sole Global Coordinator and the Sole Sponsor have the right to adjust the allocation of the number of Offer Shares to be subscribed by the Cornerstone Investors in their sole and absolute discretion to satisfy the requirement pursuant to Rule 8.08(3) of the Listing Rules. Details of the actual number of the Offer Shares to be allocated to the Cornerstone Investors will be disclosed in the allotment results announcement to be issued by the Company on or around May 27, 2024.

THE CORNERSTONE INVESTORS

Set out below is the aggregate number of Offer Shares, and the corresponding percentage to the total issued share capital of our Company under the Cornerstone Placing.

CORNERSTONE INVESTORS

Based on the Offer Price of HK\$2.28 (being the low-end of the Offer Price range)

Cornerstone Investor	Investment Amount*	Number of Offer Shares	Approximate % of total number of Offer Shares	Approximate % of the total issued share capital of our Company immediately following the completion of the Global Offering assuming the Over-Allotment Option is not exercised and without taking into account any Shares to be issued upon the exercise of any options granted under the Pre-IPO Share Option Scheme and Post-IPO Share Option Scheme, and vesting of RSUs granted under the Pre-IPO RSU Plan and Post-IPO RSU Plan	Approximate % of the total issued share capital of our Company immediately following the completion of the Global Offering assuming the Over-Allotment Option is exercised in full and without taking into account any Shares to be issued upon the exercise of any options granted under the Pre-IPO Share Option Scheme and Post-IPO Share Option Scheme, and vesting of RSUs granted under the Pre-IPO RSU Plan and Post-IPO RSU Plan
CPIC (HK)	US\$3,500,000 (equivalent to approximately HK\$27,351,000)^	11,876,000	12.2%	2.7%	2.6%
Reynold Lemkins . . .	HK\$23,500,000	10,204,000	10.5%	2.3%	2.2%

Notes:

All share numbers and amounts are for illustrative purposes only.

^ Calculated based on an exchange rate of US\$1.0000: HK\$7.8146 for illustrative purpose. The actual investment amount of the relevant Cornerstone Investors may change due to the actual exchange rate to be used as prescribed in the Cornerstone Investment Agreements.

* Inclusive of brokerage, SFC transaction levy, the Stock Exchange trading fee and AFRC transaction levy.

CORNERSTONE INVESTORS

Based on the Offer Price of HK\$2.67 (being the mid-point of the Offer Price range)

Cornerstone Investor	Investment Amount*	Number of Offer Shares	Approximate % of total number of Offer Shares	Approximate % of the total issued share capital of our Company immediately following the completion of the Global Offering assuming the Over-Allotment Option is not exercised and without taking into account any Shares to be issued upon the exercise of any options granted under the Pre-IPO Share Option Scheme and Post-IPO Share Option Scheme, and vesting of RSUs granted under the Pre-IPO RSU Plan and Post-IPO RSU Plan	Approximate % of the total issued share capital of our Company immediately following the completion of the Global Offering assuming the Over-Allotment Option is exercised in full and without taking into account any Shares to be issued upon the exercise of any options granted under the Pre-IPO Share Option Scheme and Post-IPO Share Option Scheme, and vesting of RSUs granted under the Pre-IPO RSU Plan and Post-IPO RSU Plan
CPIC (HK)	US\$3,500,000 (equivalent to approximately HK\$27,351,000)^	10,141,000	10.4%	2.3%	2.2%
Reynold Lemkins . . .	HK\$23,500,000	8,713,000	8.9%	2.0%	1.9%

Notes:

All share numbers and amounts are for illustrative purposes only.

^ Calculated based on an exchange rate of US\$1.0000: HK\$7.8146 for illustrative purpose. The actual investment amount of the relevant Cornerstone Investors may change due to the actual exchange rate to be used as prescribed in the Cornerstone Investment Agreements.

* Inclusive of brokerage, SFC transaction levy, the Stock Exchange trading fee and AFRC transaction levy.

CORNERSTONE INVESTORS

Based on the Offer Price of HK\$3.06 (being the high-end of the Offer Price range)

Cornerstone Investor	Investment Amount*	Number of Offer Shares	Approximate % of total number of Offer Shares	Approximate % of the total issued share capital of our Company immediately following the completion of the Global Offering assuming the Over-Allotment Option is not exercised and without taking into account any Shares to be issued upon the exercise of any options granted under the Pre-IPO Share Option Scheme and Post-IPO Share Option Scheme, and vesting of RSUs granted under the Pre-IPO RSU Plan and Post-IPO RSU Plan	Approximate % of the total issued share capital of our Company immediately following the completion of the Global Offering assuming the Over-Allotment Option is exercised in full and without taking into account any Shares to be issued upon the exercise of any options granted under the Pre-IPO Share Option Scheme and Post-IPO Share Option Scheme, and vesting of RSUs granted under the Pre-IPO RSU Plan and Post-IPO RSU Plan
CPIC (HK)	US\$3,500,000 (equivalent to approximately HK\$27,351,000)^	8,848,000	9.1%	2.0%	1.9%
Reynold Lemkins . . .	HK\$23,500,000	7,603,000	7.8%	1.7%	1.7%

Notes:

- # All share numbers and amounts are for illustrative purposes only.
- ^ Calculated based on an exchange rate of US\$1.0000: HK\$7.8146 for illustrative purpose. The actual investment amount of the relevant Cornerstone Investors may change due to the actual exchange rate to be used as prescribed in the Cornerstone Investment Agreements.
- * Inclusive of brokerage, SFC transaction levy, the Stock Exchange trading fee and AFRC transaction levy.

The following information about the Cornerstone Investors was provided to the Company by the Cornerstone Investors in relation to the Cornerstone Placing.

CORNERSTONE INVESTORS

CPIC Investment Management (H.K.) Company Limited

CPIC Investment Management (H.K.) Company Limited (“**CPIC (HK)**”) was established in Hong Kong in 2010.

CPIC (HK) is principally engaged in asset management and provision of investment advisory services, and holds SFC licenses for Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (asset management) regulated activities.

CPIC (HK) owned as to 12.25% by China Pacific Insurance (Group) Co., Ltd. (“**CPIC**”), a company founded in 1991 and listed on Shanghai Stock Exchange (stock code: 601601.SH), the Hong Kong Stock Exchange (stock code: 2601.HK) and its GDR listed under the code CPIC, and a leading composite insurance company in the PRC based in Shanghai; and as to 87.75% by Pacific Asset Management Co., Ltd., a subsidiary of CPIC.

The Reynold Lemkins Group (Asia) Limited

The Reynold Lemkins Group (Asia) Limited (“**Reynold Lemkins**”) is an investment institution established in Hong Kong in 2020. Reynold Lemkins is principally engaged in investment activities in capital markets, and is committed to providing long-term value to and industrialization of its invested companies from a long-term perspective.

Reynold Lemkins is wholly owned by Mr. Liu Haoran, an Independent Third Party of our Group. Mr. Liu Haoran is currently an executive director and the China head of Reynold Lemkins, responsible for equity and strategic investments, capital operations in the new economy and technology sector.

CLOSING CONDITIONS

The obligation of the Cornerstone Investors to acquire the Offer Shares under the Cornerstone Investment Agreements is subject to, among other things, the following closing conditions:

- (a) the Hong Kong Underwriting Agreement and the International Placing Agreement being entered into and having become effective and unconditional (in accordance with their respective original terms or as subsequently waived or varied by agreement of the parties thereto) by no later than the time and date as specified in the Hong Kong Underwriting Agreement and the International Placing Agreement, and neither the Hong Kong Underwriting Agreement nor the International Placing Agreement having been terminated;

CORNERSTONE INVESTORS

- (b) the Offer Price having been agreed upon between our Company and the Sole Overall Coordinator (for itself and on behalf of the Underwriters);
- (c) the Listing Committee having granted the listing of, and permission to deal in, the Shares (including the Shares under the Cornerstone Placing) as well as other applicable waivers and approvals and such approval, permission or waiver having not been revoked prior to the commencement of dealings in the Shares on the Stock Exchange;
- (d) no laws shall have been enacted or promulgated by any governmental authority which prohibits the consummation of the transactions contemplated in the Global Offering or the Cornerstone Investment Agreements and there shall be no orders or injunctions from a court of competent jurisdiction in effect precluding or prohibiting consummation of such transactions; and
- (e) the respective representations, warranties, undertakings and confirmations of the Cornerstone Investors under the Cornerstone Investment Agreements are accurate and true in all respects and not misleading and that there is no breach of the Cornerstone Investment Agreements on the part of the Cornerstone Investors.

RESTRICTIONS ON THE CORNERSTONE INVESTORS

Each of the Cornerstone Investors has agreed that it will not, whether directly or indirectly, at any time during the period of six months from and inclusive of the Listing Date (the “**Lock-up Period**”), dispose of any of the Offer Shares it has subscribed pursuant to the Cornerstone Investment Agreements, save for certain limited circumstances, such as transfers to any of its wholly-owned subsidiaries who will be bound by the same obligations of such Cornerstone Investors, including the Lock-up Period restriction.

SUBSTANTIAL SHAREHOLDERS

So far as is known to our Directors, immediately prior to and following completion of the Global Offering and the Capitalization Issue (without taking into account any Shares which may be allotted and issued upon the exercise of the Over-Allotment Option, any Shares to be issued upon the exercise of any options granted under the Pre-IPO Share Option Scheme and Post-IPO Share Option Scheme, and vesting of RSUs granted under the Pre-IPO RSU Plan and Post-IPO RSU Plan), the following persons will have an interest or a short position in the Shares or underlying Shares which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company:

Name of Shareholder	Nature of interest	Shares held or interests in our Company immediately prior to the completion of the Capitalization Issue and the Global Offering ⁽¹⁾		Shares held or interests in our Company immediately following the completion of the Capitalization Issue and the Global Offering ⁽²⁾	
		Number	Approximate Percentage	Number	Approximate Percentage
EDA Shine International Limited ⁽³⁾	Beneficial Owner	101,530	44.5%	152,295,000	34.6%
Skyline Investment International Limited ⁽³⁾	Interest in a controlled corporation	101,530	44.5%	152,295,000	34.6%
Sovereign Fiduciaries (Hong Kong) Limited ⁽³⁾	Trustee of the Liu Yong Trust	101,530	44.5%	152,295,000	34.6%
Edaurora Holdings Limited ⁽³⁾	Beneficiary of a discretionary trust	101,530	44.5%	152,295,000	34.6%
Mr. Liu Yong ⁽³⁾	Founder of a discretionary trust	101,530	44.5%	152,295,000	34.6%
	Beneficial Owner	— ⁽³⁾	—	15,414,000 ⁽³⁾	3.5%
	Sub-total	101,530	44.5%	167,709,000	38.1%
LS DiDi Network Technology Limited ⁽⁴⁾	Beneficial Owner	18,440	8.1%	27,660,000	6.3%
Samanea China Holdings Limited ⁽⁴⁾⁽⁵⁾⁽¹¹⁾	Beneficial Owner	70,334	30.8%	105,501,000	24.0%
	Interest in a controlled corporation	18,440	8.1%	27,660,000	6.3%
	Interests held jointly with another person	29,666	13.0%	47,813,000	10.9%
	Sub-total	118,440	51.9%	180,974,000	41.2%
Lesso Home International Holdings Limited ⁽⁵⁾	Interest in a controlled corporation	118,440	51.9%	180,974,000	41.2%
China Lesso Group Holdings Limited ⁽⁵⁾	Interest in a controlled corporation	118,440	51.9%	180,974,000	41.2%

SUBSTANTIAL SHAREHOLDERS

Name of Shareholder	Nature of interest	Shares held or interests in our Company immediately prior to the completion of the Capitalization Issue and the Global Offering ⁽¹⁾		Shares held or interests in our Company immediately following the completion of the Capitalization Issue and the Global Offering ⁽²⁾	
		<i>Approximate</i>		<i>Approximate</i>	
		<i>Number</i>	<i>Percentage</i>	<i>Number</i>	<i>Percentage</i>
Mr. Wong Luen Hei ⁽⁵⁾	Interest in a controlled corporation	118,440	51.9%	180,974,000	41.2%
Ms. Zuo Xiaoping ⁽⁵⁾	Interest of spouse	118,440	51.9%	180,974,000	41.2%
Zhan Hua Limited ⁽⁶⁾	Beneficial Owner	6,846	3.0%	10,269,000	2.3%
Mr. Zuo Manlun ⁽⁶⁾⁽¹¹⁾	Interest in a controlled corporation	6,846	3.0%	10,269,000	2.3%
	Interests held jointly with another person	111,594	48.9%	170,705,000	38.9%
	Sub-total	118,440	51.9%	180,974,000	41.2%
Dawnhill Group Limited ⁽⁷⁾	Beneficial Owner	6,846	3.0%	10,269,000	2.3%
Mr. Luo Jianfeng ⁽⁷⁾⁽¹¹⁾	Interest in a controlled corporation	6,846	3.0%	10,269,000	2.3%
	Interests held jointly with another person	111,594	48.9%	170,705,000	38.9%
	Sub-total	118,440	51.9%	180,974,000	41.2%
LittleBear Investment Limited ⁽⁸⁾	Beneficial Owner	6,846	3.0%	10,269,000	2.3%
Mr. Cheung Man Yu ⁽⁸⁾⁽¹¹⁾	Interest in a controlled corporation	6,846	3.0%	10,269,000	2.3%
	Interests held jointly with another person	111,594	48.9%	167,391,000	38.1%
	Beneficial Owner	— ⁽⁸⁾	—	3,314,000 ⁽⁸⁾	0.8%
	Sub-total	118,440	51.9%	180,974,000	41.2%
QCJJ Group Limited ⁽⁹⁾	Beneficial Owner	4,564	2.0%	6,846,000	1.6%
Ms. Tang Jia Jia ⁽⁹⁾⁽¹¹⁾	Interest in a controlled corporation	4,564	2.0%	6,846,000	1.6%
	Interests held jointly with another person	113,876	49.0%	174,128,000	39.6%
	Sub-total	118,440	51.9%	180,974,000	41.2%
QCZC Group Limited ⁽⁹⁾	Interests held jointly with another person	118,440	51.9%	180,974,000	41.2%
QCBM Group Limited ⁽¹⁰⁾	Beneficial Owner	4,564	2.0%	6,846,000	1.6%
Mr. Qian Yu Cheng ⁽¹⁰⁾⁽¹¹⁾	Interest in a controlled corporation	4,564	2.0%	6,846,000	1.6%

SUBSTANTIAL SHAREHOLDERS

Name of Shareholder	Nature of interest	Shares held or interests in our Company immediately prior to the completion of the Capitalization Issue and the Global Offering ⁽¹⁾		Shares held or interests in our Company immediately following the completion of the Capitalization Issue and the Global Offering ⁽²⁾	
		<i>Approximate</i>		<i>Approximate</i>	
		<i>Number</i>	<i>Percentage</i>	<i>Number</i>	<i>Percentage</i>
	Interests held jointly with another person	113,876	49.0%	174,128,000	39.6%
	Sub-total	118,440	51.9%	180,974,000	41.2%

Notes:

- (1) All interests stated are long positions.
- (2) The calculation is based on the total number of 439,940,000 Shares in issue immediately following completion of the Global Offering and the Capitalization Issue (without taking into account any Shares which may be allotted and issued upon the exercise of the Over-Allotment Option, any Shares to be issued upon the exercise of any options granted under the Pre-IPO Share Option Scheme and Post-IPO Share Option Scheme, and vesting of RSUs granted the Pre-IPO RSU Plan and Post-IPO RSU Plan).
- (3) EDA Shine International Limited is owned as to 1.0% by Edaurora Holdings Limited and as to 99.0% by Skyline Investment International Limited. Skyline Investment International Limited is wholly owned by Sovereign Fiduciaries (Hong Kong) Limited, which is the trustee of the Liu Yong Trust, of which the settlor is Mr. Liu Yong and the beneficiaries are Mr. Liu Yong and Edaurora Holdings Limited. Edaurora Holdings Limited is wholly owned by Mr. Liu Yong, our executive Director, the chairman of our Board and a Controlling Shareholder of our Group. Sovereign Fiduciaries (Hong Kong) Limited is a professional trust company and an Independent Third Party of our Group. By virtue of the SFO, each of Sovereign Fiduciaries (Hong Kong) Limited, Skyline Investment International Limited, Edaurora Holdings Limited and Mr. Liu Yong is deemed to be interested in the Shares in which EDA Shine International Limited is interested.

Mr. Liu Yong is granted share options under the Pre-IPO Share Option Scheme to subscribe for 9,248,000 Shares and RSUs under the Pre-IPO RSU Plan to subscribe for 6,166,000 Shares, which are conditional upon, among others, the commencement of dealings in our Shares on the Stock Exchange. Please refer to the subsection headed “Statutory and General Information — D. Pre-IPO Share Option Scheme” and “Statutory and General Information — F. Pre-IPO RSU Plan” in Appendix IV to this prospectus for details.
- (4) LS DiDi Network Technology Limited is owned as to 70% by Samanea. By virtue of the SFO, Samanea is deemed to be interested in the Shares in which LS DiDi Network Technology Limited is interested.
- (5) Samanea is wholly owned by Lesso Home International Holdings Limited. Lesso Home International Holdings Limited is wholly owned by China Lesso Group Holdings Limited. Mr. Wong Luen Hei and his spouse, Ms. Zuo Xiaoping, are the controlling shareholders of China Lesso Group Holdings Limited. By virtue of the SFO, each of Lesso Home International Holdings Limited, China Lesso Group Holdings Limited, Mr. Wong Luen Hei and Ms. Zuo Xiaoping is deemed to be interested in the Shares in which Samanea is interested.
- (6) Zhan Hua Limited is a company incorporated in the BVI and is wholly owned by Mr. Zuo Manlun, our Non-executive Director. By virtue of the SFO, Mr. Zuo Manlun is deemed to be interested in the Shares in which Zhan Hua Limited is interested.
- (7) Dawnhill Group Limited is a company incorporated in the BVI and is wholly owned by Mr. Luo Jianfeng, our Non-executive Director. By virtue of the SFO, Mr. Luo Jianfeng is deemed to be interested in the Shares in which Dawnhill Group Limited is interested.

SUBSTANTIAL SHAREHOLDERS

- (8) LittleBear Investment Limited is a company incorporated in the BVI and is wholly owned by Mr. Cheung Man Yu, our executive Director. By virtue of the SFO, Mr. Cheung Man Yu is deemed to be interested in the Shares in which LittleBear Investment Limited is interested.

Mr. Cheung Man Yu is granted share options under the Pre-IPO Share Option Scheme to subscribe for 1,989,000 Shares and RSUs under the Pre-IPO RSU Plan to subscribe for 1,325,000 Shares, which are conditional upon, among others, the commencement of dealings in our Shares on the Stock Exchange. Please refer to the subsection headed “Statutory and General Information — D. Pre-IPO Share Option Scheme” and “Statutory and General Information — F. Pre-IPO RSU Plan” in Appendix IV to this prospectus for details.

- (9) QCJJ Group Limited is a company incorporated in the BVI and is wholly owned by Ms. Tang Jia Jia, a director of four subsidiaries of Samanea, namely LS DiDi, Guangdong Qicheng Information Technology Co., Ltd, Guangzhou LS DiDi Technology Co., Ltd and Treasure Pathway Limited. By virtue of the SFO, Ms. Tang Jia Jia is deemed to be interested in the Shares in which QCJJ Group Limited is interested. QCZC Group Limited is a company incorporated in the BVI and is wholly owned by Ms. Tang Jia Jia. By virtue of the SFO, QCZC Group Limited is deemed to be interested in the Shares in which Ms. Tang Jia Jia is interested.
- (10) QCBM Group Limited is a company incorporated in the BVI and is wholly owned by Mr. Qian Yu Cheng, a director of each of LS DiDi and Guangdong Qicheng Information Technology Co., Ltd, both of which are subsidiaries of Samanea. By virtue of the SFO, Mr. Qian Yu Cheng is deemed to be interested in the Shares in which QCBM Group Limited is interested.
- (11) Each of Mr. Zuo Manlun, Mr. Luo Jianfeng, Mr. Cheung Man Yu, Ms. Tang Jia Jia and Mr. Qian Yu Cheng (i) entered into an acting-in-concert agreement with Samanea in December 2021 in respect of their interests in our Company; and (ii) is deemed to be interested in the 118,440 Shares that Samanea is interested in as a result of being a party acting-in-concert with Samanea. Similarly, by virtue of the SFO, Samanea is deemed to be interested in the Shares in which each of Mr. Zuo Manlun, Mr. Luo Jianfeng, Mr. Cheung Man Yu, Ms. Tang Jia Jia and Mr. Qian Yu Cheng is interested.

Save as disclosed in this section and in Appendix IV — “Statutory and General Information — C. Further Information about our Directors and Substantial Shareholder” to this prospectus, our Directors are not aware of any person who will, immediately following the completion of the Global Offering and the Capitalization Issue (without taking into account any Shares which may be allotted and issued upon the exercise of the Over-Allotment Option, any Shares to be issued upon the exercise of any options granted under the Pre-IPO Share Option Scheme and Post-IPO Share Option Scheme, and vesting of RSUs granted under the Pre-IPO RSU Plan and Post-IPO RSU Plan), have an interest or short position in the Shares or underlying Shares which will be required to be disclosed to our Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO or will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company.

Our Directors are not aware of any arrangement which may result in any change of control in our Company at any subsequent date.

SPIN-OFF AND LISTING

REASONS FOR THE SPIN-OFF

Pursuant to the Listing Rules and in accordance with the corporate structure and ownership of our Company, the Listing will constitute a Spin-off from Lesso.

The board of directors of Lesso considers that the Spin-off is commercially beneficial and in the interest of Lesso and its shareholders as a whole as the Spin-off is expected to create greater value for them for the following reasons:

- (a) the Spin-off will allow Lesso an opportunity to realize the value of investment in our Group through listing of a standalone platform for our business;
- (b) the Spin-off will enable our Group to build its identity as a separately listed group, and have a separate fund-raising platform and to broaden its investor base through the Global Offering. Our Group may acquire or invest in other logistics services providers to further expand our business and brand awareness in the market. The Spin-off would allow our Group to gain direct access to the capital market for equity and/or debt financing to fund our existing operations and future expansion without reliance on Lesso, thereby improving our operating and financial management efficiencies;
- (c) the Spin-off will enable our Group to enhance our corporate profile, thereby increasing our ability to attract strategic investors, which could provide synergy for our Group, for investment in and forming strategic partnerships directly with our Group;
- (d) the Spin-off will enable a more focused development, strategic planning and better allocation of resources for the Lesso Group and our Group with respect to their respective businesses. Both the Lesso Group and our Group will benefit from the efficient decision-making process under the separate management structure for seizing emerging business opportunities, especially with a dedicated management team for our Group to focus on our development;
- (e) the Spin-off will strengthen our Group's reputation, thus leading to potentially better operational performance and better realization of our value. Lesso will continue to be a Controlling Shareholder of our Group upon the Spin-off and to benefit from any enhanced value of our Group through the Spin-off; and
- (f) the Spin-off will improve our Group's operational and financial transparency, which would enable investors to better appraise our operation results and financial conditions on a standalone basis, which in turn may enhance the overall value.

The Spin-off by Lesso complies with the requirements of Practice Note 15 of the Listing Rules.

SHARE CAPITAL

Assuming the Over-allotment Option is exercised in full and without taking into account any Shares to be issued upon the exercise of any options granted under the Pre-IPO Share Option Scheme and Post-IPO Share Option Scheme, and vesting of RSUs granted under the Pre-IPO RSU Plan and Post-IPO RSU Plan, our Company's issued share capital immediately after completion of the Global Offering and the Capitalization Issue will be as follows:

Issued and to be issued, fully paid or credited as fully paid	Aggregate nominal value of Shares	% of the issued share capital
228,210 Shares in issue as of the date of this prospectus	US\$2,282.10	0.05%
342,086,790 Shares to be issued pursuant to the Capitalization Issue	US\$3,420,867.90	75.25%
97,625,000 Shares to be issued pursuant to the Global Offering	US\$976,250.00	21.48%
14,643,000 Shares to be issued upon the full exercise of the Over-Allotment Option	US\$146,430.00	3.22%
<u>454,583,000</u> Total	<u>US\$4,545,830.00</u>	<u>100%</u>

ASSUMPTION

The above table assumes that the Global Offering has become unconditional. It takes no account of any Shares (a) which may be issued pursuant to options which have been granted under the Pre-IPO Share Option Scheme and Post-IPO Share Option Scheme, and vesting of RSUs granted under the Pre-IPO RSU Plan and Post-IPO RSU Plan; or (b) which may be issued or repurchased by us pursuant to the general mandates granted to our Directors to issue or repurchase Shares as described below or otherwise.

Assuming the Over-Allotment Option is not exercised and all Shares are issued upon the exercise of all options granted under the Pre-IPO Share Option Scheme and Post-IPO Share Option Scheme, and vesting of RSUs granted under the Pre-IPO RSU Plan and Post-IPO RSU Plan, our Company's issued share capital immediately after completion of the Global Offering and the Capitalization Issue will be as follows:

MINIMUM PUBLIC FLOAT

Pursuant to Rule 8.08 of the Listing Rules, at the time of Listing and at all times thereafter, our Company must maintain the minimum prescribed percentage of at least 25% of the total issued share capital of our Company in the hands of the public.

SHARE CAPITAL

RANKING

The Shares are ordinary shares in the share capital of our Company and rank *pari passu* in all respects with all Shares currently in issue or to be issued and, in particular, will rank in full for all dividends or other distributions declared, made or paid after the date of this prospectus.

CIRCUMSTANCES UNDER WHICH GENERAL MEETINGS ARE REQUIRED

Pursuant to the Cayman Islands Companies Law and the terms of the Articles of Association, our Company may from time to time by ordinary resolution of Shareholders (i) increase its capital; (ii) consolidate and divide its capital into shares of larger amount; (iii) subdivide its shares into shares of smaller amount; and (iv) cancel any shares which have not been taken. In addition, our Company may reduce or redeem its share capital by special shareholders' resolution. For more details, see "Summary of the Constitution of our Company and the Cayman Islands Companies Law" in Appendix III to this prospectus.

GENERAL MANDATE TO ISSUE SHARES

Subject to the Global Offering becoming unconditional, our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares and to make or grant offers, agreements or options which might require such Shares to be allotted and issued or dealt with at any time subject to the requirement that the aggregate nominal value of the Shares so allotted and issued or agreed conditionally or unconditionally to be allotted and issued, shall not exceed the sum of:

- (i) 20% of the aggregate nominal value of the share capital of our Company in issue immediately following the completion of the Global Offering (excluding any Shares which may be issued pursuant to the exercise of the Over-Allotment Option); and
- (ii) the nominal amount of our share capital repurchased by our Company (if any) pursuant to the repurchase mandate (as mentioned below).

This mandate does not cover Shares to be allotted, issued, or dealt with under a rights issue or scrip dividend scheme or similar arrangements or a specific authority granted by our Shareholders.

SHARE CAPITAL

This mandate to issue Shares will remain in effect until the earliest of:

- (i) the conclusion of our next annual general meeting; or
- (ii) the date on which it is varied, revoked or renewed by an ordinary resolution of our Shareholders at a general meeting.

For further details of this general mandate, see “Statutory and General Information — A. Further information about our Company and our Subsidiaries — 3. Resolutions in writing of our all Shareholders passed on May 14, 2024” in Appendix IV to this prospectus.

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the Global Offering becoming unconditional, our Directors have been granted a general unconditional mandate to exercise all the powers of our Company to repurchase Shares with an aggregate nominal value of not more than 10% of the aggregate nominal value of our share capital in issue immediately following the Global Offering (excluding any Shares which may be issued pursuant to the exercise of the Over-Allotment Option).

This mandate relates to repurchases made on the Stock Exchange, or on any other stock exchange on which the Shares may be listed (and which is recognized by the SFC and the Stock Exchange for this purpose), and made in accordance with all applicable laws and regulations and the requirements of the Listing Rules. A summary of the relevant Listing Rules is set out in “Statutory and General Information — A. Further information about our Company and our Subsidiaries — 3. Resolutions in writing of our all Shareholders passed on May 14, 2024” in Appendix IV to this prospectus.

This general mandate to repurchase Shares will remain in effect until the earliest of:

- (i) the conclusion of our next annual general meeting; or
- (ii) the date on which it is varied, revoked or renewed by an ordinary resolution of our Shareholders at a general meeting.

For further details of this general mandate, see “Statutory and General Information — A. Further information about our Company and our Subsidiaries — 3. Resolutions in writing of our all Shareholders passed on May 14, 2024” in Appendix IV to this prospectus.

SHARE CAPITAL

PRE-IPO SHARE OPTION SCHEME AND POST-IPO SHARE OPTION SCHEME

The Pre-IPO Share Option Scheme and Post-IPO Share Option Scheme were adopted on May 14, 2024 to which we have granted the Pre-IPO Share Options and may grant options under the Post-IPO Share Option Scheme to eligible Directors, officers and employees of our Group. See “Statutory and General Information — D. Pre-IPO Share Option Scheme” and “Statutory and General Information — E. Post-IPO Share Option Scheme” in Appendix IV in this prospectus for further details.

PRE-IPO RSU PLAN AND POST-IPO RSU PLAN

The Pre-IPO RSU Plan and Post-IPO RSU Plan were adopted on May 14, 2024 to which we have granted the Pre-IPO RSU Plan and may grant RSUs under the Post-IPO RSU Plan to eligible Directors, officers and employees of our Group. See “Statutory and General Information — F. Pre-IPO RSU Plan” and “Statutory and General Information — G. Post-IPO RSU Plan” in Appendix IV to this prospectus for further details.

FINANCIAL INFORMATION

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

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

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

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

OVERVIEW

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

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

BASIS OF PRESENTATION AND PREPARATION

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

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

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

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

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

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

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

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

KEY FACTORS AFFECTING RESULTS OF OPERATIONS

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

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

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

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

Macroeconomic trends and demand for supply chain solutions

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

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

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

Our ability to retain existing customers and attract new customers

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

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

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

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

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

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

Our ability to manage costs and expenses

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

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

Our technological capabilities

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

CRITICAL ACCOUNTING POLICIES, ESTIMATES AND JUDGMENTS

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

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MATERIAL ACCOUNTING POLICIES

Business combinations

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

Goodwill

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

Intangible assets

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

Revenue recognition

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

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

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

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

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

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

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

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

Contract liabilities

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

Leases

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

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Group as a lessee

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

(a) Right-of-use assets

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

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

(b) Lease liabilities

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

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

(c) Short-term leases

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

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

SIGNIFICANT ACCOUNTING ESTIMATES

Provision for expected credit losses on trade receivables and other receivables

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

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

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

Leases — Estimating the incremental borrowing rate

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

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

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

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

Non-HKFRS measure

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

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

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

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

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

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

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

Revenue

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

By categories of services

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

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

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

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

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

“First-mile” international freight services

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

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

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

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

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

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

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

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“Last-mile” fulfillment services

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

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

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

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By country

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

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

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

Cost of sales

Cost of sales by categories of services

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

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

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Cost of sales by nature

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

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

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

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

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

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Gross profit and gross profit margin

Gross profit and gross profit margin by categories of services

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Gross profit and gross profit margin by destination of delivery

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

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

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

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

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

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

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

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

Selling and distribution expenses

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

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

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

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Administrative expenses

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

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

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

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R&D expenses

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

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

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

Impairment losses on financial and contract assets

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

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Other income and gains

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

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

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

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

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

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

Other expenses

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

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

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

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Finance costs

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

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

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

Share of results of an associate

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

Income tax expense

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

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Hong Kong profits tax

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

PRC corporate income tax

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

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

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

Income tax for other jurisdictions

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

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

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

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

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

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

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

REVIEW OF HISTORICAL RESULTS OF OPERATION

FY2023 compared to FY2022

Revenue

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

Revenue from “first-mile” international freight services

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

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

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

Such increase was partially offset by

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

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

being partially offset by

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

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Revenue from “last-mile” fulfillment services

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

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

Cost of sales

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

Cost of sales by categories of services

“First-mile” international freight services

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

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“Last-mile” fulfillment services

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

Cost of sales by nature

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

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

Gross profit and gross profit margin

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

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

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

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

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

Selling and distribution expenses

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

Administrative expenses

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

R&D expenses

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

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Other income and gains

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

Other expenses

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

Finance costs

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

Income tax expense

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

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Profit for the year

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

FY2022 compared to FY2021

Revenue

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

Revenue from “first-mile” international freight services

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

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

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

being partially offset by

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

Revenue from “last-mile” fulfillment services

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

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

Cost of sales

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

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Cost of sales by categories of services

“First-mile” international freight services

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

“Last-mile” fulfillment services

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

Cost of sales by nature

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

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

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Gross profit and gross profit margin

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

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

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

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

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

Selling and distribution expenses

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

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Administrative expenses

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

R&D expenses

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

Other income and gains

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

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Other expenses

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

Finance costs

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

Income tax expense

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

Profit for the year

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

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CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

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

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

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

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

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

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NET CURRENT ASSETS/(LIABILITIES)

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

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

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

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

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

Working capital

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

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

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

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DESCRIPTION OF CERTAIN ITEMS OF CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Current assets

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

Trade receivables

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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Contract assets

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

Prepayments, deposits and other receivables

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

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

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Note:

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

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

Our prepayments, deposits and other receivables consist of:

To our employees and Directors

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

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

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Other amounts arising from our day-to-day operations

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

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

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

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

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

(viii) other receivables.

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

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

Subsequent settlement

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

PRC legal opinion regarding our loans to Directors and employees

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

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

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

Financial assets at fair value through profit or loss

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

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

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

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

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

Non-current assets

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

Property, plant and equipment

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

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

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

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

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

Right-of-use assets

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

Goodwill

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

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

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

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

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

Impairment testing of goodwill

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

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

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

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

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

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

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

Details of each key assumptions used are set out below:

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

Sensitivity analysis

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

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

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

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

Other intangible assets

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

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

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

Investment in an associate

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

Current liabilities

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

Trade payables

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

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

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

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

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

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

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

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

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

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

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

Other payables and accruals

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

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

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Note:

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

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

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

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

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Amounts due to the immediate holding company and a shareholder

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

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

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

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

Subsequent settlement

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

LIQUIDITY AND CAPITAL RESOURCES

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

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

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Cash flow

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

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

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Operating activities

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

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

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

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

Investing activities

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

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

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

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

Financing activities

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

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

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

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

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INDEBTEDNESS

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

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

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

Borrowings

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

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

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	Our Group			Our Group		
	December 31, 2022			December 31, 2023		
	<i>Effective interest rate</i> (%)	<i>Maturity</i>	<i>RMB'000</i>	<i>Effective interest rate</i> (%)	<i>Maturity</i>	<i>RMB'000</i>
Current						
Bank overdrafts — unsecured	3.3%-19.9%	On demand	689	19.9%	On demand	418
Bank loans — unsecured	3.85%	2023	34,250	3.6%–4.47%	2024	51,800
Current portion of long term bank loans — unsecured	2.8%	2023	102	2.8%	2024	106
Other borrowing	—	2023	6,782	—	—	—
			41,823			52,324
Non-current						
Bank loans — unsecured	2.8%	2024-2025	196	2.8%	2025	98
			42,019			52,422
			42,019			52,422
Our Group						
March 31, 2024						
(Unaudited)						
	<i>Effective interest rate</i> (%)	<i>Maturity</i>	<i>RMB'000</i>			
Current						
Bank overdrafts — unsecured				19.9%	On demand	267
Bank loans — unsecured				3.50%–4.50%	2024	58,500
Current portion of long term bank loans — unsecured				2.8%	2024	105
						58,872
Non-current						
Bank loans — unsecured				2.8%	2025	70
						58,942
						58,942

As of December 31, 2021, our Group had bank loans and overdrafts of RMB18.3 million. As of December 31, 2022 and 2023 and March 31, 2024, our Group had bank loans and overdrafts of RMB35.2 million, RMB52.4 million and RMB58.9 million, respectively.

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

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

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

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

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

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

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

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

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

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

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

Lease liabilities

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

Contingent Liabilities

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

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

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CAPITAL EXPENDITURES AND COMMITMENTS

Capital expenditures

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

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

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

Capital commitments

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

PROPERTY INTERESTS

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

RELATED PARTY TRANSACTIONS

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

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

(a) Provision of services

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

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

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

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

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

(c) Self-operated warehouse leases

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

(d) Loans from Director

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

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(e) Loans to Directors and advance to a Director

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

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

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

(f) Short-term borrowings

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

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

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

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

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

(h) Loan receivables

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

FINANCIAL INFORMATION

(i) Loan to a fellow subsidiary

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

OFF-BALANCE SHEET ARRANGEMENT

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

FINANCIAL RISK MANAGEMENT

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

KEY FINANCIAL RATIOS

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

	Shenzhen	Our Group	
	EDA Group	FY2022	FY2023
	FY2021		
Gross profit margin (%) ⁽¹⁾	16.9	15.0	16.3
Net profit margin (%) ⁽²⁾	7.3	5.1	5.7
Adjusted net profit margin (Non-HKFRS measure) (%) ⁽³⁾	7.3	5.2	7.6
Adjusted EBITDA margin (Non-HKFRS measure) (%) ⁽⁴⁾	15.2	13.5	13.0

Notes:

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

FINANCIAL INFORMATION

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

DISCLOSURE REQUIRED UNDER THE LISTING RULES

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

LISTING EXPENSES

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

DIVIDENDS AND DIVIDEND POLICY

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

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

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

DISTRIBUTABLE RESERVES

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

ACCUMULATED LOSSES

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

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

FINANCIAL INFORMATION

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

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

UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

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

RECENT DEVELOPMENT AND NO MATERIAL ADVERSE CHANGE

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

FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS AND USE OF PROCEEDS

See “Business — Strategies on future growth” in this prospectus for a discussion of our future plans.

We estimate that the net proceeds we will receive from the Global Offering (after deducting underwriting commissions, fees and anticipated expenses payable by us in connection with the Global Offering) will be approximately HK\$203.0 million (equivalent to approximately RMB184.5 million), assuming the Over-Allotment Option is not exercised and an Offer Price of HK\$2.67 per Share, being the mid-point of the Offer Price Range of HK\$2.28 to HK\$3.06 per Share as stated in this prospectus. In line with our business strategies, we intend to use our net proceeds for the following purposes:

Enhance our global logistics network through our unique asset-light model

- we will apply approximately HK\$125.8 million, representing approximately 62.0% of the net proceeds from the Global Offering, to enhance our global logistics network through our asset-light model, among which,
 - approximately 40.5%, or approximately HK\$82.2 million, will be used to set up (i) three self-operated warehouses and (ii) 1.9 million sq.ft. of partnered warehousing space (representing approximately 15 partnered warehouse) with the aim of establishing our warehouse hubs in different countries and to densify the geographic coverage of our global logistics network, of which (i) HK\$57.5 million will be applied to the lease payments for setting up two self-operated warehouses in the United States and one self-operated warehouse in Germany; and (ii) HK\$24.7 million will be applied to the payment of a two-month rent deposit, upon the engagement of third-party warehouse service providers, which our Directors believe is considered as securing their collaboration, for the setting up of each of the approximately 15 partnered warehouses in the United States, the United Kingdom and Canada. While we aim to maintain an asset-light model through the engagement of partnered warehouses, we also wish to maintain a balanced portfolio of self-operated warehouses to partnered warehouses as both types of warehouses present different positive attributes for our Group. We usually set up our self-operated warehouse in the vicinity or among a cluster of partnered warehouses so that our employees stationed at self-operated warehouses may visit our partnered warehouses and perform periodic supervision and management, where necessary. Further, given that we are not guaranteed a minimum storage space by our partnered warehouses, as a part of our strategy, we aim to locate a self-operated warehouse in our target key areas of business so as to ensure that a minimum level of storage space is guaranteed in each of the regions that we operate;

FUTURE PLANS AND USE OF PROCEEDS

- approximately 19.0%, or approximately HK\$38.6 million, will be used to fund the recruitment of (i) around 42 employees for managing and operating our self-operated warehouses in the United States, the United Kingdom and Canada; and (ii) around 26 employees to fulfill the oversight function of various aspects of the management and operations of our partnered warehouses, which include but are not limited to customer management, overseas warehousing, product design and quality control;
- approximately 2.0%, or approximately HK\$4.1 million, will be used to acquire various warehousing machineries and equipment, including but not limited to forklift vehicles, automated guided vehicle racks and robots and sorting machines, to upgrade our existing and future warehousing system to achieve automated warehousing and sorting functionalities; and
- approximately 0.5%, or approximately HK\$1.0 million, will be used to set up two domestic warehouses in the PRC in order to supplement the increased export volumes.

Optimize our operational efficiency through improving our intelligent systems

- we will apply approximately HK\$32.5 million, representing approximately 16.0% of the net proceeds from the Global Offering, to revamp our EDA Cloud platform, among which,
 - o approximately 12.0%, or approximately HK\$24.4 million of the net proceeds from the Global Offering, will be used to fund the recruitment of around 47 R&D-related staff including R&D manager, algorithm engineers, front-end development testing and operation staff and system engineers. In particular, we will apply sums to (i) revamp our EDA Cloud platform so that it could be offered to customers as an SaaS platform which can consolidate real-time data of multiple angles from various market participants (the “**SaaS Platform**”) and (ii) upgrading various aspects of our modular systems of our EDA Cloud platform including OMS (Order Management System), TMS (Transport Management System), WMS (Warehouse Management System) and CRM (Customer Relationship Management) to better cater to our customers’ needs. The SaaS Platform which we intend to offer to customers will be an open platform that can connect every stage of product logistics and stakeholders of the value chain and collect real-time data to bridge information gaps. In particular, it shall support data synchronization and collection from multiple supply chain solutions providers, such as our peers, so that our customers can have monitor all of its e-commerce supply chain activities within one platform. The SaaS Platform will also house the aforementioned upgraded aspects of our modular systems, which the principal aims of such upgrades are to improve user experience, automation of order processing, and data synchronization.

FUTURE PLANS AND USE OF PROCEEDS

- o approximately 4.0%, or approximately HK\$8.1 million of the net proceeds from the Global Offering, will be used to acquire IoT equipment and hardware such as servers, data base, cache and message queues for the R&D of SaaS platform and upgrade of our EDA Cloud platform.

Attract new customers and maintain relationships with core customers

- we will apply approximately HK\$32.5 million, representing approximately 16.0% of the net proceeds from the Global Offering, to strengthen our market presence so as to attract new customers and maintain relationships with core customers (being customers with which we dedicate specialized sales effort owing to the fact that they are customers which contribute more than RMB3 million to the revenue for the year), among which,
 - o approximately 12.0%, or approximately HK\$24.4 million, will be used to establish approximately 13 offices across eight cities in the PRC and recruit (i) around 36 sales and marketing staff responsible for attracting potential customers and better serving our current customers in the PRC who need our one-stop end-to-end B2C export supply chain solutions; and (ii) around 15 sales and marketing staff responsible for customer development in specific needs such as direct shipping. Such expanded workforce will be stationed in our new offices across eight cities in the PRC including Shenzhen, Foshan, Changsha, Xiamen, Shanghai, Hangzhou, Qingdao and Ningbo.
 - o approximately 4.0%, or approximately HK\$8.1 million, will be used to recruit around 10 sales and marketing staff stationed overseas responsible for attracting potential (i) overseas e-commerce retailers and vendors that have supply chains in China and require cross-border logistics services; and (ii) local vendors of shopping platforms that require “last-mile” fulfillment services. Such expanded workforce will be the key to our strategies of expanding our overseas market presences and will be stationed in overseas regions that we have deepest presence in, namely the United States, Canada and the United Kingdom.

General working capital

- we will apply approximately HK\$12.2 million, representing approximately 6.0% of the net proceeds from the Global Offering, to our general working capital.

Potential investors should note that our plans are formulated on the bases and assumptions which are inherently subject to many uncertainties and unpredictable factors, in particular the risk factors set forth in the section headed “Risk Factors” in this prospectus.

FUTURE PLANS AND USE OF PROCEEDS

Assuming that the Over-Allotment Option is not exercised at all, the net proceeds from the Global Offering (after deducting the underwriting fees and commissions and estimated expenses payable by us in connection with the Global Offering) will (1) increase to approximately HK\$264.5 million (equivalent to approximately RMB240.4 million) if the Offer Price is fixed at HK\$3.06 per Offer Share (being the high end of the Offer Price Range); and (2) decrease to HK\$192.2 million (equivalent to approximately RMB174.6 million) if the Offer Price is fixed at HK\$2.28 per Offer Share (being the low end of the Offer Price Range).

Assuming that the Over-Allotment Option is exercised in full, the net proceeds from the Global Offering (after deducting the underwriting fees and commissions and estimated expenses payable by us in connection with the Global Offering) will amount to (1) approximately HK\$307.1 million (equivalent to approximately RMB279.0 million) if the Offer Price is fixed at HK\$3.06 per Offer Share (being the high end of the Offer Price Range); (2) HK\$265.5 million (equivalent to approximately RMB241.2 million) if the Offer Price is fixed at HK\$2.67 per Offer Share (being the mid-point of the Offer Price Range); and (3) HK\$223.9 million (equivalent to approximately RMB203.5 million) if the Offer Price is fixed at HK\$2.28 per Offer Share (being the low end of the Offer Price Range).

In each of the above circumstances, we will apply the net proceeds for the various intended uses set forth above in the stated proportions and the amount of net proceeds to be applied for each intended use will be adjusted accordingly. Our Directors confirmed that unutilized net proceeds will be placed in short-term interest-bearing deposit accounts with licensed banks or authorized financial institutions (as defined in the SFO).

We will make an appropriate announcement if there is any material change to the intended uses of net proceeds set forth above.

UNDERWRITING

SOLE OVERALL COORDINATOR AND SOLE GLOBAL COORDINATOR

CMB International Capital Limited

HONG KONG UNDERWRITERS

CMB International Capital Limited

ABCI Securities Company Limited

BOCI Asia Limited

CEB International Capital Corporation Limited

China Galaxy International Securities (Hong Kong) Co., Limited

Quam Securities Limited

Eddid Securities and Futures Limited

Futu Securities International (Hong Kong) Limited

Tiger Brokers (HK) Global Limited

Patrons Securities Limited

Ruibang Securities Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offer

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, our Company is offering 9,763,000 Hong Kong Offer Shares (subject to re-allocation described below) for subscription by the public in Hong Kong on, and subject to, the terms and conditions set out in this prospectus and the Hong Kong Underwriting Agreement at the Offer Price.

Subject to:

- (a) the Listing Committee granting the listing of, and permission to deal in, our Shares in issue and to be issued as mentioned in this prospectus and such listing and permission not subsequently having been revoked prior to the commencement of dealings in the Shares on the Stock Exchange; and
- (b) certain other conditions set out in the Hong Kong Underwriting Agreement (including but not limited to the Offer Price being agreed upon between us, the Sole Overall Coordinator and the Sole Global Coordinator (for itself and on behalf of the Underwriters and the Capital Market Intermediaries)),

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the Hong Kong Underwriters have agreed severally, and not jointly, to subscribe for, or procure subscribers for, the Hong Kong Offer Shares which are being offered but are not taken up under the Hong Kong Public Offer, on the terms and conditions set out in this prospectus and the Hong Kong Underwriting Agreement. If, for any reason, the Offer Price is not agreed between us, the Sole Overall Coordinator and the Sole Global Coordinator (for itself and on behalf of the Underwriters and the Capital Market Intermediaries), the Global Offering will not proceed and will lapse.

The Hong Kong Underwriting Agreement is conditional upon and subject to the International Placing Agreement having been entered into and becoming unconditional and not having been terminated.

Grounds for termination

The respective obligations of the Hong Kong Underwriters to subscribe for, or procure subscribers for, the Hong Kong Offer Shares under the Hong Kong Underwriting Agreement are subject to termination. The Sole Sponsor, the Sponsor-OC, the Sole Overall Coordinator and the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters and the Capital Market Intermediaries) may in its sole and absolute discretion terminate the Hong Kong Underwriting Agreement with immediate effect by written notice to our Company from the Sole Sponsor, the Sponsor-OC, the Sole Overall Coordinator and/or the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters and the Capital Market Intermediaries) at any time prior to 8:00 a.m. on the Listing Date (the “**Termination Time**”) if any of the following events shall occur prior to the Termination Time:

- (a) there develops, occurs, exists or comes into effect:
 - (i) any change or prospective change (whether or not permanent) in the business or in the financial or trading position of our Group taken as a whole; or
 - (ii) any event, circumstance, or series of events, in the nature of force majeure (including, without limitation, any acts of government, declaration of a local, national, regional or international emergency or war, political change, calamity, crisis, epidemic, pandemic, outbreaks, escalation, adverse mutation or aggravation of diseases (including, without limitation, COVID-19 (and such related/ mutated form), Severe Acute Respiratory Syndrome (SARS), swine or avian flu, H5N1, H1N1, H7N9, Ebola virus, Middle East respiratory syndrome and such related/mutated forms), comprehensive sanctions, strikes, lock-outs, other industrial actions, fire, explosion, flooding, earthquake, tsunami, volcanic eruption, civil commotion, riots, rebellion, public disorder, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God, acts

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of terrorism (whether or not responsibility has been claimed), paralysis in government operations, interruptions or accidents or delay in transportation) or other state of emergency in whatever form, in or affecting, directly or indirectly Hong Kong, China, Japan, Singapore, the British Virgin Islands, the Cayman Islands, the United States, Australia, Canada, the United Kingdom, the European Union (or any member thereof) or any other jurisdiction relevant to our Group and/or the Global Offering (each a “**Relevant Jurisdiction**” and collectively, the “**Relevant Jurisdictions**”); or

- (iii) any change or development involving a prospective change or development, or any event, circumstance or series of events likely to result in or representing any change or development involving a prospective change, in local, national, regional or international financial, economic, political, military, industrial, fiscal, legal, regulatory, currency, credit or market matters or conditions, equity securities or exchange control or any monetary or trading settlement system or other financial markets (including, without limitation, conditions in the stock and bond markets, money and foreign exchange markets, the interbank markets and credit markets), in or affecting any Relevant Jurisdictions; or
- (iv) any moratorium, suspension or restriction (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in securities generally on the Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market, the London Stock Exchange, the Tokyo Stock Exchange, the Singapore Exchange, the Beijing Stock Exchange, the Shenzhen Stock Exchange and the Shanghai Stock Exchange; or
- (v) any general moratorium on commercial banking activities in Hong Kong (imposed by the Financial Secretary or the Hong Kong Monetary Authority or any other competent administrative, governmental or regulatory commission, board, body, authority or agency, or any stock exchange (including, without limitation, the Stock Exchange, the SFC, the CSRC), self-regulatory organization or other non-governmental regulatory authority, or any court, tribunal or arbitrator, in each case whether national, central, federal, provincial, state, regional, municipal, local, domestic or foreign, of any relevant jurisdictions, including, without limitation, Hong Kong, China, the British Virgin Islands, the Cayman Islands, the United States, Australia, Canada, England & Wales) (each an “**Authority**” and collectively, the “**Authorities**”), New York (imposed at Federal or New York State level or by other competent Authority), London, China, Singapore, Japan, the European Union (or any member thereof) or any of the other Relevant Jurisdictions (declared by any relevant competent Authority), or any disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, procedures or matters in or affecting any of the Relevant Jurisdictions; or

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- (vi) any and all new national, central, federal, provincial, state, regional, municipal, local, domestic or foreign laws (including, without limitation, any common law or case law), statutes, ordinances, codes, regulations or rules (including, without limitation, any and all regulations, rules, orders, judgments, decrees, rulings, opinions, guidelines, opinions, notices, policies, consents, measures, notices or circulars (in each case, whether formally published or not and to the extent mandatory or, if not complied with, the basis for legal, administrative, regulatory or judicial consequences) of any Authority) of all relevant jurisdictions (including, without limitation, Hong Kong, China, the British Virgin Islands, the Cayman Islands, the United States, Australia, Canada, England & Wales), each as amended, supplemented or otherwise modified from time to time (“the **Laws**”) or any change or development involving a prospective change in existing Laws or any event or circumstance resulting in a change or development involving a prospective change in the interpretation or application thereof by any court or other competent Authority in or affecting any of the Relevant Jurisdictions; or

- (vii) the imposition of economic sanctions, or the withdrawal of trading privileges which existed on the date of the Hong Kong Underwriting Agreement, in whatever form, directly or indirectly, by, or for, any of the Relevant Jurisdictions; or

- (viii) any change or development involving a prospective change or amendment in or affecting all forms of taxation whenever (present or future) created, imposed or arising and whether of Hong Kong, China, the British Virgin Islands, the Cayman Islands, the United States, Australia, Canada, England & Wales or of any other part of the world and, without prejudice to the generality of the foregoing, includes all forms of taxation on or relating to profits, salaries, interest and other forms of income, taxation on capital gains, sales and value added taxation, business tax, estate duty, death duty, capital duty, stamp duty, payroll taxation, withholding taxation, rates and other taxes or charges relating to property, customs and other import and excise duties, and generally any taxation, fee, assessment, duty, impost, levy, rate, charge or any amount payable to taxing, revenue, customs or fiscal Authorities whether of Hong Kong, China, the British Virgin Islands, Cayman Islands, the United States, Australia, Canada, England & Wales or of any other part of the world, whether by way of actual assessment, withholding, loss of allowance, deduction or credit available for relief or otherwise, and including all interest, additions to tax, penalties or similar liabilities arising in respect of any taxation (excluding taxation imposed in respect of net income by a taxing jurisdiction wherein the Sole Sponsor, the Sponsor-OC, the Sole Overall Coordinator, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Hong Kong Underwriters or the Capital Market Intermediaries are incorporated or resident for taxation purposes arising out of any commission or fees received by any of such parties pursuant to the Hong Kong Underwriting Agreement) or exchange control, currency

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exchange rates or foreign investment regulations (including, without limitation, a material devaluation of the United States dollar, Canadian dollar, Euro, Hong Kong dollar, Japanese yen, Singapore dollar, Australian dollar and/or the Renminbi against any foreign currencies, or a change in the system under which the value of the Hong Kong dollar is linked to that of the United States dollar or Renminbi is linked to any foreign currency or currencies), or the implementation of any exchange control, in any of the Relevant Jurisdictions or affecting an investment in the Offer Shares; or

- (ix) any litigation, dispute, legal action, claim, regulatory investigation or legal proceeding or action being threatened or instigated or announced against our Company, any Controlling Shareholder, any Executive Director (collectively, the “Warrantors”), any member of our Group or any Director; or
- (x) any breach of any of the obligations imposed upon any of the Warrantors under the Hong Kong Underwriting Agreement or the International Placing Agreement; or
- (xi) an Authority or a political body or organisation in any of the Relevant Jurisdictions commencing any investigation or other action, or announcing an intention to investigate or take other action, against any member of our Group, any Director or any Warrantor; or
- (xii) any contravention by any member of our Group or any Director or Lessor or any Warrantor of any applicable Laws including the Listing Rules; or
- (xiii) any loss or damage sustained by any member of our Group taken as a whole (howsoever caused and whether or not the subject of any insurance claim or claim against any person); or
- (xiv) any valid demand by creditors for repayment of indebtedness or an order or petition for the winding up or liquidation of any member of our Group or any composition or arrangement made by any member of our Group with its creditors or a scheme of arrangement entered into by any member of our Group or any resolution for the winding-up of any member of our Group or the appointment of a provisional liquidator, receiver or manager over all or part of the assets or undertaking of any member of our Group or anything analogous thereto occurring in respect of any member of our Group; or
- (xv) any change or prospective change or development, or any materialization of any of the risks set out in the section headed “Risk Factors” in this prospectus; or

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- (xvi) any non-compliance of this prospectus, the CSRC Filings (as defined in the Hong Kong Underwriting Agreement) (or any other documents used in connection with the contemplated offer and sale of the Shares) or any aspect of the Global Offering with the Listing Rules or any other applicable Law (including, without limitation, the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the CSRC Rules (as defined in the Hong Kong Underwriting Agreement)); or

- (xvii) other than with the prior written consent of the Sole Sponsor, the Sole Overall Coordinator and the Sole Global Coordinator, the issue or requirement to issue by our Company of any supplement or amendment to this prospectus (or to any other documents used in connection with the contemplated offer and sale of the Shares) pursuant to the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance or the Listing Rules or any other applicable Laws or any requirement or request of the Stock Exchange, the SFC and/or the CSRC; or

- (xviii) there is a breach of, or any event or circumstance rendering untrue, incorrect, incomplete or misleading, any of the Warranties (as defined in the Hong Kong Underwriting Agreement) given by any of the Warrantors in the Hong Kong Underwriting Agreement or the International Placing Agreement (including any supplement or amendment thereto), as applicable; or

- (xix) any event, act or omission which gives or is likely to give rise to any liability of any of the Indemnifying Parties (as defined in the Hong Kong Underwriting Agreement) in the Hong Kong Underwriting Agreement or the International Placing Agreement (including any supplement or amendment thereto), as applicable; or

- (xx) the chief executive officer, the chief financial officer, any Director or member of senior management is vacating his or her office; or

- (xxi) any Director or member of senior management of our Company is being charged with an indictable offence or is prohibited by operation of law or otherwise disqualified from taking part in the management of a company or there is the commencement by any governmental, political or regulatory body of any investigation or other action against any Director or member of senior management of our Company in his or her capacity as such or any member of our Group or an announcement by any governmental, political or regulatory body that it intends to commence any such investigation or take any such action;

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which, individually or in the aggregate, in the sole and absolute opinion of the Sole Sponsor, the Sponsor-OC, the Sole Overall Coordinator, the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters and the Capital Market Intermediaries) or any of them: (1) has or will or is likely to have a material adverse effect on the assets, liabilities, business, trading position, earnings, general affairs, management, prospects, shareholders' equity, profits, losses, results of operations, performance, position or condition, financial, operational or otherwise, of the Group taken as a whole; or (2) has or will have or is likely to have a material adverse effect on the success or marketability of the Global Offering or the level of applications under the Hong Kong Public Offer and the Lesso Preferential Offering or the level of interest or the distribution of the Offer Shares under the International Placing; or (3) makes or will make or is likely to make it inadvisable or inexpedient or impracticable or incapable or not commercially viable for the Global Offering to proceed or to market the Global Offering or the delivery or distribution of the Offer Shares on the terms and in the manner contemplated by the Offering Documents (as defined in the Hong Kong Underwriting Agreement); or (4) has or will have or is likely to have the effect of making a material part of the Hong Kong Underwriting Agreement and/or the International Placing Agreement (including underwriting) incapable of performance in accordance with its terms or preventing the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof; or

- (b) any of the Sole Sponsor, the Sponsor-OC, the Sole Overall Coordinator and the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters and the Capital Market Intermediaries) shall become aware of the fact that, or have reasonable cause to believe that:
- (i) any statement contained in any of this prospectus, the disclosure package, the preliminary offering circular, the final offering circular, the Operative Agreements (as defined in the Hong Kong Underwriting Agreement), the CSRC Filings (as defined in the Hong Kong Underwriting Agreement), the formal notice, the OC announcement and/or in any notices, announcements, advertisements, communications or other documents (including any announcement, circular, document or other communication pursuant to the Hong Kong Underwriting Agreement) issued or used by or on behalf of our Company in connection with the Global Offering (including any supplement or amendment thereto) (the “**Offer Related Documents**”) was, when it was issued, or has become, untrue, incorrect, incomplete, misleading or deceptive in any material respect, or that any forecast, estimate, expression of opinion, intention or expectation contained in any such documents is not fair and honest and based on reasonable assumptions or reasonable grounds, when taken as a whole; or

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- (ii) any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute a material omission from, or material misstatement in, any of Offer Related Documents; or
- (iii) any material adverse change or effect, or any development involving a prospective material adverse change or effect, in or affecting (1) the assets, liabilities, business, properties, general affairs, management, prospects, shareholders' equity, profits, losses, results of operations, position or condition (financial, operational or otherwise) or performance of our Group taken as a whole, and (2) the ability of our Company to perform its obligations under the Hong Kong Underwriting Agreement and the International Placing Agreement, including the issuance and sale of the Offer Shares, or to consummate the transactions contemplated under this prospectus (collectively, the "**Material Adverse Change**") (whether or not permanent); or
- (vi) the approval by the Listing Committee of the Stock Exchange of the listing of, and permission to deal in, the Shares to be issued or sold (including any additional Shares that may be issued or sold pursuant to the exercise of the Over-Allotment Option) under the Global Offering and the Capitalization Issue, the Shares which may be issued pursuant to the exercise of the options granted under the Pre-IPO Share Option Scheme and any options that may be granted under the Post-IPO Share Option Scheme, and the vesting of the RSUs granted under the Pre-IPO RSU Plan and any RSU(s) which may be granted under the Post-IPO RSU Plan is refused or not granted (other than subject to customary conditions), on or before the date of the Listing, or if granted, the approval is subsequently withdrawn, cancelled, qualified (other than by customary conditions), revoked or withheld; or
- (v) the CSRC Filings (as defined in the Hong Kong Underwriting Agreement) and the published filing results in respect of the CSRC Filings (as defined in the Hong Kong Underwriting Agreement) on its website have been revoked, withdrawn, rejected or terminated; or
- (vi) our Company withdraws this prospectus (and/or any other Offer Related Documents) or the Global Offering; or
- (vii) any person has withdrawn its consent to the issue of this prospectus with the inclusion of its report, letters, and/or opinions (as the case may be) and references to its name included in the form and context in which it respectively appears; or
- (viii) there is a prohibition on our Company for whatever reason from offering, allotting, issuing or selling any of the Offer Shares (including pursuant to any exercise of the Over-Allotment Option) pursuant to the terms of the Global Offering; or

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- (ix) any of the Cornerstone Placing(s) or any of the Cornerstone Investor(s) have been withdrawn, terminated or canceled or if any Cornerstone Investor is unable to fulfil its obligations under the respective Cornerstone Investment Agreement; or
- (x) a significant portion of the orders placed or confirmed in the book-building process has been withdrawn, terminated or cancelled.

Undertakings given to the Stock Exchange pursuant to the Listing Rules

By our Company

In accordance with Rule 10.08 of the Listing Rules, we have undertaken to the Stock Exchange that within six months from the Listing Date, no further Shares or securities convertible into equity securities of our Company (whether or not of a class already listed) shall be issued by our Company or form the subject of any agreement to such an issue (whether or not such issue of Shares or securities of our Company will be completed within six months from the Listing Date), except for the Offer Shares to be issued pursuant to the Global Offering, any Shares which may be issued pursuant to the Capitalization Issue or upon the exercise of the options granted pursuant to the Pre-IPO Share Option Scheme and any options that may be granted under the Post-IPO Share Option Scheme, and the vesting of the RSUs granted under the Pre-IPO RSU Plan and any RSU(s) which may be granted under the Post-IPO RSU Plan or under any of the circumstances provided under Rule 10.08 of the Listing Rules.

By our Controlling Shareholders

In accordance with Rule 10.07(1) of the Listing Rules, each of our Controlling Shareholders has, irrevocably and unconditionally, undertaken to the Stock Exchange and our Company that, except pursuant to the Global Offering (including pursuant to the Over-Allotment Option and any transfers pursuant to the Stock Borrowing Agreement), the Shares to be issued under the Capitalization Issue and the Shares which may be issued pursuant to the exercise of the options granted under the Pre-IPO Share Option Scheme and any options that may be granted under the Post-IPO Share Option Scheme, and the vesting of the RSUs granted under the Pre-IPO RSU Plan and any RSU(s) which may be granted under the Post-IPO RSU Plan, he/she/it shall not, and shall procure his/her/its close associates or companies controlled by he/she/it or any of his/her/its associates, nominees or trustees (as the case may be) who is/are the registered holder(s) as referred in paragraph (a) below shall not:

- (a) in the period commencing on the date by reference to which disclosure of his/her/its shareholding is made in this prospectus and ending on the date which is six months from the Listing Date, dispose of, nor enter into any agreement to dispose of or

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otherwise create any options, rights, interests or encumbrances (save as pursuant to a pledge or charge as security in favor of an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) for a bona fide commercial loan) in respect of, any of the Shares that he/she/it is shown to beneficially own in this prospectus; or

- (b) in the period of a further six months commencing on the date on which the period referred to in paragraph (a) above expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares referred to in paragraph (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances (save as pursuant to a pledge or charge as security in favor of an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) for a bona fide commercial loan), he/she/it would cease to be a controlling shareholder (as defined in the Listing Rules) of our Company or would together with the other Controlling Shareholders cease to be, or regarded as, a group of controlling shareholders (as defined in the Listing Rules) of our Company.

In accordance with Note 3 to Rule 10.07(2) of the Listing Rules, each of our Controlling Shareholders has also irrevocably and unconditionally undertaken to the Stock Exchange and our Company that within the period commencing on the date by reference to which disclosure of his/her/its shareholding in our Company is made in this prospectus and ending on the date which is 12 months from the Listing Date, he/she/it shall:

- (a) when he/she/it pledges or charges any securities in our Company beneficially owned by him/her/its in favor of an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) for a bona fide commercial loan) pursuant to Note (2) to Rule 10.07(2) of the Listing Rules, immediately inform us in writing of such pledge or charge together with the number of our securities so pledged or charged; and
- (b) when he/she/it receives indications, either verbal or written, from the pledgee or chargee that any of our pledged or charged securities beneficially owned by him/her/its will be disposed of, immediately inform us in writing of such indications.

We will also inform the Stock Exchange as soon as we have been informed of the matters referred to in paragraphs (a) and (b) above by any of our Controlling Shareholders and make a public disclosure in relation to such information by way of an announcement in accordance with the Listing Rules.

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Undertakings given to the Hong Kong Underwriters

Undertakings by our Company

Our Company has undertaken to each of the Sole Sponsor, the Sponsor-OC, the Sole Overall Coordinator, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Hong Kong Underwriters and the Capital Market Intermediaries that except for the offer and sale of the Offer Shares pursuant to the Global Offering (including pursuant to the Over-Allotment Option and any transfers pursuant to the Stock Borrowing Agreement), the Shares to be issued under the Capitalization Issue and the Shares which may be issued pursuant to the exercise of the options granted under the Pre-IPO Share Option Scheme and any options that may be granted under the Post-IPO Share Option Scheme, and the vesting of the RSUs granted under the Pre-IPO RSU Plan and any RSU(s) which may be granted under the Post-IPO RSU Plan, during the period commencing on the date of the Hong Kong Underwriting Agreement and ending on, and including, the date that is six months after the Listing Date (the “**First Six-Month Period**”), we will not, without the prior written consent of and unless permitted by the Sole Sponsor, the Sponsor-OC, the Sole Overall Coordinator and the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters and the Capital Market Intermediaries) and unless permitted by and in compliance with the requirements of the Listing Rules:

- (a) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create any mortgage, charge, pledge, lien or other security interest or any option, restriction, right of first refusal, right of pre-emption or other third party claim, right, interest or preference or any other encumbrance of any kind (“**Encumbrance**”) over, or agree to transfer or dispose of or create an Encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or any other securities of our Company, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares; or
- (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of Shares or any other securities of our Company, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares; or

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- (c) enter into any transaction with the same economic effect as any transaction specified in (a) or (b) above; or

- (d) offer to or agree to or announce any intention to effect any transaction specified in (a), (b) or (c) above,

in each case, whether any of the transactions specified in (a), (b) or (c) above is to be settled by delivery of Shares or such other securities of our Company, or in cash or otherwise (whether or not the issue of Shares or such other securities will be completed within the First Six-Month Period).

In the event that, during the period of six months commencing on the date on which the First Six-Month Period expires (the “**Second Six-Month Period**”), our Company enters into any of the transactions specified in (a), (b) or (c) above or offers to or agrees to or announces any intention to effect any such transaction, our Company shall take all reasonable steps to ensure that it will not create a disorderly or false market in the securities of our Company. Each of the Warrantors (other than our Company) undertakes to each of the Sole Sponsor, the Sponsor-OC, the Sole Overall Coordinator, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Hong Kong Underwriters and the Capital Market Intermediaries to procure our Company to comply with the undertakings in the Hong Kong Underwriting Agreement.

By our Controlling Shareholders

Each of our Controlling Shareholders has undertaken to each of our Company, the Sole Sponsor, the Sponsor-OC, the Sole Overall Coordinator, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Hong Kong Underwriters and the Capital Market Intermediaries that, except as pursuant to the Global Offering (including the issue of Shares pursuant to the exercise of the Over-Allotment Option and any transfers pursuant to the Stock Borrowing Agreement), the Shares to be issued under the Capitalization Issue and the Shares which may be issued pursuant to the exercise of the options granted under the Pre-IPO Share Option Scheme and any options that may be granted under the Post-IPO Share Option Scheme, and the vesting of the RSUs granted under the Pre-IPO RSU Plan and any RSU(s) which may be granted under the Post-IPO RSU Plan, without the prior written consent of and unless permitted by the Sole Sponsor, the Sponsor-OC, the Sole Overall Coordinator and the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters and the Capital Market Intermediaries) and unless permitted by and in compliance with the requirements of the Listing Rules:

- (i) he/she/it will not, and will procure that the relevant registered holder(s) will not, at any time during the First Six-Month Period, (i) sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to purchase, grant or purchase any option, warrant, contract or right to sell, or

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otherwise transfer or dispose of or create an Encumbrance over, or agree to transfer or dispose of or create an Encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or any other securities of our Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares, or any such other securities or any interest in any of the foregoing, as applicable) (the “**Relevant Shares**”) or any interest in any company or entity holding, directly or indirectly, any of the Relevant Shares (the “**Holding Entity**”), or (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of Shares or any other securities of our Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares) or an interest in any Holding Entity, or (iii) enter into any transaction with the same economic effect as any transaction specified in (a) or (b) above, or (iv) offer to or agree to or announce any intention to effect any transaction specified in (a), (b) or (c) above, in each case, whether any of the transactions specified in (a), (b) or (c) above is to be settled by delivery of Shares or such other securities of our Company or shares or other securities of such other member of our Group, as applicable, or in cash or otherwise (whether or not the issue of Shares or such other securities will be completed within the aforesaid period);

- (ii) he/she/it will not, and will procure that the relevant registered holder(s) will not, during the Second Six-Month Period, enter into any of the transactions specified in (i)(a), (b) or (c) above or offer to or agree to or announce any intention to effect any such transaction if, immediately following any sale, transfer or disposal or upon the exercise or enforcement of any option, right, interest or Encumbrance pursuant to such transaction, he/she/it will cease to be a “controlling shareholder” (as the term is defined in the Listing Rules) of our Company; and
- (iii) until the expiry of the Second Six-Month Period, in the event that he/she/it enters into any of the transactions specified in (i)(a), (b) or (c) above or offers to or agrees to or announces any intention to effect any such transaction, he/she/it will take all reasonable steps to ensure that he/she/it will not create a disorderly or false market in the securities of our Company.

Each of our Controlling Shareholders has further undertaken to each of our Company, the Sole Sponsor, the Sponsor-OC, the Sole Overall Coordinator, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Hong Kong Underwriters and the Capital Market Intermediaries that, within the period commencing on the date of this prospectus and ending on the

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date which is twelve months after the Listing Date, he/she/it will immediately inform our Company, the Sole Sponsor, the Sponsor-OC, the Sole Overall Coordinator and the Sole Global Coordinator of:

- (i) any pledges or charges of any Shares or other securities (including any interests therein) of our Company beneficially owned by he/she/it, together with the number of Shares or other securities (including any interests therein) of our Company so pledged or charged and the purpose for which such pledge or charge is to be created; and
- (ii) any indication received by he/she/it, either verbal or written, from the pledgee or chargee of any Shares or other securities (including any interests therein) of our Company pledged or charged that such Shares or other securities (including any interests therein) of our Company so pledged or charged will be disposed of.

By the Relevant Shareholder

Mr. Zhang Yunqing (the “**Relevant Shareholder**”), who is an existing Shareholder of our Company as of the Latest Practicable Date, has entered into a lock-up deed on May 17, 2024 (the “**Lock-up Deed**”) with our Company, the Sole Sponsor, the Sponsor-OC, the Sole Overall Coordinator, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Hong Kong Underwriters and the Capital Market Intermediaries, pursuant to which, in consideration for each of our Company, the Sole Sponsor, the Sponsor-OC, the Sole Overall Coordinator, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Hong Kong Underwriters and the Capital Market Intermediaries taking part in and proceeding with the Global Offering and the mutual covenants and benefits of the parties under the Lock-up Deed, the Relevant Shareholder has irrevocably and unconditionally undertaken to each of our Company, the Sole Sponsor, the Sponsor-OC, the Sole Overall Coordinator, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Hong Kong Underwriters and the Capital Market Intermediaries that, except as pursuant to the Global Offering (including the issue of Shares pursuant to the exercise of the Over-Allotment Option and any transfers pursuant to the Stock Borrowing Agreement), the Shares to be issued under the Capitalization Issue and the Shares which may be issued pursuant to the exercise of the options granted under the Pre-IPO Share Option Scheme and any options that may be granted under the Post-IPO Share Option Scheme, and the vesting of the RSUs granted under the Pre-IPO RSU Plan and any RSU(s) which may be granted under the Post-IPO RSU Plan, without the prior written consent of and unless permitted by the Sole Sponsor, the Sponsor-OC, the Sole Overall Coordinator and the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters and the Capital Market Intermediaries):

- (i) he will not, and will procure that the relevant registered holder(s) will not, at any time during the First Six-Month Period:

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- (a) sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to purchase, grant or purchase any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create an Encumbrance over, or agree to transfer or dispose of or create an Encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or any other securities of our Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares, or any such other securities or any interest in any of the foregoing, as applicable) (the “**Relevant Shareholder’s Shares**”) or any interest in any company or entity holding, directly or indirectly, any of the Relevant Shareholder’s Shares (the “**Relevant Holding Entity**”); or
- (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of (1) Shares or any other securities of our Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares) or (2) an interest in any Relevant Holding Entity; or
- (c) enter into any transaction with the same economic effect as any transaction specified in (a) or (b) above; or
- (d) offer to or agree to or announce any intention to effect any transaction specified in (a), (b) or (c) above, in each case, whether any of the transactions specified in (a), (b) or (c) above is to be settled by delivery of Shares or such other securities of our Company or shares or other securities of such other member of our Group, as applicable, or in cash or otherwise (whether or not the issue of Shares or such other securities will be completed within the aforesaid period).

Notwithstanding anything to the contrary contained in the above, the Relevant Shareholder shall not be prevented from conducting any of the actions in relation to any Relevant Shareholder’s Shares as set out in the above if he would remain as the beneficial owner (whether direct or indirect) of such Relevant Shareholder’s Shares as a result of any such action.

The Relevant Shareholder has further irrevocably and unconditionally undertaken to each of our Company, the Sole Sponsor, the Sponsor-OC, the Sole Overall Coordinator, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Hong Kong Underwriters and the Capital Market Intermediaries that, within the period commencing on the date of this prospectus

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and ending on the date which is six months after the Listing Date, the Relevant Shareholder will immediately inform our Company, the Sole Sponsor, the Sponsor-OC, the Sole Overall Coordinator and the Sole Global Coordinator of:

- (i) any pledges or charges of any Shares or other securities (including any interests therein) of our Company beneficially owned by him, together with the number of Shares or other securities (including any interests therein) of our Company so pledged or charged and the purpose for which such pledge or charge is to be created; and
- (ii) any indication received by he, either verbal or written, from the pledgee or chargee of any Shares or other securities (including any interests therein) of our Company pledged or charged that such Shares or other securities (including any interests therein) of our Company so pledged or charged will be disposed of.

Underwriters' interests in our Group

Save for their respective obligations under the Hong Kong Underwriting Agreement and the International Placing Agreement or as otherwise disclosed in this prospectus, as of the Latest Practicable Date, none of the Underwriters was interested directly or indirectly in any of our Shares or securities or any shares or securities of any other member of our Group or had any right or option (whether legally enforceable or not) to subscribe for, or to nominate persons to subscribe for, any of our Shares or securities or any shares or securities of any other member of our Group.

Following the completion of the Global Offering, the Underwriters and their affiliated companies may hold a certain portion of our Shares as a result of fulfilling their respective obligations under the Hong Kong Underwriting Agreement and International Placing Agreement.

The Sole Sponsor's Independence

The Sole Sponsor satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

The International Placing

International Placing

In connection with the International Placing, we expect to enter into the International Placing Agreement on the Price Determination Date with the International Underwriters and the Capital Market Intermediaries. Under the International Placing Agreement, the International Underwriters would, subject to certain conditions, severally and not jointly, agree to purchase the International

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Placing Shares or procure purchasers for the International Placing Shares initially being offered pursuant to the International Placing. See “Structure and Conditions of the Global Offering — The International Placing” in this prospectus.

Under the International Placing Agreement, we intend to grant to the International Underwriters and the Capital Market Intermediaries the Over-Allotment Option, exercisable in whole or in part at one or more times, at the sole and absolute discretion of the Sole Overall Coordinator and Sole Global Coordinator for itself and on behalf of the International Underwriters from the Listing Date until 30 days from the last day for the lodging of applications under the Hong Kong Public Offer to require us to issue and allot up to an aggregate of 14,643,000 additional Offer Shares, representing approximately 15% of the Offer Shares initially available under the Global Offering and at the Offer Price, to cover, among other things, any over-allocations in the International Placing, if any.

The Lesso Preferential Offering forms part of the International Placing. See “Structure and Conditions of the Global Offering — The Lesso Preferential Offering” for further details.

Total Commission and Expenses

The Underwriters and the Capital Market Intermediaries involved in the Global Offering (including all Underwriters) will receive an underwriting commission of 3.5% of the aggregate Offer Price of the Offer Shares (including any Offer Shares to be issued pursuant to the exercise of the Over-Allotment Option) (“**Fixed Fees**”). In addition, we will pay to the Underwriters and the Capital Market Intermediaries an incentive fee of up to 1.5% of the aggregate Offer Price of the Offer Shares (including any Offer Shares to be issued pursuant to the exercise of the Over-Allotment Option) (“**Incentive Fees**”). Assuming the Incentive Fees are paid in full, the ratio of the Fixed Fees and the Incentive Fees is therefore 70:30.

Assuming the Over-Allotment Option is not exercised and based on an Offer Price of HK\$2.67 (being the mid-point of the stated range of the Offer Price between HK\$2.28 and HK\$3.06), the aggregate commissions and estimated expenses, together with the Stock Exchange listing fee, SFC transaction levy, AFRC transaction levy, Stock Exchange trading fee, legal and other professional fees, printing and other fees and expenses relating to the Global Offering, are estimated to amount to approximately HK\$59.9 million in total.

Indemnity

Each of our Company, our Controlling Shareholders and our Executive Directors (other than Ms. LI Qin) has jointly and severally undertaken to indemnify and keep indemnified on demand (on an after-tax basis) and hold harmless each of the Sole Sponsor, the Sponsor-OC, the Sole

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Overall Coordinator, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, and the Hong Kong Underwriters and the Capital Market Intermediaries (for itself and on trust for its directors, officers, employees, agents, assignees and affiliates) from and against certain losses which they may suffer, including losses arising from their performance of their obligations under the Hong Kong Underwriting Agreement and any breach by us or any of the other Warrantors of the Hong Kong Underwriting Agreement.

Restrictions on the Offer Shares

No action has been taken to permit a public offer of the Offer Shares, other than in Hong Kong, or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation.

Over-Allotment

Details of the arrangements relating to the Over-Allotment Option, if any, are set forth in the section headed “Structure and Conditions of the Global Offering — Over-Allotment Option”.

ACTIVITIES BY SYNDICATE MEMBERS

The underwriters of the Hong Kong Public Offer and the International Placing and the Capital Market Intermediaries (together, the “**Syndicate Members**”) and their affiliates may each individually undertake a variety of activities (as further described below) which do not form part of the underwriting or stabilizing process.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the account of others. In the ordinary course of their various business activities, the Syndicate Members and their respective affiliates may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers. Such investment and trading activities may involve or relate to assets, securities and/or instruments our Company and/or persons and entities with relationships with our Company and may also include swaps and other financial instruments entered into for hedging purposes in connection with our Group’s loans and other debt.

UNDERWRITING

In relation to the Shares, the activities of the Syndicate Members and their affiliates could include acting as agent for buyers and sellers of the Shares, entering into transactions with those buyers and sellers in a principal capacity, including as a lender to initial purchasers of the Shares (which financing may be secured by the Shares) in the Global Offering, proprietary trading in the Shares, and entering into over the counter or listed derivative transactions or listed or unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have as their underlying assets, assets including the Shares. Such transactions may be carried out as bilateral agreements or trades with selected counterparties. Those activities may require hedging activity by those entities involving, directly or indirectly, the buying and selling of the Shares, which may have a negative impact on the trading price of the Shares. All such activities could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in the Shares, in baskets of securities or indices including the Shares, in units of funds that may purchase the Shares, or in derivatives related to any of the foregoing.

In relation to issues by Syndicate Members or their affiliates of any listed securities having the Shares as their underlying securities, whether on the Stock Exchange or on any other stock exchange, the relevant rules of the exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in the Shares in most cases.

All such activities may occur both during and after the end of the stabilizing period described in the section headed “Structure and Conditions of the Global Offering” in this prospectus. Such activities may affect the market price or value of the Shares, the liquidity or trading volume in the Shares and the volatility of the price of the Shares, and the extent to which this occurs from day to day cannot be estimated.

It should be noted that when engaging in any of these activities, the Syndicate Members will be subject to certain restrictions, including the following:

- (a) the Syndicate Members (other than the Stabilizing Manager or any person acting for it) must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares) whether in the open market or otherwise, with a view to stabilizing or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and
- (b) the Syndicate Members must comply with all applicable laws and regulations, including the market misconduct provisions of the SFO, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

UNDERWRITING

Certain of the Syndicate Members or their respective affiliates have provided from time to time, and expect to provide in the future, investment banking and other services to our Company and its affiliates for which such Syndicate Members or their respective affiliates have received or will receive customary fees and commissions.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offer as part of the Global Offering. The Global Offering comprises:

- the Hong Kong Public Offer of initially 9,763,000 Offer Shares (subject to reallocation as mentioned below) in Hong Kong as described below in the paragraph headed “— The Hong Kong Public Offer”; and
- the International Placing of initially 87,862,000 Offer Shares (subject to reallocation and the Over-Allotment Option as described below) outside the United States (including to professional, institutional and corporate investors and other investors anticipated to have a sizeable demand for the Offer Shares in Hong Kong) in offshore transactions in reliance on Regulation S and the applicable laws of the jurisdiction where those offers and sales occur.

Of the 87,862,000 Offer Shares initially being offered under the International Placing, 4,882,000 Offer Shares will be offered under the Lesso Preferential Offering to the Lesso Qualifying Shareholder(s) as an Lesso Qualifying Shareholders’ Assured Entitlement as described in “— The Lesso Preferential Offering” in this section.

Investors may either:

- apply for the Hong Kong Offer Shares under the Hong Kong Public Offer; or
- apply for or indicate an interest for the International Placing Shares under the International Placing,

but may not do both (except that Lesso Qualifying Shareholder(s) who are eligible to apply for the Lesso Reserved Shares in the Lesso Preferential Offering may also either (i) apply for Hong Kong Offer Shares under the Hong Kong Public Offer, if eligible, or (ii) indicate an interest for International Placing Shares under the International Placing, if qualified to do so).

The 97,625,000 Offer Shares in the Global Offering will represent approximately 22% of our enlarged share capital immediately after the completion of the Global Offering and the Capitalization Issue, without taking into account the exercise of the Over-Allotment Option. If the Over-Allotment Option is exercised in full, the Offer Shares will represent approximately 25% of our enlarged share capital immediately following the completion of the Global Offering and the Capitalization Issue.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

References to applications, application monies or procedure for applications relate solely to the Hong Kong Public Offer and the Lesso Preferential Offering.

THE HONG KONG PUBLIC OFFER

Number of Offer Shares initially offered

We are initially offering for subscription by the public in Hong Kong 9,763,000 Offer Shares, representing approximately 10% of the total number of Offer Shares initially available under the Global Offering. Subject to the reallocation of Offer Shares between the International Placing and the Hong Kong Public Offer, the number of Offer Shares offered under the Hong Kong Public Offer will represent approximately 2.2% of our enlarged issued share capital immediately after completion of the Global Offering and the Capitalization Issue, assuming the Over-Allotment Option is not exercised.

The Hong Kong Public Offer is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities that regularly invest in shares and other securities.

Completion of the Hong Kong Public Offer is subject to the conditions as set forth below in “Conditions of the Global Offering” in this section.

Allocation

Allocation of Hong Kong Offer Shares to investors under the Hong Kong Public Offer will be based on the level of valid applications received under the Hong Kong Public Offer. The basis of allocation may vary depending on the number of Hong Kong Offer Shares validly applied for by applicants. We may, if necessary, allocate the Hong Kong Offer Shares on the basis of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

For allocation purposes only, the total number of Offer Shares available under the Hong Kong Public Offer is to be divided equally into two pools (with any odd lots being allocated to pool A):

- **Pool A:** The Hong Kong Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for the Hong Kong Offer Shares with an aggregate subscription price of HK\$5 million or less (excluding brokerage, SFC transaction levy, AFRC transaction levy and Stock Exchange trading fee payable); and

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

- **Pool B:** The Hong Kong Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for the Hong Kong Offer Shares with an aggregate subscription price of more than HK\$5 million and up to the total value of pool B (excluding brokerage, SFC transaction levy, AFRC transaction levy and Stock Exchange trading fee payable).

Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If the Hong Kong Offer Shares in one (but not both) of the pools are under-subscribed, the surplus Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in the pool and be allocated accordingly. For the purpose of this subsection only, the “subscription price” for the Hong Kong Offer Shares means the price payable on application therefor (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of Hong Kong Offer Shares from either pool A or pool B but not from both pools. Multiple or suspected multiple applications under the Hong Kong Public Offer and any application for more than 4,881,000 Hong Kong Offer Shares will be rejected.

Reallocation

The allocation of the Offer Shares between the Hong Kong Public Offer and the International Placing is subject to reallocation at the discretion of the Sole Overall Coordinator and the Sole Global Coordinator, subject to the following:

- (a) where the International Placing Shares are fully subscribed or oversubscribed:
 - (i) if the Hong Kong Offer Shares are undersubscribed, the Sole Overall Coordinator and the Sole Global Coordinator has the authority to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Placing, in such proportions as the Sole Overall Coordinator and Sole Global Coordinator deems appropriate;
 - (ii) if the number of Offer Shares validly applied for under the Hong Kong Public Offer represents less than 15 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offer, then up to 9,762,000 Offer Shares may be reallocated to the Hong Kong Public Offer from the International Placing in accordance with the Chapter 4.14 under the Guide for New Listing Applicants published by the Stock Exchange, so that the total number of the Offer Shares available under the Hong Kong Public Offer will be increased to 19,525,000 Offer Shares, representing 20% of the total number of the Offer Shares initially available under the Global Offering;

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

- (iii) if the number of Offer Shares validly applied for under the Hong Kong Public Offer represents (1) 15 times or more but less than 50 times, (2) 50 times or more but less than 100 times, and (3) 100 times or more of the number of Offer Shares initially available under the Hong Kong Public Offer, the Offer Shares will be reallocated to the Hong Kong Public Offer from the International Placing in accordance with the clawback requirements set forth in paragraph 4.2 of Practice Note 18 of the Listing Rules, so that the total number of Hong Kong Offer Shares will be increased to 29,288,000 Offer Shares (in the case of (1)), 39,050,000 Offer Shares (in the case of (2)) and 48,813,000 Offer Shares (in the case of (3)), representing approximately 30%, 40% and approximately 50% of the Offer Shares initially available under the Global Offering, respectively;
- (b) where the International Placing Shares are undersubscribed:
 - (i) if the Hong Kong Offer Shares are also undersubscribed, the Global Offering will not proceed unless the Underwriters would subscribe for or procure subscribers for their respective applicable proportions of the Offer Shares being offered which are not taken up under the Global Offering on the terms and conditions of this prospectus and the Underwriting Agreements; and
 - (ii) if the Hong Kong Offer Shares are fully subscribed or oversubscribed (irrespective of the extent of over-subscription), then up to 9,762,000 Offer Shares may be reallocated to the Hong Kong Public Offer from the International Placing, so that the total number of the Offer Shares available under the Hong Kong Public Offer will be increased to 19,525,000 Offer Shares, representing 20% of the total number of the Offer Shares initially available under the Global Offering.

In the event of reallocation of Offer Shares from the International Placing to the Hong Kong Public Offer in the circumstances described in paragraph (a)(ii) or (b)(ii) above, the final Offer Price shall be fixed at the bottom end of the Offer Price Range (i.e. HK\$2.28 per Offer Share) according to Chapter 4.14 under the Guide for New Listing Applicants published by the Stock Exchange.

In all cases of reallocation of Offer Shares from the International Placing to the Hong Kong Public Offer, the additional Offer Shares reallocated to the Hong Kong Public Offer will be allocated between pool A and pool B in equal proportion and the number of Offer Shares allocated to the International Placing will be correspondingly reduced.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

The Lesso Reserved Shares which are offered under the Lesso Preferential Offering to Lesso Qualifying Shareholder(s) out of the Offer Shares being offered under the International Placing will not be subject to reallocation between the Hong Kong Public Offer and the International Placing.

Applications

Each applicant under the Hong Kong Public Offer will be required to give an undertaking and confirmation in the application submitted by him that he and any person(s) for whose benefit he is making the application has not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Placing Shares under the International Placing (except in respect of the Lesso Reserved Shares applied for pursuant to the Lesso Preferential Offering), and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or it has been or will be placed or allocated International Placing Shares under the International Placing.

Applicants under the Hong Kong Public Offer may be required to pay, on application (subject to application channels), maximum price of HK\$3.06 per Offer Share in addition to brokerage of 1.0%, SFC transaction levy of 0.0027%, AFRC transaction levy of 0.00015% and Stock Exchange trading fee of 0.00565% on each Offer Share, amounting to a total of HK\$3,090.85 for one board lot of 1,000 Shares. If the Offer Price, as finally determined on the Price Determination Date in the manner as described below in the paragraph headed “— Pricing and Allocation”, is less than the maximum price of HK\$3.06 per Offer Share, appropriate refund payments (including brokerage, SFC transaction levy, AFRC transaction levy and Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants (subject to application channels), without interest. For further details, see “How to Apply for Hong Kong Offer Shares and Lesso Reserved Shares” in this prospectus.

THE LESSO PREFERENTIAL OFFERING

Basis of the Lesso Qualifying Shareholders' Assured Entitlement

In order to enable Lesso Shareholders to participate in the Global Offering on a preferential basis as to allocation only, subject to the Stock Exchange granting approval for the listing of, and permission to deal in, the Shares on the Main Board and such approval not having been withdrawn and the Global Offering becoming unconditional, Lesso Qualifying Shareholders are being invited to apply for an aggregate of 4,882,000 Lesso Reserved Shares in the Lesso Preferential Offering, representing approximately 5.6% and approximately 5.0% of the Offer Shares initially available under the International Placing and the Global Offering, respectively, as an Assured Entitlement.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

The Lesso Reserved Shares are being offered out of the International Placing Shares under the International Placing and are not subject to reallocation as described in “— The Hong Kong Public Offer — Reallocation” in this section.

The basis of the Lesso Qualifying Shareholders’ Assured Entitlement is one Reserved Share for every integral multiple of 636 Lesso Shares held by each Lesso Qualifying Shareholder as of 4:30 p.m. on the Lesso Qualifying Shareholders’ Assured Entitlement Record Date.

Lesso Qualifying Shareholder(s) should note that their Lesso Qualifying Shareholders’ Assured Entitlement to the Lesso Reserved Shares may not represent a full board lot of 1,000 Shares. Further, the Lesso Reserved Shares allocated to the Lesso Qualifying Shareholder(s) will be rounded down to the nearest whole number if required. No odd lot matching services will be provided and dealings in odd lots of the Shares may be at a price below the prevailing market price for full board lots.

Lesso Qualifying Shareholders’ Assured Entitlement of Lesso Qualifying Shareholder(s) to Lesso Reserved Shares are not transferrable. There will be no trading in nil-paid entitlements on the Stock Exchange.

Lesso Qualifying Shareholder(s) who hold less than 636 Lesso Shares on the Lesso Qualifying Shareholders’ Assured Entitlement Record Date and therefore will not have an Lesso Qualifying Shareholders’ Assured Entitlement to the Lesso Reserved Shares will still be entitled to participate in the Lesso Preferential Offering by applying only for excess Lesso Reserved Shares as further described below.

Basis of Allocation for Applications for Lesso Reserved Shares

Lesso Qualifying Shareholder(s) may apply for a number of Lesso Reserved Shares which is greater than, less than or equal to their Lesso Qualifying Shareholders’ Assured Entitlement or may apply for excess Lesso Reserved Shares under the Lesso Preferential Offering.

Where a Lesso Qualifying Shareholder applies for Lesso Reserved Shares, the Lesso Qualifying Shareholders’ Assured Entitlement portion under such application will be satisfied in full, subject to the terms and conditions set out in the **HK eIPO Blue Form** service via www.hkeipo.hk and assuming the conditions of the Lesso Preferential Offering are satisfied, but the excess portion under such application will only be satisfied to the extent that there are sufficient Available Lesso Reserved Shares (as defined below).

Lesso Qualifying Shareholders should make a payment of the corresponding amount on the designated website of the **HK eIPO Blue Form** service at www.hkeipo.hk.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

To the extent that excess applications for the Lesso Reserved Shares are:

- (a) less than the Lesso Reserved Shares not taken up by the Lesso Qualifying Shareholder(s) (the “**Available Lesso Reserved Shares**”), the Available Lesso Reserved Shares will first be allocated to satisfy such excess applications for the Lesso Reserved Shares in full and if there are any Lesso Reserved Shares remaining after satisfying the excess applications, such Lesso Reserved Shares will be reallocated, at the discretion of the Sole Overall Coordinator and Sole Global Coordinator, to the International Placing;
- (b) equal to the Available Lesso Reserved Shares, the Available Lesso Reserved Shares will be allocated to satisfy such excess applications for the Lesso Reserved Shares in full; or
- (c) more than the Available Lesso Reserved Shares, the Available Lesso Reserved Shares will be allocated on an allocation basis which will be consistent with the allocation basis commonly used in the case of over-subscriptions in public offers in Hong Kong, where a higher allocation percentage will be applied in respect of smaller applications of excess Lesso Reserved Shares.

If there are any Shares remaining after satisfying the excess applications, such Shares will be re-allocated, at the discretion of the Sole Overall Coordinator and Sole Global Coordinator, to the International Placing.

No preference will be given to any excess applications made to top up odd lot holdings to whole lot holdings of Shares.

Save for the above, the Lesso Preferential Offering will not be subject to the clawback arrangement between the International Placing and the Hong Kong Public Offer.

Lesso Beneficial Shareholder(s) (not being Lesso Non-Qualifying Shareholder(s)) whose Lesso Shares are held by a nominee company should note that our Company will regard the nominee company as a single Lesso Shareholder according to the register of members of Lesso. Accordingly, such Lesso Beneficial Shareholder(s) whose Lesso Shares are held by a nominee company should note that the arrangement under paragraph (c) above will not apply to them individually. Any Lesso Beneficial Shareholder(s) (not being Lesso Non-Qualifying Shareholder(s)) whose Lesso Shares are registered in the name of a nominee, trustee or registered holder in any other capacity should make arrangements which such nominee, trustee or registered holder in relation to the applications for Lesso Reserved Shares under the Lesso Preferential Offering. Any such person is advised to consider whether it wishes to arrange for registration of the relevant Lesso Shares in the name of the beneficial owner prior to the Lesso Qualifying Shareholders’ Assured Entitlement Record Date.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

Applications by Lesso Qualifying Shareholder(s) for Hong Kong Offer Shares

In addition to any application for Lesso Reserved Shares made either through the **HK eIPO Blue Form** service at www.hkeipo.hk, Lesso Qualifying Shareholder(s), if eligible, will be entitled to make one application for Hong Kong Offer Shares by applying through the HKSCC EIPO channel or through the **HK eIPO White Form** service. Lesso Qualifying Shareholder(s) will receive no preference as to entitlement or allocation in respect of applications for Hong Kong Offer Shares through the HKSCC EIPO channel or through the **HK eIPO White Form** service under the Hong Kong Public Offer.

Lesso Qualifying Shareholder(s) and Lesso Non-Qualifying Shareholder(s)

Only Lesso Shareholders whose names appeared on the register of members of Lesso on the Lesso Qualifying Shareholders' Assured Entitlement Record Date and who are not Lesso Non-Qualifying Shareholder(s) are entitled to subscribe for the Lesso Reserved Shares under the Lesso Preferential Offering.

Lesso Non-Qualifying Shareholder(s) are those Lesso Shareholders with registered addresses in, or who are otherwise known by Lesso to be residents of, jurisdictions outside Hong Kong on the Lesso Qualifying Shareholders' Assured Entitlement Record Date, in respect of whom the directors of Lesso and our Company, based on the enquiries made by them, consider it necessary or expedient to exclude from the Lesso Preferential Offering on account either of the legal restrictions under the laws of the relevant jurisdiction in which the relevant Lesso Shareholder is resident or the requirements of the relevant regulatory body or stock exchange in that jurisdiction.

The directors of Lesso and our Company have made enquiries regarding the legal restrictions under the applicable securities legislation of the Specified Territories and the requirements of the relevant regulatory bodies or stock exchanges with respect to the offer of the Lesso Reserved Shares to the Lesso Shareholders in the Specified Territories. Having considered the circumstances, the directors of Lesso and our Company have formed the view that it is necessary or expedient to restrict the ability of Lesso Shareholders in the Specified Territories to take up their Lesso Qualifying Shareholders' Assured Entitlement to the Lesso Reserved Shares under the Lesso Preferential Offering due to the time and costs involved in the registration or filing of this prospectus and/or approval required by the relevant authorities in those territories and/or additional steps which our Company and the Lesso Shareholders would need to take to comply with the local legal and/or other requirements which would need to be satisfied in order to comply with the relevant local or regulatory requirements in those territories.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

Accordingly, for the purposes of the Lesso Preferential Offering, the Lesso Non-Qualifying Shareholder(s) are:

- (a) Lesso Shareholders whose names appeared in the register of members of Lesso on the Lesso Qualifying Shareholders' Assured Entitlement Record Date and whose addresses as shown in such register are in any of the Specified Territories; and
- (b) Lesso Shareholders or Lesso Beneficial Shareholder(s) on the Lesso Qualifying Shareholders' Assured Entitlement Record Date who are otherwise known by Lesso to be resident in any of the Specified Territories.

Notwithstanding any other provision in this prospectus or at www.hkeipo.hk of the **HK eIPO Blue Form** service, our Company reserves the right to permit any Lesso Shareholder to take up his/her/its Lesso Qualifying Shareholders' Assured Entitlement to the Lesso Reserved Shares if our Company, in its absolute discretion, is satisfied that the transaction in question is exempt from or not subject to the legislation or regulations giving rise to the restrictions described above.

Distribution of this prospectus

Lesso Qualifying Shareholder(s) will receive a copy of this prospectus in the manner in which they have elected, or are deemed to have elected, to receive corporate communications under Lesso's corporate communications policy.

If a Lesso Qualifying Shareholder has elected to receive corporate communications from Lesso in printed form, a printed copy of this prospectus in the elected language version(s) will be despatched to such Lesso Qualifying Shareholder.

If a Lesso Qualifying Shareholder has (a) elected to receive an electronic version of corporate communications or (b) is deemed to have consented to receiving the electronic version of corporate communications from Lesso, an electronic version of this prospectus (which is identical to the printed prospectus) can be accessed and downloaded from the website of the Stock Exchange (www.hkexnews.hk) and the website of our Company (www.edayun.cn).

Distribution of this prospectus into any jurisdiction other than Hong Kong may be restricted by law. Persons into whose possession this prospectus come (including, without limitation, agents, custodians, nominees and trustees) should inform themselves of, and observe, any such restriction. Any failure to comply with such restriction may constitute a violation of the securities laws of any such jurisdiction.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

Receipt of this prospectus does not and will not constitute an offer in those jurisdictions in which it would be illegal to make an offer and, in those circumstances, this prospectus must be treated as sent for information only and should not be copied or redistributed.

Application Procedures

The procedures for application under and the terms and conditions of the Lesso Preferential Offering are set out in “How to Apply for Hong Kong Offer Shares and Lesso Reserved Shares — B. Application for Lesso Reserved Shares” in this prospectus and at www.hkeipo.hk of the **HK eIPO Blue Form** service.

The documents to be issued in connection with the Hong Kong Public Offer and the Lesso Preferential Offering will not be registered or filed under applicable securities or equivalent legislation of any jurisdiction other than Hong Kong. No action has been taken to permit an offering of the Hong Kong Offer Shares and the Lesso Reserved Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation.

THE INTERNATIONAL PLACING

Number of Offer Shares Initially Offered

We will be initially offering for subscription under the International Placing 87,862,000 Offer Shares, representing approximately 90% of the Offer Shares under the Global Offering. Subject to the reallocation of Offer Shares between the International Placing and the Hong Kong Public Offer, the number of Offer Shares offered under the International Placing will represent approximately 20.0% of our enlarged issued share capital immediately after completion of the Global Offering and the Capitalization Issue, assuming the Over-Allotment Option is not exercised. The Lesso Reserved Shares being offered pursuant to the Lesso Preferential Offering are being offered out of the International Placing Shares.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

Allocation

The International Placing Shares will conditionally be offered to selected professional, institutional and corporate investors and other investors anticipated to have a sizeable demand for our Offer Shares in Hong Kong and other jurisdictions outside the United States in offshore transactions in reliance on Regulation S. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Prospective professional, institutional and other investors will be required to specify the number of the International Placing Shares under the International Placing they would be prepared to acquire either at different prices or at a particular price. This process, known as “book-building,” is expected to continue up to the Price Determination Date.

Allocation of the International Placing Shares pursuant to the International Placing will be determined by the Sole Overall Coordinator and the Sole Global Coordinator and will be based on a number of factors including the level and timing of demand, total size of the relevant investor’s invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further, and/or hold or sell its Shares, after the listing of the Shares on the Stock Exchange. Such allocation is intended to result in a distribution of the International Placing Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of our Company and our Shareholders as a whole.

The Sole Overall Coordinator and the Sole Global Coordinator (for itself and on behalf of the Underwriters and the Capital Market Intermediaries) may require any investor who has been offered Offer Shares under the International Placing and who has made an application under the Hong Kong Public Offer to provide sufficient information to the Sole Overall Coordinator and the Sole Global Coordinator so as to allow them to identify the relevant applications under the Hong Kong Public Offer and to ensure that they are excluded from any applications of Hong Kong Offer Shares under the Hong Kong Public Offer.

Reallocation

The total number of Offer Shares to be issued pursuant to the International Placing may change as a result of the clawback arrangement as described above in the paragraph headed “— The Hong Kong Public Offer — Reallocation” or the Over-Allotment Option in whole or in part and/or any reallocation of unsubscribed Offer Shares originally included in the Hong Kong Public Offer.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

OVER-ALLOTMENT OPTION

In connection with the Global Offering, it is expected that we will grant the Over-Allotment Option to the International Underwriters.

Pursuant to the Over-Allotment Option, the International Underwriters will have the right, exercisable by the Sole Overall Coordinator and the Sole Global Coordinator (for itself and on behalf of the International Underwriters) at any time from the Listing Date until 30 days after the last day for lodging applications under the Hong Kong Public Offer, to require our Company to issue up to 14,643,000 Shares, representing approximately 15% of the Offer Shares initially available under the Global Offering, at the Offer Price under the International Placing to, among other things, cover over-allocations in the International Placing, if any.

If the Over-Allotment Option is exercised in full, the additional Shares to be issued pursuant thereto will represent approximately 3.2% of our enlarged issued share capital immediately following the completion of the Global Offering and the Capitalization Issue. In the event that the Over-Allotment Option is exercised, an announcement will be made.

STABILIZATION

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the underwriters may bid for, or purchase, the securities in the secondary market, during a specified period of time, to retard and, if possible, prevent a decline in the initial public market price of the securities below the offer price. Such transactions may be effected in all jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulatory requirements, including those of Hong Kong. In Hong Kong, the price at which stabilization is effected is not permitted to exceed the offer price.

In connection with the Global Offering, the Stabilizing Manager, or any person acting for it, on behalf of the Underwriters, may over-allocate or effect transactions with a view to stabilizing or supporting the market price of our Shares at a level higher than that which might otherwise prevail in the open market for a limited period after the Listing Date. However, there is no obligation on the Stabilizing Manager or any persons acting for it to conduct any such stabilizing action. Such stabilizing action, if taken, will be conducted at the absolute discretion of the Stabilizing Manager or any person acting for it and may be discontinued at any time, and is required to be brought to an end on Saturday, June 22, 2024, being the 30th day after the last day for lodging applications under the Hong Kong Public Offer.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

Stabilization action permitted in Hong Kong under the Securities and Futures (Price Stabilizing) Rules of the SFO includes (i) over-allocating for the purpose of preventing or minimizing any reduction in the market price of our Shares, (ii) selling or agreeing to sell our Shares so as to establish a short position in them for the purpose of preventing or minimizing any reduction in the market price of our Shares, (iii) purchasing, or agreeing to purchase, our Shares pursuant to the Over-Allotment Option in order to close out any position established under (i) or (ii) above, (iv) purchasing, or agreeing to purchase, any of our Shares for the sole purpose of preventing or minimizing any reduction in the market price of our Shares, (v) selling or agreeing to sell any Shares in order to liquidate any position established as a result of those purchases, and (vi) offering or attempting to do anything as described in (ii), (iii), (iv) or (v) above.

Stabilization actions by the Stabilizing Manager, or any person acting for it shall be entered into in accordance with the laws, rules and regulations in place in Hong Kong on stabilization.

Specifically, prospective applicants for and investors in the Shares should note that:

- the Stabilizing Manager (or any person acting for it) may, in connection with the stabilizing action, maintain a long position in the Shares;
- there is no certainty as to the extent to which and the time or period for which the Stabilizing Manager (or any person acting for it) will maintain such a long position;
- liquidation of any such long position by the Stabilizing Manager (or any person acting for it) and selling in the open market may have an adverse impact on the market price of the Shares;
- no stabilizing action can be taken to support the price of the Shares for longer than the stabilizing period which will begin on the Listing Date and is expected to end on Saturday, June 22, 2024, being the 30th day after the last day for lodging applications under the Hong Kong Public Offer. After this date, when no further action may be taken to support the price of the Shares, demand for the Shares, and therefore the price of the Shares, could fall;
- the price of the Shares cannot be assured to stay at or above the Offer Price by the taking of any stabilizing action; and
- stabilizing bids or transactions effected in the course of the stabilizing action may be made at any price at or below the Offer Price, which means that stabilizing bids or transactions effected may be made at a price below the price paid by applicants for, or investors in, the Offer Shares.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

Our Company will ensure or procure that an announcement in compliance with the Securities and Futures (Price Stabilizing) Rules of the SFO will be made within seven days of the expiration of the stabilization period.

OVER-ALLOCATION

Following any over-allocation of Shares in connection with the Global Offering, the Stabilizing Manager (or any person acting for it) may cover such over-allocations by (among other methods) exercising the Over-allotment Option in full or in part, using Shares purchased by the Stabilizing Manager (or any person acting for it) in the secondary market at prices that do not exceed the Offer Price, or through the stock borrowing arrangement as detailed below or a combination of these means.

STOCK BORROWING AGREEMENT

In order to facilitate the settlement of over-allocations in connection with the Global Offering, the Stabilizing Manager may choose to enter into an agreement with EDA Shine International Limited, a Controlling Shareholder of our Company, to borrow, whether on its own or through its affiliates, up to 14,643,000 Shares, representing approximately 15.0% of the total number of the Offer Shares initially available for the Global Offering. The stock borrowing arrangement under such an agreement, if entered into, will not be subject to the restrictions of Rule 10.07(1)(a) of the Listing Rules, provided that the requirements set forth in Rule 10.07(3) of the Listing Rules are complied with as follows:

- such stock borrowing arrangement is fully described in this prospectus and must be for the sole purpose of covering any short position prior to the exercise of the Over-Allotment Option;
- the maximum number of Shares to be borrowed from EDA Shine International Limited by the Stabilizing Manager (or any person acting for it) is the maximum number of Shares which may be issued upon full exercise of the Over-Allotment Option;
- the same number of Shares so borrowed must be returned to EDA Shine International Limited or its nominee(s) within three business days following the earlier of (a) the last day on which the Over-Allotment Option may be exercised, (b) the day on which the Over-Allotment Option is exercised in full, and (c) such earlier time as may be agreed in writing between EDA Shine International Limited and the Stabilizing Manager;
- the stock borrowing arrangement will be effected in compliance with all applicable listing rules, laws and other regulatory requirements; and
- no payment will be made to EDA Shine International Limited by the Stabilizing Manager (or any person acting for it) in relation to the stock borrowing arrangement.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

PRICING AND ALLOCATION

Our Company, the Sole Overall Coordinator and the Sole Global Coordinator (for itself and on behalf of the Underwriters and the Capital Market Intermediaries) will determine the Offer Price and sign an agreement on the Price Determination Date, when market demand for the Offer Shares will be determined. The Price Determination Date is expected to be on or around Friday, May 24, 2024, and in any event, not later than 12:00 noon on Friday, May 24, 2024.

The Offer Price will not be more than HK\$3.06 per Offer Share and is expected to be not less than HK\$2.28 per Offer Share, unless otherwise announced, as further explained below. If you apply for the Offer Shares under the Hong Kong Public Offer, you may be required to pay the maximum price of HK\$3.06 per Offer Share (subject to application channels), plus brokerage of 1.0%, SFC transaction levy of 0.0027%, AFRC transaction levy of 0.00015% and Stock Exchange trading fee of 0.00565%, amounting to a total of HK\$3,090.85 for one board lot of 1,000 Shares.

If the Offer Price, as finally determined in the manner described below, is lower than HK\$3.06, we will refund the respective difference (subject to application channels), including brokerage, SFC transaction levy, AFRC transaction levy and Stock Exchange trading fee attributable to the surplus application monies. We will not pay interest on any refunded amounts. For more details, see “How to Apply for Hong Kong Offer Shares and Lessor Reserved Shares” in this prospectus.

The International Underwriters will be soliciting from prospective investors indications of interest in acquiring Offer Shares in the International Placing. Prospective professional and institutional investors will be required to specify the number of Offer Shares under the International Placing they would be prepared to acquire either at different prices or at a particular price. This process, known as “book-building”, is expected to continue up to, and to cease on or around, the last day for lodging applications under the Hong Kong Public Offer.

The Sole Overall Coordinator and the Sole Global Coordinator (for itself and on behalf of the Underwriters and the Capital Market Intermediaries) may, where considered appropriate, based on the level of interest expressed by prospective professional, institutional and other investors during the book-building process, and with the consent of our Company, reduce the number of Offer Shares and/or the Offer Price Range below that stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offer. In such a case, we will as soon as practicable following the decision to make such reduction and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offer publish a notice on the website of the Stock Exchange at www.hkexnews.hk and our website at www.edayun.cn (the contents of the website do not form a part of this prospectus). The Company will also, as soon as practicable following the decision to make such a change, issue a

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

supplemental prospectus updating investors of the change in the number of Offer Shares being offered under the Global Offering and/or the Offer Price. The Global Offering must first be canceled and subsequently relaunched on FINI pursuant to the supplemental prospectus.

Before submitting applications for the Hong Kong Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares and/or the Offer Price Range may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offer. Such notice will also confirm or revise, as appropriate, the working capital statement, the Global Offering statistics as currently set out in “Summary” in this prospectus, and any other financial information which may change as a result of such reduction. In the absence of any such notice so published, the Offer Price, if agreed upon with our Company, the Sole Overall Coordinator and the Sole Global Coordinator (for itself and on behalf of the Underwriters and the Capital Market Intermediaries) will under no circumstances be set outside the Offer Price Range as stated in this prospectus. However, if the number of Offer Shares and/or the Offer Price is reduced, the Company will issue a supplemental prospectus updating investors of the change in the number of Offer Shares being offered under the Global Offering and/or the Offer Price. The Global Offering must first be canceled and subsequently relaunched on FINI pursuant to the supplemental prospectus.

If you have already submitted an application for the Hong Kong Offer Shares before the last day for lodging applications under the Hong Kong Public Offer, you will not be allowed to subsequently withdraw your application. If there is any change to the offer size due to change in the number of Offer Shares initially offered in the Global Offering (other than pursuant to the exercise of the Over-allotment Option and/or reallocation mechanism as disclosed in this prospectus), or change to the Offer Price which leads to the resulting price falling outside the indicative Offer Price Range as stated in this prospectus, or if the Company becomes aware that there has been a significant change affecting any matter contained in this prospectus or a significant new matter has arisen, the inclusion of information in respect of which would have been required to be in this prospectus if it had arisen before this prospectus was issued, after the issue of this prospectus and before the commencement of dealings in our Shares as prescribed under Rule 11.13 of the Listing Rules, we are required to cancel the Global Offering and relaunch the offer and issue a supplemental prospectus or a new prospectus and complete the requisite associated settlement processes on the FINI platform afresh.

In the event of a reduction in the number of Offer Shares, the Sole Overall Coordinator, the Sole Global Coordinator may, at its discretion, reallocate the number of Offer Shares to be offered in the Hong Kong Public Offer and the International Placing, provided that the number of Offer Shares comprised in the Hong Kong Public Offer shall not be less than 10% of the total number of Offer Shares available under the Global Offering (assuming the Over-Allotment Option is not exercised).

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

The final Offer Price, the level of indication of interest in the International Placing, the basis of allotment of Offer Shares available under the Hong Kong Public Offer and the Lesso Preferential Offering and the identification document numbers of successful applicants under the Hong Kong Public Offer and the Lesso Preferential Offering are expected to be made available in a variety of channels in the manner described in “How to Apply for Hong Kong Offer Shares and Lesso Reserved Shares — C. Publication of Results” in this prospectus.

CONDITIONS OF THE GLOBAL OFFERING

Acceptance of all applications for Offer Shares is conditional on, among other things:

- the Listing Committee granting approval for the listing of, and permission to deal in, our Shares in issue and to be issued as described in this prospectus (including any additional Shares that may be issued or sold pursuant to the exercise of the Over-Allotment Option) under the Global Offering and the Capitalization Issue, our Shares which may be issued pursuant to the exercise of the options granted under the Pre-IPO Share Option Scheme and any options that may be granted under the Post-IPO Share Option Scheme, and the vesting of the RSUs granted under the Pre-IPO RSU Plan and any RSU(s) which may be granted under the Post-IPO RSU Plan;
- the Offer Price having been agreed between us, the Sole Overall Coordinator and the Sole Global Coordinator (for itself and on behalf the Underwriters and the Capital Market Intermediaries);
- the execution and delivery of the International Placing Agreement on or before the Price Determination Date; and
- the obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement and the obligations of the International Underwriters under the International Placing Agreement becoming unconditional and not having been terminated in accordance with the terms of the respective agreements,

in each case on or before the dates and times specified in the Hong Kong Underwriting Agreement and/or the International Placing Agreement, as the case may be (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than Wednesday, June 19, 2024, being the 30th date after the date of this prospectus.

If, for any reason, the Offer Price is not agreed between us, the Sole Overall Coordinator and the Sole Global Coordinator (for itself and on behalf of the Underwriters and the Capital Market Intermediaries) on or before 12:00 noon on Friday, May 24, 2024, the Global Offering will not proceed and will lapse.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

The consummation of each of the Hong Kong Public Offer and the International Placing is conditional upon, among other things, each other offering becoming unconditional and not having been terminated in accordance with its respective terms. If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offer will be published by our Company on the website of the Stock Exchange at www.hkexnews.hk and our website at www.edayun.cn on the next day following such lapse. In such an event, all application monies will be returned, without interest (subject to application channels), on the terms set out in “How to Apply for Hong Kong Offer Shares and Less Reserved Shares — E. Despatch/Collection of Share Certificate and Refund of Application Monies” in this prospectus. In the meantime, all application monies will be held in separate bank account(s) with the receiving banks or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).

UNDERWRITING AGREEMENTS

The Hong Kong Public Offer is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and is subject to, among other conditions, us, the Sole Overall Coordinator and the Sole Global Coordinator (for itself and on behalf of the Underwriters and the Capital Market Intermediaries) agreeing on the Offer Price on the Price Determination Date.

We expect to enter into the International Placing Agreement relating to the International Placing on the Price Determination Date.

Certain terms of the underwriting arrangements, the Hong Kong Underwriting Agreement and the International Placing Agreement, are summarized in the section headed “Underwriting” in this prospectus.

DEALING ARRANGEMENTS

Assuming that the Hong Kong Public Offer becomes unconditional at or before 8:00 a.m. in Hong Kong on Tuesday, May 28, 2024, it is expected that dealings in our Shares on the Stock Exchange will commence at 9:00 a.m. on Tuesday, May 28, 2024.

The Shares will be traded in board lots of 1,000 Shares each.

**IMPORTANT NOTICE TO INVESTORS
OF HONG KONG OFFER SHARES**

FULLY ELECTRONIC APPLICATION PROCESS

We have adopted a fully electronic application process for the Hong Kong Public Offer below are the procedures for application.

This prospectus is available at the website of the Stock Exchange at www.hkexnews.hk under the “HKEXnews > New Listings > New Listing Information” section, and our website at www.edayun.cn.

The contents of this prospectus are identical to the prospectus as registered with the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

A. APPLICATION FOR HONG KONG OFFER SHARES

1. Who Can Apply

You can apply for Hong Kong Offer Shares if you or the person(s) for whose benefit you are applying for:

- are 18 years of age or older;
- have a Hong Kong address (*for the HK eIPO White Form service only*); and
- are outside the United States, and are not a U.S. Person (as defined in Regulation S).

Unless permitted by the Listing Rules or a waiver and/or consent has been granted by the Stock Exchange to us, you cannot apply for any Hong Kong Offer Shares if you or the person(s) for whose benefit you are applying for:

- are an existing Shareholder or close associates (as defined in the Listing Rules); or
- are a Director or any of his/her close associates.

HOW TO APPLY FOR HONG KONG OFFER SHARES AND LESSO RESERVED SHARES

2. Application Channels

The Hong Kong Public Offer period will begin at 9:00 a.m. on Monday, May 20, 2024 and end at 12:00 noon on Thursday, May 23, 2024 (Hong Kong time).

To apply for Hong Kong Offer Shares, you may use one of the following application channels:

<u>Application Channel</u>	<u>Platform</u>	<u>Target Investors</u>	<u>Application Time</u>
HK eIPO White Form service	IPO App (which can be downloaded by searching “ IPO App ” in App Store or Google Play or downloaded at www.hkeipo.hk/IPOApp or www.tricorglobal.com/IPOApp) or www.hkeipo.hk	Investors who would like to receive a physical Share certificate. Hong Kong Offer Shares successfully applied for will be allotted and issued in your own name.	From 9:00 a.m. on Monday, May 20, 2024 to 11:30 a.m. on Thursday, May 23, 2024, Hong Kong time. The latest time for completing full payment of application monies will be 12:00 noon on Thursday, May 23, 2024, Hong Kong time.
HKSCC EIPO channel	Your broker or custodian who is a HKSCC Participant will submit an EIPO application on your behalf through HKSCC’s FINI system in accordance with your instruction	Investors who would <u>not</u> like to receive a physical Share certificate. Hong Kong Offer Shares successfully applied for will be allotted and issued in the name of HKSCC Nominees, deposited directly into CCASS and credited to your designated HKSCC Participant’s stock account.	Contact your broker or custodian for the earliest and latest time for giving such instructions, as this may vary by broker or custodian.

The **HK eIPO White Form** service and the HKSCC EIPO channel are facilities subject to capacity limitations and potential service interruptions and you are advised not to wait until the last day of the application period to apply for Hong Kong Offer Shares.

HOW TO APPLY FOR HONG KONG OFFER SHARES AND LESSO RESERVED SHARES

For those applying through the **HK eIPO White Form** service, once you complete payment in respect of any application instructions given by you or for your benefit through the **HK eIPO White Form** service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. If you are a person for whose benefit the electronic application instructions are given, you shall be deemed to have declared that only one set of electronic application instructions has been given for your benefit. If you are an agent for another person, you shall be deemed to have declared that you have only given one set of electronic application instructions for the benefit of the person for whom you are an agent and that you are duly authorized to give those instructions as an agent.

For the avoidance of doubt, giving an application instruction under the **HK eIPO White Form** service more than once and obtaining different payment reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you apply through the **HK eIPO White Form** service, you are deemed to have authorized the **HK eIPO White Form** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **HK eIPO White Form** service.

By instructing your broker or custodian to apply for the Hong Kong Offer Shares on your behalf through the HKSCC EIPO Channel, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant HKSCC Participants) to apply for Hong Kong Offer Shares on your behalf and to do on your behalf all the things stated in this prospectus and any supplement to it.

For those applying through HKSCC EIPO channel, an actual application will be deemed to have been made for any application instructions given by you or for your benefit to HKSCC (in which case an application will be made by HKSCC Nominees on your behalf) provided such application instruction has not been withdrawn or otherwise invalidated before the closing time of the Hong Kong Public Offer.

HKSCC Nominees will only be acting as a nominee for you and neither HKSCC nor HKSCC Nominees shall be liable to you or any other person in respect of any actions taken by HKSCC or HKSCC Nominees on your behalf to apply for Hong Kong Offer Shares or for any breach of the terms and conditions of this prospectus.

If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest for International Placing Shares (except in respect of Lesso Reserved Shares applied for pursuant to the Lesso Preferential Offering).

HOW TO APPLY FOR HONG KONG OFFER SHARES AND LESSO RESERVED SHARES

3. Information Required to Apply

You must provide the following information with your application:

<u>For Individual Applicants</u>	<u>For Corporate Applicants</u>
<ul style="list-style-type: none">• Full name(s)² as shown on your identity document• Identity document's issuing country or jurisdiction• Identity document type, with order of priority:<ul style="list-style-type: none">i. HKID card; orii. National identification document; oriii. Passport; and• Identity document number	<ul style="list-style-type: none">• Full name(s)² as shown on your identity document• Identity document's issuing country or jurisdiction• Identity document type, with order of priority:<ul style="list-style-type: none">i. LEI registration document; orii. Certificate of incorporation; oriii. Business registration certificate; oriv. Other equivalent document; and• Identity document number

Notes:

1. If you are applying through the **HK eIPO White Form** service, you are required to provide a valid e-mail address, a contact telephone number and a Hong Kong address. You are also required to declare that the identity information provided by you follows the requirements as described in Note 2 below. In particular, where you cannot provide a HKID number, you must confirm that you do not hold a HKID card. The number of joint applicants may not exceed four. If you are a firm, the applicant must be in the individual members' names.
2. The applicant's full name as shown on their identity document must be used. If an applicant's identity document contains both an English and Chinese name, both English and Chinese names must be used. Otherwise, either English or Chinese names will be accepted. The order of priority of the applicant's identity document type must be strictly followed and where an individual applicant has a valid HKID card, the HKID number must be used when making an application to subscribe for shares in a public offer. Similarly for corporate applicants, a LEI number must be used if an entity has a LEI certificate.
3. If the applicant is a trustee, the client identification data ("CID") of the trustee, as set out above, will be required. If the applicant is an investment fund (i.e. a collective investment scheme, or CIS), the CID of the asset management company or the individual fund, as appropriate, which has opened a trading account with the broker will be required, as above.

HOW TO APPLY FOR HONG KONG OFFER SHARES AND LESSO RESERVED SHARES

4. The maximum number of joint account holders on FINI is capped at four¹ in accordance with market practice.
5. If you are applying as a nominee, you must provide: (i) the full name (as shown on the identity document), the identity document's issuing country or jurisdiction, the identity document type; and (ii), the identity document number, for each of the beneficial owners or, in the case(s) of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.
6. If you are applying as an unlisted company and (i) the principal business of that company is dealing in securities; and (ii) you exercise statutory control over that company, then the application will be treated as being for your benefit and you should provide the required information in your application as stated above.

“Unlisted company” means a company with no equity securities listed on the Stock Exchange or any other stock exchange.

“Statutory control” means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

For those applying through HKSCC EIPO channel, and making an application under a power of attorney, we and the Sole Overall Coordinator, as our agent, have discretion to consider whether to accept it on any conditions we think fit, including evidence of the attorney's authority.

Failing to provide any required information may result in your application being rejected.

4. Permitted Number of Hong Kong Offer Shares for Application

Board lot size : 1,000

Permitted number of Hong Kong Offer Shares for application and amount payable on application/successful allotment : Hong Kong Offer Shares are available for application in specified board lot sizes only. Please refer to the amount payable associated with each specified board lot size in the table below.

The maximum Offer Price is HK\$3.06 per Share.

¹ Subject to change, if the Company's Articles and applicable company law prescribe a lower cap.

HOW TO APPLY FOR HONG KONG OFFER SHARES AND LESSO RESERVED SHARES

If you are applying through the HKSCC EIPO channel, you are required to prefund your application based on the amount specified by your broker or custodian, as determined based on the applicable laws and regulations in Hong Kong.

By instructing your broker or custodian to apply for the Hong Kong Offer Shares on your behalf through the HKSCC EIPO Channel, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant HKSCC Participants) to arrange payment of the final Offer Price, brokerage, SFC transaction levy, the Stock Exchange trading fee and the AFRC transaction levy by debiting the relevant nominee bank account at the Designated Bank for your broker or custodian.

If you are applying through the **HK eIPO White Form** service, you may refer to the table below for the amount payable for the number of Shares you have selected. You must pay the respective maximum amount payable on application in full upon application for Hong Kong Offer Shares.

HOW TO APPLY FOR HONG KONG OFFER SHARES AND LESSO RESERVED SHARES

The Hong Kong Public Offer

No. of Hong Kong Offer Shares applied for	Maximum Amount payable ⁽²⁾ on application/successful allotment	No. of Hong Kong Offer Shares applied for	Maximum Amount payable ⁽²⁾ on application/successful allotment	No. of Hong Kong Offer Shares applied for	Maximum Amount payable ⁽²⁾ on application/successful allotment	No. of Hong Kong Offer Shares applied for	Maximum Amount payable ⁽²⁾ on application/successful allotment
	HK\$		HK\$		HK\$		HK\$
1,000	3,090.85	15,000	46,362.90	80,000	247,268.81	900,000	2,781,774.09
2,000	6,181.73	20,000	61,817.20	90,000	278,177.41	1,000,000	3,090,860.10
3,000	9,272.58	25,000	77,271.50	100,000	309,086.01	2,000,000	6,181,720.20
4,000	12,363.44	30,000	92,725.81	200,000	618,172.02	3,000,000	9,272,580.30
5,000	15,454.29	35,000	108,180.10	300,000	927,258.04	4,000,000	12,363,440.40
6,000	18,545.17	40,000	123,634.40	400,000	1,236,344.05	4,881,000 ⁽¹⁾	15,086,488.15
7,000	21,636.02	45,000	139,088.71	500,000	1,545,430.06		
8,000	24,726.88	50,000	154,543.00	600,000	1,854,516.05		
9,000	27,817.74	60,000	185,451.61	700,000	2,163,602.06		
10,000	30,908.61	70,000	216,360.20	800,000	2,472,688.08		

- (1) Maximum number of Hong Kong Offer Shares you may apply for and this is approximately 50% of the Hong Kong Offer Shares initially offered.
- (2) The amount payable is inclusive of brokerage, SFC transaction levy, the Stock Exchange trading fee and AFRC transaction levy. If your application is successful, brokerage will be paid to the Exchange Participants (as defined in the Listing Rules) or to the **HK eIPO White Form** Service Provider (for applications made through the application channel of the **HK eIPO White Form** Service Provider) while the SFC transaction levy, the Stock Exchange trading fee and the AFRC transaction levy will be paid to the SFC, the Stock Exchange and the AFRC, respectively.

5. Multiple Applications Prohibited

You or your joint applicant(s) shall not make more than one application for your own benefit, except (i) where you are a nominee and provide the information of the underlying investor in your application as required under the paragraph headed “— A. Applications for Hong Kong Offer Shares — 3. Information Required to Apply” in this section or (ii) where you are a Lesso Qualifying Shareholder, in which case you may also apply for the Lesso Reserved Shares through the **HK eIPO Blue Form** service at www.hkeipo.hk. If you are suspected of submitting or cause to submit more than one application, all of your applications will be rejected.

HOW TO APPLY FOR HONG KONG OFFER SHARES AND LESSO RESERVED SHARES

Multiple applications made either through (i) the **HK eIPO White Form** service, (ii) HKSCC EIPO channel, or (iii) both channels concurrently are prohibited and will be rejected. If you have made an application through the **HK eIPO White Form** service or HKSCC EIPO channel, you or the person(s) for whose benefit you have made the application shall not apply further for any Offer Shares in the Global Offering (except where you applied as or for a Lesso Qualifying Shareholder under the Lesso Preferential Offering).

The Hong Kong Share Registrar would record all applications into its system and identify suspected multiple applications with identical names and identification document numbers according to the Best Practice Note on Treatment of Multiple/Suspected Multiple Applications (“**Best Practice Note**”) issued by the Federation of Share Registrars Limited.

Since applications are subject to personal information collection statements, identification document numbers displayed are redacted.

6. Terms and Conditions of An Application

By applying for Hong Kong Offer Shares through the **HK eIPO White Form** service or HKSCC EIPO channel, you (or as the case may be, HKSCC Nominees will do the following things on your behalf):

- (i) undertake to execute all relevant documents and instruct and authorize us and/or the Sole Overall Coordinator, as our agents, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association, and (if you are applying through the HKSCC EIPO channel) to deposit the allotted Hong Kong Offer Shares directly into CCASS for the credit of your designated HKSCC Participant’s stock account on your behalf;
- (ii) confirm that you have read and understand the terms and conditions and application procedures set out in this prospectus, the **IPO App** and the designated website of the **HK eIPO White Form** service (or as the case may be, the agreement you entered into with your broker or custodian), and agree to be bound by them;
- (iii) (if you are applying through the HKSCC EIPO channel) agree to the arrangements, undertakings and warranties under the participant agreement between your broker or custodian and HKSCC and observe the General Rules of HKSCC and HKSCC Operational Procedures for giving application instructions to apply for Hong Kong Offer Shares;

HOW TO APPLY FOR HONG KONG OFFER SHARES AND LESSO RESERVED SHARES

- (iv) confirm that you are aware of the restrictions on offers and sales of shares set out in this prospectus and they do not apply to you, or the person(s) for whose benefit you have made the application;
- (v) confirm that you have read this prospectus and any supplement to it and have relied only on the information and representations contained therein in making your application (or as the case may be, causing your application to be made) and will not rely on any other information or representations;
- (vi) agree that the Relevant Persons⁽²⁾, the Hong Kong Share Registrar and HKSCC will not be liable for any information and representations not in this prospectus and any supplement to it;
- (vii) agree to disclose the details of your application and your personal data and any other personal data which may be required about you and the person(s) for whose benefit you have made the application to us, the Relevant Persons, the Hong Kong Share Registrar, HKSCC, HKSCC Nominees, the Stock Exchange, the SFC and any other statutory regulatory or governmental bodies or otherwise as required by laws, rules or regulations, for the purposes under the paragraph headed “— *H. Personal Data — 3. Purposes and 4. Transfer of personal data*” in this section;
- (viii) agree (without prejudice to any other rights which you may have once your application (or as the case may be, HKSCC Nominees’ application) has been accepted) that you will not rescind it because of an innocent misrepresentation;
- (ix) agree that subject to Section 44A(6) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, any application made by you or HKSCC Nominees on your behalf cannot be revoked once it is accepted, which will be evidenced by the notification of the result of the ballot by the Hong Kong Share Registrar by way of publication of the results at the time and in the manner as specified in the paragraph headed “— C. Publication of Results” in this section;
- (x) confirm that you are aware of the situations specified in the paragraph headed “— *D. Circumstances In Which You Will Not Be Allocated Hong Kong Offer Shares And/Or Lesso Reserved Shares*” in this section;
- (xi) agree that your application or HKSCC Nominees’ application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the laws of Hong Kong;

HOW TO APPLY FOR HONG KONG OFFER SHARES AND LESSO RESERVED SHARES

- (xii) agree to comply with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Articles of Association and laws of any place outside Hong Kong that apply to your application and that neither we nor the Relevant Persons nor any of their respective officers or advisers will breach any law inside and/or outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus;
- (xiii) confirm that (a) your application or HKSCC Nominees' application on your behalf is not financed directly or indirectly by the Company, any of the directors, chief executives, substantial Shareholder(s) or existing shareholder(s) of the Company or any of its subsidiaries or any of their respective close associates; and (b) you are not accustomed or will not be accustomed to taking instructions from the Company, any of the directors, chief executives, substantial shareholder(s) or existing shareholder(s) of the Company or any of its subsidiaries or any of their respective close associates in relation to the acquisition, disposal, voting or other disposition of the Shares registered in your name or otherwise held by you;
- (xiv) warrant that the information you have provided is true and accurate;
- (xv) represent, warrant and undertake that the Offer Shares have not been and will not be registered under the U.S. Securities Act and you and any person for whose benefit you are applying for the Offer Shares are located outside the United States at the time the offer for such Offer Shares was made and when the buy order for such Offer Shares was originated and have not purchased such Offer Shares for the account or benefit of any person in the United States or entered into any arrangement for the transfer of such Offer Shares or any economic interest therein to any person in the United States.
- (xvi) confirm that you understand that we and the Sole Overall Coordinator will rely on your declarations and representations in deciding whether or not to allocate any Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;
- (xvii) agree to accept Hong Kong Offer Shares applied for or any lesser number allocated to you under the application;
- (xviii) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;

HOW TO APPLY FOR HONG KONG OFFER SHARES AND LESSO RESERVED SHARES

- (xix) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit by giving electronic application instructions to HKSCC directly or indirectly or through the application channel of the **HK eIPO White Form** Service Provider or by any one as your agent or by any other person (except in respect of application for Lesso Reserved Shares pursuant to the Lesso Preferential Offering); and
- (xx) (if you are making the application as an agent for the benefit of another person) warrant that (1) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person by giving electronic application instructions to HKSCC and the **HK eIPO White Form** Service Provider and (2) you have due authority to give electronic application instructions on behalf of that other person as its agent.

² As defined in the Prospectus, Relevant Persons would include the Sole Sponsor, the Sole Overall Coordinator, the Sole Global Coordinator, the Joint Bookrunners, and the Joint Lead Managers, the Underwriters, any of their or the Company's respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering.

B. APPLICATION FOR LESSO RESERVED SHARES

1. HOW TO APPLY

Only Lesso Shareholders whose names appeared on the register of members of Lesso at 4:30 p.m. on the Lesso Qualifying Shareholders' Assured Entitlement Record Date and who are not Lesso Non-Qualifying Shareholder(s) are entitled to subscribe for the Lesso Reserved Shares under the Lesso Preferential Offering.

Lesso Non-Qualifying Shareholder(s) are those Lesso Shareholders with registered addresses in, or who are otherwise known by Lesso to be residents of, jurisdictions outside Hong Kong on the Lesso Qualifying Shareholders' Assured Entitlement Record Date, in respect of whom the directors of Lesso and our Company, based on the enquiries made by them, consider it necessary or expedient to exclude from the Lesso Preferential Offering on account either of the legal restrictions under the laws of the relevant jurisdiction in which the relevant Lesso Shareholder is resident or the requirements of the relevant regulatory body or stock exchange in that jurisdiction.

The directors of Lesso and our Company have made enquiries regarding the legal restrictions under the applicable securities legislation of the Specified Territories and the requirements of the relevant regulatory bodies or stock exchanges with respect to the offer of the Lesso Reserved Shares to the Lesso Shareholders in the Specified Territories. Having considered the circumstances, the directors of Lesso and our Company have formed the view that it is necessary or expedient to

HOW TO APPLY FOR HONG KONG OFFER SHARES AND LESSO RESERVED SHARES

restrict the ability of Lesso Shareholders in the Specified Territories to take up their Lesso Qualifying Shareholders' Assured Entitlement to the Lesso Reserved Shares under the Lesso Preferential Offering due to the time and costs involved in the registration or filing of this prospectus and/or approval required by the relevant authorities in those territories and/or additional steps which our Company and the Lesso Shareholders would need to take to comply with the local legal and/or other requirements which would need to be satisfied in order to comply with the relevant local or regulatory requirements in those territories.

Accordingly, for the purposes of the Lesso Preferential Offering, the Lesso Non-Qualifying Shareholder(s) are:

- (a) Lesso Shareholders whose names appeared in the register of members of Lesso on the Lesso Qualifying Shareholders' Assured Entitlement Record Date and whose addresses as shown in such register are in any of the Specified Territories; and
- (b) Lesso Shareholders or Lesso Beneficial Shareholder(s) on the Lesso Qualifying Shareholders' Assured Entitlement Record Date who are otherwise known by Lesso to be resident in any of the Specified Territories.

Notwithstanding any other provision in this prospectus or the **HK eIPO Blue Form** service at www.hkeipo.hk, our Company reserves the right to permit any Lesso Shareholder to take up his/her/its Lesso Qualifying Shareholders' Assured Entitlement to the Lesso Reserved Shares if our Company, in its absolute discretion, is satisfied that the transaction in question is exempt from or not subject to the legislation or regulations giving rise to the restrictions described above.

With respect to the Specified Territories, Lesso has sent a letter to CCASS Participants (other than CCASS Investor Participants) notifying them that in light of applicable laws and regulations of the Specified Territories, to the extent they hold any Lesso Shares on behalf of the Lesso Non-Qualifying Shareholder(s), they are excluded from participating in the Lesso Preferential Offering.

Lesso Qualifying Shareholder(s) are entitled to apply on the basis of an Lesso Qualifying Shareholders' Assured Entitlement of one Reserved Share for every 636 Lesso Shares held by them as of 4:30 p.m. on the Lesso Qualifying Shareholders' Assured Entitlement Record Date.

Lesso Qualifying Shareholders who hold less than 636 Lesso Shares as of 4:30 p.m. on the Lesso Qualifying Shareholders' Assured Entitlement Record Date will not have an Lesso Qualifying Shareholders' Assured Entitlement to the Lesso Reserved Shares, but they will still be entitled to participate in the Lesso Preferential Offering by applying for excess Lesso Reserved Shares.

HOW TO APPLY FOR HONG KONG OFFER SHARES AND LESSO RESERVED SHARES

If you are a firm, the application must be in the individual members' names, but not in the name of your firm. If a body corporate wants to make application via the **HK eIPO Blue Form** service, please contact the Hong Kong Share Registrar, Tricor Investor Services Limited, at +852 2980 1333 for arrangement.

You cannot apply for any Lesso Reserved Shares if you are:

- an existing beneficial owner of Shares in our Company and/or any of our subsidiaries;
- a Director or chief executive of our Company and/or any of our subsidiaries (other than a Director and/or his close associates who are Lesso Qualifying Shareholders who may apply for Lesso Reserved Shares pursuant to the Lesso Preferential Offering);
- a close associate (as defined in the Listing Rules) of any of the above persons; or
- a Lesso Non-Qualifying Shareholder.

None of you or your joint applicant(s) may make more than one application (whether individually or jointly), except (i) where you are a nominee and provide the required information in your application; and (ii) if you are a Lesso Qualifying Shareholder, you may also apply for the Lesso Reserved Shares through the **HK eIPO Blue Form** service via www.hkeipo.hk.

Our Company, the Sole Overall Coordinator, the Sole Global Coordinator, the **HK eIPO White Form** Service Provider, the **HK eIPO Blue Form** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

An application for Lesso Reserved Shares under the Lesso Preferential Offering may only be made by Lesso Qualifying Shareholder(s) through the **HK eIPO Blue Form** service via www.hkeipo.hk.

Lesso Qualifying Shareholder(s) may apply for a number of Lesso Reserved Shares which is greater than, less than or equal to their Lesso Qualifying Shareholders' Assured Entitlement or may apply only for excess Lesso Reserved Shares under the Lesso Preferential Offering. Lesso Qualifying Shareholder(s) who holds less than 636 Lesso Shares as of 4:30 p.m. on the Lesso Qualifying Shareholders' Assured Entitlement Record Date and therefore will not have an Lesso Qualifying Shareholders' Assured Entitlement to the Lesso Reserved Shares but will still be entitled to participate in the Lesso Preferential Offering by applying only for excess Lesso Reserved Shares.

HOW TO APPLY FOR HONG KONG OFFER SHARES AND LESSO RESERVED SHARES

Where a Lesso Qualifying Shareholder applies for Lesso Reserved Shares, the number of Lesso Reserved Shares of relevant Lesso Qualifying Shareholders' Assured Entitlement applied under such valid application will be satisfied in full (subject to terms and conditions of an application mentioned above and set out on the designated website of the **HK eIPO Blue Form** service at www.hkeipo.hk and assuming the conditions of the Lesso Preferential Offering are satisfied) but the excess portion of such application will only be satisfied to the extent that there are sufficient Available Lesso Reserved Shares as described below.

Lesso Qualifying Shareholders should make a payment of the corresponding amount on the designated website of the **HK eIPO Blue Form** service at www.hkeipo.hk.

To the extent that excess applications for the Lesso Reserved Shares are:

- (i) less than the “**Available Lesso Reserved Shares**”, the Available Lesso Reserved Shares will first be allocated to satisfy such excess applications for the Lesso Reserved Shares in full and thereafter will be allocated, at the discretion of the Joint Representatives, to the International Placing;
- (ii) equal to the Available Lesso Reserved Shares, the Available Lesso Reserved Shares will be allocated to satisfy such excess applications for the Lesso Reserved Shares in full; or
- (iii) more than the Available Lesso Reserved Shares, the Available Lesso Reserved Shares will be allocated on an allocation basis which will be consistent with the allocation basis commonly used in the case of over-subscriptions in public offers in Hong Kong, where a higher allocation percentage will be applied in respect of smaller applications of excess Lesso Reserved Shares.

If there are any Shares remaining after satisfying the excess applications, such Shares will be reallocated, at the discretion of the Joint Representatives, to the International Placing. No preference will be given to any excess applications made to top up odd lot holdings to whole lot holdings of Shares.

Save for the above, the Lesso Preferential Offering will not be subject to the clawback arrangement between the International Placing and the Hong Kong Public Offer.

Lesso Qualifying Shareholder(s) who have applied for Lesso Reserved Shares under the Lesso Preferential Offering through the **HK eIPO Blue Form** service at www.hkeipo.hk, if eligible, may also make one application through the HKSCC EIPO channel or through the **HK eIPO White Form** service for the Hong Kong Offer Shares in the Hong Kong Public Offer.

HOW TO APPLY FOR HONG KONG OFFER SHARES AND LESSO RESERVED SHARES

However, Lesso Qualifying Shareholder(s) will receive no preference as to entitlement or allocation in respect of applications for Hong Kong Offer Shares through the HKSCC EIPO channel or through the **HK eIPO White Form** service under the Hong Kong Public Offer.

Persons who held their Lesso Shares as of 4:30 p.m. on the Lesso Qualifying Shareholders' Assured Entitlement Record Date in CCASS indirectly through a broker/custodian, and wish to participate in the Lesso Preferential Offering, should instruct their broker or custodian to apply for the Lesso Reserved Shares on their behalf by no later than the deadline set by HKSCC or HKSCC Nominees. In order to meet the deadline set by HKSCC or HKSCC Nominees, such persons should check with their broker/custodian for the timing on the processing of their instructions, and submit their instructions to their broker/custodian as required by them. Persons who held their Lesso Shares as of 4:30 p.m. on the Lesso Qualifying Shareholders' Assured Entitlement Record Date in CCASS directly as a CCASS Investor Participant, and wish to participate in the Lesso Preferential Offering, should give their instruction to HKSCC via the CCASS Phone System or CCASS Internet System by no later than the deadline set by HKSCC or HKSCC Nominees.

3. DISTRIBUTION OF THE PROSPECTUS

Lesso Qualifying Shareholder(s) will receive a copy of this prospectus in the manner in which they have elected, or are deemed to have elected, to receive corporate communications under Lesso's corporate communications policy.

If a Lesso Qualifying Shareholder has elected to receive corporate communications from Lesso in printed form under Lesso's corporate communications policy, a printed copy of this prospectus in the elected language version(s) (if applicable) will be despatched to such Lesso Qualifying Shareholder.

If a Lesso Qualifying Shareholder (a) has elected to receive an electronic version of corporate communications or (b) is deemed to have consented to receiving the electronic version of corporate communications from Lesso, an electronic version of this prospectus (which is identical to the printed prospectus) can be accessed and downloaded from the websites of our Company at www.edayun.cn and the Stock Exchange at www.hkexnews.hk under the section entitled "HKEXnews>Listed Company Information>Latest Listed Company Information."

A Lesso Qualifying Shareholder who has elected to receive or is deemed to have consented to receiving the electronic version of this prospectus may at any time request for a printed copy of this prospectus, free of charge, by sending a request in writing to Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong or by email to Computershare Hong Kong Investor Services Limited at chinalesso.ecom@computershare.com.hk. A printed copy of this prospectus will be promptly, upon

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request, sent by ordinary post to such Lesso Qualifying Shareholder, free of charge, although such Lesso Qualifying Shareholder may not receive that printed copy of this prospectus before the close of the Hong Kong Public Offer and the Lesso Preferential Offering.

Distribution of this prospectus into any jurisdiction other than Hong Kong may be restricted by law. Persons who come into possession of this prospectus (including, without limitation, agents, custodians, nominees and trustees) should inform themselves of, and observe, any such restrictions. Any failure to comply with such restrictions may constitute a violation of the securities laws of any such jurisdiction. In particular, this prospectus should not be distributed, forwarded or transmitted in, into or from the Specified Territories, except to Lesso Qualifying Shareholder(s) as specified in this prospectus.

Receipt of this prospectus does not and will not constitute an offer in those jurisdictions in which it would be illegal to make an offer and, in those circumstances, this prospectus must be treated as sent for information only and should not be copied or redistributed.

Persons (including, without limitation, agents, custodians, nominees and trustees) who receive a copy of this prospectus should not, in connection with the Lesso Preferential Offering, distribute or send the same in, into or from, the Specified Territories. Any person (including, without limitation, agents, custodians, nominees and trustees) who forwards this prospectus in, into or from the Specified Territories (whether under a contractual or legal obligation or otherwise) should draw the recipient's attention to the contents of this section.

4. APPLYING THROUGH THE HK eIPO BLUE FORM SERVICE

If you apply for Lesso Reserved Shares online through the **HK eIPO Blue Form** service:

- (a) detailed instructions for application through the **HK eIPO Blue Form** service are set out on the designated website at www.hkeipo.hk. You should read these instructions carefully. If you do not follow the instructions, your application may be rejected by the **HK eIPO Blue Form** Service Provider and may not be submitted to our Company;
- (b) you must also be willing to provide a valid e-mail address and a contact telephone number; and
- (c) once payment is completed via electronic application instructions given by you or for your benefit, an actual application is deemed to have been made.

HOW TO APPLY FOR HONG KONG OFFER SHARES AND LESSO RESERVED SHARES

5. WHEN MAY APPLICATIONS BE MADE

Application through the HK eIPO Blue Form service

You may submit your application via the **HK eIPO Blue Form** service at www.hkeipo.hk (24 hours daily, except on the last application day) from 9:00 a.m., Monday, May 20, 2024 until 11:30 a.m., Thursday, May 23, 2024 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon, Thursday, May 23, 2024 or such later time as sets out in “ F. Severe Weather Arrangements” in this section.

Application lists

The application lists will be open from 11:45 a.m. to 12:00 noon on Thursday, May 23, 2024, the last application day or such later time as described in “— F. Severe Weather Arrangements” in this section. No proceedings will be taken on applications for Lesso Reserved Shares and no allotment of any such Lesso Reserved Shares will be made until after the closing of the application lists.

How many applications may be made

You should refer to “— A. Application For Hong Kong Offer Shares — 5. Multiple Applications Prohibited” in this section for the situations where you may make an application for Hong Kong Offer Shares under the Hong Kong Public Offer in addition to application(s) for Lesso Reserved Shares under the Lesso Preferential Offering.

6. PERMITTED NUMBER OF LESSO RESERVED SHARES FOR APPLICATION

The Lesso Preferential Offering

Lesso Qualifying Shareholders may apply for a number of Lesso Reserved Shares which is greater than, less than or equal to their Lesso Qualifying Shareholders’ Assured Entitlement or may apply only for excess Lesso Reserved Shares under the Lesso Preferential Offering through the **HK eIPO Blue Form** service at www.hkeipo.hk and should make a payment of the corresponding amount as calculated by and set out on the designated website of the **HK eIPO Blue Form** service at www.hkeipo.hk.

HOW TO APPLY FOR HONG KONG OFFER SHARES AND LESSO RESERVED SHARES

7. ADDITIONAL TERMS AND CONDITIONS AND INSTRUCTIONS

You should refer to the terms on the **HK eIPO Blue Form** service website for details of the additional terms and conditions and instructions which apply to applications for Lesso Reserved Shares.

C. PUBLICATION OF RESULTS

Results of Allocation

You can check whether you are successfully allocated any Hong Kong Offer Shares and/or Lesso Reserved Shares through:

<u>Platform</u>	<u>Date/Time</u>
Applying through the HK eIPO White Form service, the HK eIPO Blue Form service or HKSCC EIPO channel service:	
Website . . . From the “IPO Results” function in the IPO App or at www.hkeipo.hk/IPOResult (or www.tricor.com.hk/ipo/result) with a “search by ID” function	24 hours, from 11:00 p.m. on Monday, May 27, 2024 to 12:00 midnight on Sunday, June 2, 2024 (Hong Kong time)
The full list of (i) wholly or partially successful applicants using the HK eIPO White Form service, the HK eIPO Blue Form service and HKSCC EIPO channel, and (ii) the number of Hong Kong Offer Shares and/or Lesso Reserved Shares conditionally allotted to them, among other things, will be displayed at www.hkeipo.hk/IPOResult or www.tricor.com.hk/ipo/result .	
The Stock Exchange’s website at www.hkexnews.hk and our website at www.edayun.cn which will provide links to the above mentioned websites of the Hong Kong Share Registrar.	No later than 11:00 p.m. on Monday, May 27, 2024 (Hong Kong time).

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Platform	Date/Time
Telephone. +852 3691 8488 — the allocation results telephone enquiry line provided by the Hong Kong Share Registrar	between 9:00 a.m. and 6:00 p.m., from Tuesday, May 28, 2024 to Friday, May 31, 2024 (Hong Kong time)

For those applying through HKSCC EIPO channel, you may also check with your broker or custodian from 6:00 p.m. on Friday, May 24, 2024 (Hong Kong time).

HKSCC Participants can log into FINI and review the allotment result from 6:00 p.m. on Friday, May 24, 2024 (Hong Kong time) on a 24-hour basis and should report any discrepancies on allotments to HKSCC as soon as practicable.

Allocation Announcement

We expect to announce the results of the final Offer Price, the level of indications of interest in the Global Offering, the level of applications in the Hong Kong Public Offer and the Lesso Preferential Offering and the basis of allocations of Hong Kong Offer Shares and the Lesso Reserved Shares on the Stock Exchange's website at www.hkxnews.hk and our website at www.edayun.cn by no later than 11:00 p.m. on Monday, May 27, 2024 (Hong Kong time).

D. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOCATED HONG KONG OFFER SHARES AND/OR LESSO RESERVED SHARES

You should note the following situations in which Hong Kong Offer Shares and/or Lesso Reserved Shares will not be allocated to you or the person(s) for whose benefit you are applying for:

1. If your application is revoked:

Your application or the application made by HKSCC Nominees on your behalf may be revoked pursuant to Section 44A(6) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

2. If we or our agents exercise our discretion to reject your application:

We, the Sole Overall Coordinator, the Hong Kong Share Registrar and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

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3. If the allocation of Hong Kong Offer Shares and/or Lesso Reserved Shares is void:

The allocation of Hong Kong Offer Shares and/or Lesso Reserved Shares will be void if the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Stock Exchange notifies us of that longer period within three weeks of the closing date of the application lists.

4. If:

- you make multiple applications or suspected multiple applications (other than an application (if any) made through the **HK eIPO Blue Form** service in your capacity as a Lesso Qualifying Shareholder). You may refer to the paragraph headed “— A. Applications for Hong Kong Offer Shares — 5. Multiple Applications Prohibited” in this section on what constitutes multiple applications;
- your application instruction is incomplete;
- your payment (or confirmation of funds, as the case may be) is not made correctly;
- the Underwriting Agreements do not become unconditional or are terminated;
- we or the Sole Overall Coordinator believe that by accepting your application, it or we would violate applicable securities or other laws, rules or regulations.

5. If there is money settlement failure for allotted Shares:

Based on the arrangements between HKSCC Participants and HKSCC, HKSCC Participants will be required to hold sufficient application funds on deposit with their Designated Bank before balloting. After balloting of Hong Kong Offer Shares, the Receiving Bank will collect the portion of these funds required to settle each HKSCC Participant’s actual Hong Kong Public Offer Share allotment from their Designated Bank.

There is a risk of money settlement failure. In the extreme event of money settlement failure by a HKSCC Participant (or its Designated Bank), who is acting on your behalf in settling payment for your allotted shares, HKSCC will contact the defaulting HKSCC Participant and its Designated Bank to determine the cause of failure and request such defaulting HKSCC Participant to rectify or procure to rectify the failure.

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However, if it is determined that such settlement obligation cannot be met, the affected Hong Kong Offer Shares will be reallocated to the Global Offering. Hong Kong Offer Shares applied for by you through the broker or custodian may be affected to the extent of the settlement failure. In the extreme case, you will not be allocated any Hong Kong Offer Shares due to the money settlement failure by such HKSCC Participant. None of us, the Relevant Persons, the Hong Kong Share Registrar and HKSCC is or will be liable if Hong Kong Offer Shares are not allocated to you due to the money settlement failure.

E. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND OF APPLICATION MONIES

You will receive one Share certificate for all Hong Kong Offer Shares and/or Lesso Reserved Shares allotted to you under the Hong Kong Public Offer and/or the Lesso Preferential Offering (except pursuant to applications made through the HKSCC EIPO channel where the Share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application.

Share certificates will only become valid evidence of title at 8:00 a.m. on Tuesday, May 28, 2024 (Hong Kong time), provided that the Global Offering has become unconditional and the right of termination described in the section headed “Underwriting” has not been exercised. Investors who trade Shares prior to the receipt of Share certificates or the Share certificates becoming valid do so entirely at their own risk.

The right is reserved to retain any Share certificate(s) and (if applicable) any surplus application monies pending clearance of application monies.

HOW TO APPLY FOR HONG KONG OFFER SHARES AND LESSO RESERVED SHARES

The following sets out the relevant procedures and time:

	HK eIPO White Form service or HK eIPO Blue Form service	HKSCC EIPO channel
Despatch/collection of Share certificate⁽¹⁾		
For application of 1,000,000 Hong Kong Offer Shares/Lesso Reserved Shares or more.	<p>Collection in person at the Hong Kong Share Registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong</p> <p>Time: 9:00 a.m. to 1:00 p.m. on Tuesday, May 28, 2024 (Hong Kong time)</p> <p>If you are an individual, you must not authorize any other person to collect for you. If you are a corporate applicant, your authorized representative must bear a letter of authorization from your corporation stamped with your corporation's chop.</p> <p>Both individuals and authorized representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Share Registrar.</p> <p><i>Note:</i> If you do not collect your Share certificate(s) personally within the time above, it/they will be sent to the address specified in your application instructions by ordinary post at your own risk</p>	<p>Share certificate(s) will be issued in the name of HKSCC Nominees, deposited into CCASS and credited to your designated HKSCC Participant's stock account No action by you is required</p>
For application of less than 1,000,000 Hong Kong Offer Shares/Lesso Reserved Shares . .	<p>Your Share certificate(s) will be sent to the address specified in your application instructions by ordinary post at your own risk</p> <p>Date: Monday, May 27, 2024</p>	

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HK eIPO White Form service or
HK eIPO Blue Form service

HKSCC EIPO channel

Refund mechanism for surplus application monies paid by you

Date. Tuesday, May 28, 2024

Subject to the arrangement
between you and your broker or
custodian

Responsible party . . . Hong Kong Share Registrar

Your broker or custodian

**Application monies
paid through single
bank account.** e-Auto Refund payment instructions to your
designated bank account

Your broker or custodian will
arrange refund to your
designated bank account subject
to the arrangement paid
between you and it

**Application monies
paid through
multiple bank
accounts** Refund check(s) will be despatched to the
address as specified in your application
instructions by ordinary post at your own
risk

⁽¹⁾ Except in the event of a tropical cyclone warning signal number 8 or above, a black rainstorm warning and/or an “extreme conditions” announcement issued after a super typhoon in force in Hong Kong in the morning on Monday, May 27, 2024 rendering it impossible for the relevant Share certificates to be dispatched to HKSCC in a timely manner, the Company shall procure the Hong Kong Share Registrar to arrange for delivery of the supporting documents and Share certificates in accordance with the contingency arrangements as agreed between them. You may refer to “— F. Severe Weather Arrangements” in this section.

F. SEVERE WEATHER ARRANGEMENTS

The Opening and Closing of the Application Lists

The application lists will not open or close on Thursday, May 23, 2024 if, there is:

- a tropical cyclone warning signal number 8 or above;
- a black rainstorm warning; and/or

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- an extreme conditions, (collectively, “**Severe Weather Signals**”),

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, May 23, 2024.

Instead they will open between 11:45 a.m. and 12:00 noon and/or close at 12:00 noon on the next business day which does not have **Severe Weather Signals** in force at any time between 9:00 a.m. and 12:00 noon.

Prospective investors should be aware that a postponement of the opening/closing of the application lists may result in a delay in the listing date. Should there be any changes to the dates mentioned in the section headed “Expected Timetable” in this prospectus, an announcement will be made and published on the Stock Exchange’s website at www.hkexnews.hk and our website at www.edayun.cn of the revised timetable.

If a **Severe Weather Signal** is hoisted on Monday, May 27, 2024, the Hong Kong Share Registrar will make appropriate arrangements for the delivery of the Share certificates to the CCASS Depository’s service counter so that they would be available for trading on Tuesday, May 28, 2024.

If a **Severe Weather Signal** is hoisted on Monday, May 27, 2024, for application of less than 1,000,000 Offer Shares, the despatch of Share certificate(s) will be made by ordinary post when the post office re-opens after the Severe Weather Signal is lowered or canceled (e.g. in the afternoon of Monday, May 27, 2024 or on Tuesday, May 28, 2024).

If a **Severe Weather Signal** is hoisted on Tuesday, May 28, 2024, for application of 1,000,000 Offer Shares or more, the Share certificate(s) will be available for collection in person at the Hong Kong Share Registrar’s office after the Severe Weather Signal is lowered or canceled (e.g. in the afternoon of Tuesday, May 28, 2024 or on Wednesday, May 29, 2024).

Prospective investors should be aware that if they choose to receive physical Share certificates issued in their own name, there may be a delay in receiving the Share certificates.

G. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares on the Stock Exchange and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants is required to take place in CCASS on the second settlement Day after any trading day.

All activities under CCASS are subject to the General Rules of HKSCC and HKSCC Operational Procedures in effect from time to time.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

You should seek the advice of your broker or other professional advisor for details of the settlement arrangement as such arrangements may affect your rights and interests.

H. PERSONAL DATA

The following Personal Information Collection Statement applies to any personal data collected and held by the Company, the Hong Kong Share Registrar, the receiving banks and the Relevant Persons about you in the same way as it applies to personal data about applicants other than HKSCC Nominees. This personal data may include client identifier(s) and your identification information. By giving application instructions to HKSCC, you acknowledge that you have read, understood and agree to all of the terms of the Personal Information Collection Statement below.

1. Personal Information Collection Statement

This Personal Information Collection Statement informs the applicant for, and holder of, Hong Kong Offer Shares, of the policies and practices of the Company and the Hong Kong Share Registrar in relation to personal data and the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong).

2. Reasons for the collection of your personal data

It is necessary for applicants and registered holders of Hong Kong Offer Shares and/or Lesso Reserved Shares to ensure that personal data supplied to the Company or its agents and the Hong Kong Share Registrar is accurate and up-to-date when applying for Hong Kong Offer Shares or transferring Hong Kong Offer Shares into or out of their names or in procuring the services of the Hong Kong Share Registrar.

Failure to supply the requested data or supplying inaccurate data may result in your application for Hong Kong Offer Shares and/or Lesso Reserved Shares being rejected, or in the delay or the inability of the Company or the Hong Kong Share Registrar to effect transfers or otherwise render their services. It may also prevent or delay registration or transfers of Hong Kong Offer Shares and/or Lesso Reserved Shares which you have successfully applied for and/or the despatch of Share certificate(s) to which you are entitled. It is important that applicants for and holders of Hong Kong Offer Shares and/or Lesso Reserved Shares inform the Company and the Hong Kong Share Registrar immediately of any inaccuracies in the personal data supplied.

3. Purposes

Your personal data may be used, held, processed, and/or stored (by whatever means) for the following purposes:

- processing your application and refund check, **HK eIPO White Form** e-Auto Refund payment instruction(s) and **HK eIPO Blue Form** e-Auto Refund payment instruction(s), where applicable, verification of compliance with the terms and application procedures set out in this prospectus and announcing results of allocation of Hong Kong Offer Shares and/or Lesso Reserved Shares;
- compliance with applicable laws and regulations in Hong Kong and elsewhere;
- registering new issues or transfers into or out of the names of the holders of the Shares including, where applicable, HKSCC Nominees;
- maintaining or updating the register of members of the Company;
- verifying identities of applicants for and holders of the Shares and identifying any duplicate applications for the Shares;
- facilitating Hong Kong Offer Shares and/or Lesso Reserved Shares balloting;
- establishing benefit entitlements of holders of the Shares, such as dividends, rights issues, bonus issues, etc.;
- distributing communications from the Company and its subsidiaries;
- compiling statistical information and profiles of the holder of the Shares;
- disclosing relevant information to facilitate claims on entitlements; and
- any other incidental or associated purposes relating to the above and/or to enable the Company and the Hong Kong Share Registrar to discharge their obligations to applicants and holders of the Shares and/or regulators and/or any other purposes to which applicants and holders of the Shares may from time to time agree.

4. Transfer of personal data

Personal data held by the Company and the Hong Kong Share Registrar relating to the applicants for and holders of Hong Kong Offer Shares and/or Lesso Reserved Shares will be kept confidential but the Company and the Hong Kong Share Registrar may, to the extent necessary for achieving any of the above purposes, disclose, obtain or transfer (whether within or outside Hong Kong) the personal data to, from or with any of the following:

- the Company's appointed agents such as financial advisers, receiving banks and overseas principal share registrar;
- HKSCC or HKSCC Nominees, who will use the personal data and may transfer the personal data to the Hong Kong Share Registrar, in each case for the purposes of providing its services or facilities or performing its functions in accordance with its rules or procedures and operating FINI and CCASS (including where applicants for the Hong Kong Offer Shares and/or Lesso Reserved Shares request a deposit into CCASS);
- any agents, contractors or third-party service providers who offer administrative, telecommunications, computer, payment or other services to the Company or the Hong Kong Share Registrar in connection with their respective business operation;
- the Stock Exchange, the SFC and any other statutory regulatory or governmental bodies or otherwise as required by laws, rules or regulations, including for the purpose of the Stock Exchange's administration of the Listing Rules and the SFC's performance of its statutory functions; and
- any persons or institutions with which the holders of Hong Kong Offer Shares and/or Lesso Reserved Shares have or propose to have dealings, such as their bankers, solicitors, accountants or brokers etc.

5. Retention of personal data

The Company and the Hong Kong Share Registrar will keep the personal data of the applicants and holders of Hong Kong Offer Shares and/or Lesso Reserved Shares for as long as necessary to fulfill the purposes for which the personal data were collected. Personal data which is no longer required will be destroyed or dealt with in accordance with the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong).

6. Access to and correction of personal data

Applicants for and holders of Hong Kong Offer Shares and/or Lesso Reserved Shares have the right to ascertain whether the Company or the Hong Kong Share Registrar hold their personal data, to obtain a copy of that data, and to correct any data that is inaccurate. The Company and the Hong Kong Share Registrar have the right to charge a reasonable fee for the processing of such requests. All requests for access to data or correction of data should be addressed to the Company and the Hong Kong Share Registrar, at their registered address disclosed in the section headed “Corporate Information” in this prospectus or as notified from time to time, for the attention of the company secretary, or the Hong Kong Share Registrar for the attention of the privacy compliance officer.

The following is the text of a report, prepared for the purpose of incorporation in this document, received from the independent reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong.



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ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF EDA GROUP HOLDINGS LIMITED AND CMB INTERNATIONAL CAPITAL LIMITED

Introduction

We report on the historical financial information of EDA Group Holdings Limited (the “**Company**”) and its subsidiaries (together, the “**Group**”) set out on pages IA-4 to IA-96, which comprises the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for each of the years ended 31 December 2021, 2022 and 2023 (the “**Relevant Periods**”), the consolidated statements of financial position of the Group and the statements of financial position of the Company as at 31 December 2021, 2022 and 2023 and material accounting policy information and other explanatory information (together, the “**Historical Financial Information**”). The Historical Financial Information set out on pages IA-4 to IA-96 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 20 May 2024 (the “**Prospectus**”) in connection with the initial listing of the 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 presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively, and for such internal control as the directors 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 ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively, in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

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

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the financial position of the Group and the Company as at 31 December 2021, 2022 and 2023 and of the financial performance and cash flows of the Group for each of the Relevant Periods in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively.

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 IA-4 have been made.

Dividends

We refer to note 11 to the Historical Financial Information which contains information about the dividends paid by the Company in respect of the Relevant Periods.

Certified Public Accountants

Hong Kong

20 May 2024

I HISTORICAL FINANCIAL INFORMATION**Preparation of Historical Financial Information**

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

The financial statements of the Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by Ernst & Young in accordance with Hong Kong Standards on Auditing issued by the HKICPA (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.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Year ended 31 December		
		2021	2022	2023
		RMB'000	RMB'000	RMB'000
REVENUE	5	—	708,665	1,209,304
Cost of sales		—	(602,171)	(1,012,200)
Gross profit		—	106,494	197,104
Selling and distribution expenses		—	(7,777)	(11,473)
Administrative expenses		(82)	(27,386)	(60,909)
Research and development expenses		—	(20,836)	(33,327)
Impairment losses on financial and contract assets, net.	7	—	(2,489)	(2,515)
Other income and gains.	5	20	7,920	6,111
Other expenses		(5,656)	(3,840)	(3,883)
Finance costs.	6	—	(11,044)	(10,452)
Share of results of an associate		8,764	(451)	(232)
PROFIT BEFORE TAX.	7	3,046	40,591	80,424
Income tax expense.	10	—	(4,299)	(11,021)
PROFIT FOR THE YEAR.		<u>3,046</u>	<u>36,292</u>	<u>69,403</u>
OTHER COMPREHENSIVE INCOME				
Other comprehensive income to be reclassified to profit or loss in subsequent periods:				
Exchange differences on translation of foreign operations		—	(718)	248
OTHER COMPREHENSIVE INCOME FOR THE YEAR.		—	(718)	248
TOTAL COMPREHENSIVE INCOME		<u>3,046</u>	<u>35,574</u>	<u>69,651</u>
Profit attributable to:				
Owners of the parent		<u>3,046</u>	<u>36,292</u>	<u>69,403</u>
Total comprehensive income attributable to:				
Owners of the parent		<u>3,046</u>	<u>35,574</u>	<u>69,651</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT				
Basic and diluted (expressed in RMB per share)	12	<u>29.74</u>	<u>159.03</u>	<u>304.11</u>

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	As at 31 December		
		2021	2022	2023
		RMB'000	RMB'000	RMB'000
NON-CURRENT ASSETS				
Property, plant and equipment	13	9,150	7,476	5,382
Right-of-use assets	14	162,172	139,425	107,743
Goodwill	15	76,443	76,443	76,443
Other intangible assets	16	73,300	65,970	58,640
Investment in an associate	17	2,904	11,453	—
Deferred tax assets	18	6,373	8,446	8,013
Other non-current assets	21	500	—	—
Total non-current assets		330,842	309,213	256,221
CURRENT ASSETS				
Trade receivables	19	44,206	70,401	142,431
Contract assets	20	—	—	268
Prepayments, deposits and other receivables	21	75,060	68,990	58,652
Financial assets at fair value through profit or loss	22	30,165	3,061	—
Cash and cash equivalents	23	54,640	112,745	221,427
Total current assets		204,071	255,197	422,778
CURRENT LIABILITIES				
Trade payables	24	83,932	61,809	127,875
Other payables and accruals	25	120,809	57,233	35,614
Borrowings	26	18,049	41,823	52,324
Lease liabilities	14	27,586	31,351	34,724
Tax payable		2,962	7,269	5,849
Total current liabilities		253,338	199,485	256,386
NET CURRENT (LIABILITIES)/ASSETS				
		(49,267)	55,712	166,392
TOTAL ASSETS LESS CURRENT LIABILITIES				
		281,575	364,925	422,613
NON-CURRENT LIABILITIES				
Lease liabilities	14	143,437	122,440	89,675
Borrowings	26	291	196	98
Deferred tax liabilities	18	11,028	9,896	8,796
Total non-current liabilities		154,756	132,532	98,569
Net assets		126,819	232,393	324,044
EQUITY				
Share capital	27	15	15	15
Reserves	28	126,804	232,378	324,029
Total equity		126,819	232,393	324,044

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital	Merger reserve*	Capital reserve*	Statutory surplus reserve*	Exchange fluctuation reserve*	Retained profits*	Total equity
	RMB'000 (note 27)	RMB'000 (note 28(b))	RMB'000 (note 28(c))	RMB'000 (note 28(d))	RMB'000 (note 28(e))	RMB'000	RMB'000
At 1 January 2021	7	(11)	—	—	—	1,639	1,635
Profit for the year and total comprehensive income for the year	—	—	—	—	—	3,046	3,046
Capital injection	8	—	—	—	—	—	8
Capital reserve arising from business combination (note 29)	—	—	122,130	—	—	—	122,130
At 31 December 2021 and 1 January 2022 . .	15	(11)	122,130	—	—	4,685	126,819
Profit for the year	—	—	—	—	—	36,292	36,292
Other comprehensive income for the year:							
Exchange differences on translation of foreign operations	—	—	—	—	(718)	—	(718)
Total comprehensive income for the year . .	—	—	—	—	(718)	36,292	35,574
Deemed capital contributions by way of discharge of liability due to the immediate holding company	—	—	70,000	—	—	—	70,000
Appropriation of retained profits	—	—	—	3,863	—	(3,863)	—
At 31 December 2022	15	(11)	192,130	3,863	(718)	37,114	232,393

	Share capital	Share premium*	Merger reserve*	Capital reserve*	Statutory surplus reserve*	Exchange fluctuation reserve*	Retained profits*	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(note 27)	(note 28(a))	(note 28(b))	(note 28(c))	(note 28(d))	(note 28(e))		
At 31 December 2022 and 1 January 2023	15	—	(11)	192,130	3,863	(718)	37,114	232,393
Profit for the period	—	—	—	—	—	—	69,403	69,403
Other comprehensive income for the year:								
Exchange differences on translation of foreign operations	—	—	—	—	—	248	—	248
Total comprehensive income for the year	—	—	—	—	—	248	69,403	69,651
Deemed capital contributions by way of discharge of liability due to a shareholder	—	—	—	25,000	—	—	—	25,000
Capital injection	—	20,000	—	—	—	—	—	20,000
Appropriation of retained profits	—	—	—	—	8,207	—	(8,207)	—
Dividend recognised as distributions to owners (note 11)	—	(20,000)	—	(3,000)	—	—	—	(23,000)
At 31 December 2023	15	—	(11)	214,130	12,070	(470)	98,310	324,044

* These reserve accounts comprised the reserves of RMB126,804,000, RMB232,378,000 and RMB324,029,000 in the consolidated statements of financial position as at 31 December 2021, 2022 and 2023, respectively.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Notes	Year ended 31 December		
		2021	2022	2023
		RMB'000	RMB'000	RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		3,046	40,591	80,424
Adjustments for:				
Interest income	5	(16)	(621)	(1,017)
Fair value changes of financial assets at fair value through profit or loss	5	—	(61)	(42)
Finance costs	6	—	11,044	10,452
Share of results of an associate		(8,764)	451	232
Loss on deemed disposal of the investment in an associate	7	5,656	—	—
(Gain)/loss on disposal of items of property, plant and equipment	7	—	(30)	1
Gain on disposal of an associate	7	—	—	(779)
Depreciation of property, plant and equipment	7	—	3,480	3,590
Depreciation of right-of-use assets	7	—	33,159	33,971
Amortisation of other intangible assets	7	—	7,330	7,330
Impairment of trade receivables, net	7	—	2,489	2,508
Impairment of contract assets, net	7	—	—	7
		(78)	97,832	136,677
Increase in trade receivables		—	(28,638)	(74,826)
Increase in contract assets		—	—	(275)
(Increase)/decrease in prepayments, deposits and other receivables		(5)	30,397	(21,912)
(Decrease)/increase in trade payables		—	(22,537)	71,849
Increase in other payables and accruals		30	5,673	7,269
Cash (used in)/generated from operations		(53)	82,727	118,782
Interest received		16	351	781
Income tax paid		—	(2,955)	(13,774)
Net cash flows (used in)/from operating activities		(37)	80,123	105,789

	Notes	Year ended 31 December		
		2021	2022	2023
		RMB'000	RMB'000	RMB'000
CASH FLOWS FROM INVESTING				
ACTIVITIES				
Purchase of items of property, plant and equipment		—	(1,700)	(1,462)
Proceeds from disposal of items of property, plant and equipment		—	142	29
Purchase of financial assets at fair value through profit or loss		—	(37,500)	(19,932)
Proceeds from disposal of financial assets at fair value through profit or loss		—	64,500	22,932
Proceeds from disposal of an associate		—	—	12,000
Acquisition of subsidiaries	29	(21,320)	(2,218)	—
Capital injection to an associate		—	(9,000)	—
Increase in loans to directors, employees related parties and third parties		—	(27,622)	(19,593)
Decrease in loans to directors, employees related parties and third parties		—	4,521	45,562
Interest received from financial assets at fair value through profit or loss		—	435	103
Net cash flows (used in)/from investing activities		(21,320)	(8,442)	39,639
CASH FLOWS FROM FINANCING				
ACTIVITIES				
New borrowings	30(b)	—	42,378	76,291
Repayment of borrowings	30(b)	—	(13,689)	(65,760)
Capital injection from the immediate shareholder		8	—	20,000
Dividends paid to the owners of the Company		—	—	(23,000)
Increase in amounts due to related parties	30(b)	35,069	2,345	—
Decrease in amounts due to related parties	30(b)	—	—	(2,621)
Other interest paid	30(b)	—	(1,429)	(1,632)
Repayment of lease liabilities	30(b)	—	(38,619)	(40,741)
Net cash flows from/(used in) financing activities		35,077	(9,014)	(37,463)

	<i>Notes</i>	Year ended 31 December		
		2021	2022	2023
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
NET INCREASE IN CASH AND CASH EQUIVALENTS.....		13,720	62,667	107,965
Cash and cash equivalents at beginning of year.....		35,021	48,741	112,056
Effect of foreign exchange rate changes, net.....		—	648	988
CASH AND CASH EQUIVALENTS AT END OF YEAR.....		48,741	112,056	221,009
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS				
Cash and bank balances	23	44,640	102,745	211,427
Time deposit	23	10,000	10,000	10,000
Cash and cash equivalents as stated in the consolidated statements of financial position		54,640	112,745	221,427
Bank overdrafts.....	26	(5,899)	(689)	(418)
Cash and cash equivalents as stated in the consolidated statements of cash flows ..		48,741	112,056	221,009

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE INFORMATION

EDA Group Holdings Limited (the “**Company**”) is a limited liability company incorporated in the Cayman Islands. The registered office address of the Company is the Third Floor, Century Yard Cricket Square, P.O. Box 902 Grand Cayman, KY1-1103, Cayman Islands.

The Company is an investment holding company. During the Relevant Periods, the Company’s subsidiaries were involved in the provision of first-mile international freight services and last-mile fulfillment services, including overseas warehousing, other value-added services and deliveries for the cross-border e-commerce participants based in Chinese Mainland.

The Company completed in 2021 the Acquisition as set out in the paragraph headed “Acquisition by Lesso” in the section headed “History and Corporate Structure” in the Prospectus. Apart from the Acquisition, the Company has not commenced any business or operation since its incorporation.

As at the date of this report, the Company had direct and indirect interests in its subsidiaries, all of which are private limited liability companies, the particulars of which are set out below:

Name	Notes	Place and date of incorporation and place of operations	Registered capital	Percentage of equity interests attributable to the Company		Principal activities
				Direct	Indirect	
易達雲有限公司 EDA CLOUD Company Limited	(1)	Hong Kong 22 October 2019	RMB100	100	—	Investment holding
環球物流服務有限公司 Global Logistics Services Limited	(1)	Hong Kong 29 September 2020	United States dollar (“US\$”) 1,000	100	—	Investment holding
深圳市易達雲科技有限公司 Shenzhen EDA Cloud Technologies Co., Ltd.# (“Shenzhen EDA”)	(2)	The People’s Republic of China (the “PRC”)/ Chinese Mainland 14 March 2014	RMB56,310,535	—	100	Provision of logistics and warehousing services
深圳市昊聯供應鏈管理有限公司 (前稱“深圳市昊聯科技有限公司”) Shenzhen Haolian Supply Chain Management Co., Ltd.# (Formerly as “Shenzhen Haolian Technology Co., Ltd.”)#	(3)	PRC/Chinese Mainland 1 September 2014	RMB5,000,000	—	100	Provision of logistics and warehousing services
深圳市雲柯科技有限公司 Shenzhen Yunge Technology Co., Ltd.# .	(6)	PRC/Chinese Mainland 8 December 2023	RMB55,000,000	—	100	Provision of IT services and internet solutions

Name	Notes	Place and date of incorporation and place of operations	Registered capital	Percentage of equity interests attributable to the Company		Principal activities
				Direct	Indirect	
易達雲發展(香港)有限公司 EDA DEVELOPMENT (HK) LIMITED	(4)	Hong Kong 18 November 2015	Hong Kong dollar ("HK\$") 625,000	—	100	Provision of logistics and warehousing services
8987947 CANADA INC.	(5)	Canada 14 August 2014	Canadian dollar ("CAD") 100	—	100	Provision of logistics and warehousing services
EDA Cloud Canada Inc.	(5)	Canada 21 April 2023	CAD100	—	100	Provision of logistics and warehousing services
EDA AU PTY LTD	(5)	Australia 3 December 2019	Australian dollar ("AUD") 100	—	100	Provision of logistics and warehousing services
EDA CLOUD UK LTD	(5)	The United Kingdom 21 June 2016	Great Britain pound ("GBP") 100	—	100	Provision of logistics and warehousing services
EDA INTERNATIONAL, INC.	(5)	The United States 4 December 2013	US\$1,000,000	—	100	Provision of logistics and warehousing services
EDA CLOUD INTERNATIONAL, INC. . .	(5)	The United States 25 January 2016	US\$100,000	—	100	Provision of logistics and warehousing services
EDA Development Inc.	(5)	The United States 19 June 2023	US\$1,000,000	—	100	Provision of logistics and warehousing services
EDA inGA Inc.	(5)	The United States 14 July 2023	US\$100,000	—	100	Provision of logistics and warehousing services
EDA International ATL Inc.	(5)	The United States 18 October 2023	US\$10,000	—	100	Provision of logistics and warehousing services
EDA Cloud GmbH	(5)	Germany 24 April 2023	EUR100,000	—	100	Provision of logistics and warehousing services

The English names of all group companies registered in the PRC represent the best efforts made by the directors of the Company to translate the Chinese names of these companies as they do not have official English names.

- (1) The statutory financial statements of these entities for the years ended 31 December 2021 and 2022 (or since the date of incorporation, where later than the beginning of the Relevant Periods) prepared under Hong Kong Financial Reporting Standards ("HKFRSs") were audited by Ernst & Young, Hong Kong.
- (2) The statutory financial statements of this entity for the years ended 31 December 2021 and 2022 prepared under PRC Generally Accepted Accounting Principles ("PRC GAAP") were audited by Won GGA Partners CPA Firm LLP ("Won GGA"), certified public accountants registered in the PRC.
- (3) The statutory financial statements of this entity for the years ended 31 December 2021 and 2022 prepared under PRC GAAP were audited by Won GGA.

- (4) The statutory financial statements of this entity for the years ended 31 March 2021, the period ended 31 December 2021 and the year ended 31 December 2022 prepared in accordance with HKFRSs were audited by LEE CHI FAI & CO, certified public accountants registered in Hong Kong.
- (5) No audited financial statements have been prepared for these entities for each of the Relevant Periods (or since the date of incorporation, where later than the beginning of the Relevant Periods), as the entities were not subject to any statutory audit requirements under the relevant rules and regulations in their jurisdictions of incorporation.
- (6) No audited financial statements have been prepared for this entity for each of the Relevant Periods, as the entity was newly set up in December 2023.

2. ACCOUNTING POLICIES

2.1 BASIS OF PRESENTATION

Pursuant to the group restructuring as set out in the section headed “History and Corporate Structure” in the Prospectus, which was completed on 24 December 2021, the major steps which have been undertaken to effect the Company becoming the holding company of the subsidiaries now comprising the Group were as follows:

On 28 February 2020, EDA CLOUD Company Limited (“**EDAHK**”), whose interest was 51% ultimately held by the China Lesso Group Holding Limited (the “**Lesso Group**”), acquired a 20.83% equity interest in Shenzhen EDA from third parties.

On 17 September 2020, the Company was set up by Samanea China Holdings Limited, a wholly-owned subsidiary of the Lesso Group. On 24 December 2021, EDAHK with 20.83% equity interests in Shenzhen EDA was transferred to the Company and was consolidated in the Historical Financial Information by applying the principle of merger accounting, as both EDAHK and the Company are under the common control of the Lesso Group. Details of the accounting policy for business combinations under common control are set out in note 2.4 to the Historical Financial Information.

On 29 September 2020, the Company has also set up a wholly-owned subsidiary called Global Logistics Services Limited (“**Global Logistics**”) in Hong Kong. In January 2021, the Company and Global Logistics entered into an investment agreement with Shenzhen EDA and the former shareholders of Shenzhen EDA, pursuant to which the Company acquired 100% equity interests of Shenzhen EDA, and the Acquisition was completed on 24 December 2021, which was determined as the date of acquisition. The Company accounted for the acquisition of Shenzhen EDA using the acquisition method in accordance with HKFRS 3 Business Combination. Details of the accounting policy of adoption of acquisition method are set out in note 2.4 to the Historical Financial Information and details of the Acquisition are set out in note 29 to the Historical Financial Information.

The consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of the Group for the year ended 31 December 2021 include the results and cash flows of the Company, EDAHK and Global Logistics, as if the Company has been in place since EDAHK was set up before 1 January 2020. The Acquisition of Shenzhen EDA was considered to be completed on 24 December 2021 and its financial information was included in the Historical Financial Information since that date.

All intra-group transactions and balances have been eliminated on consolidation.

2.2 BASIS OF PREPARATION

The Historical Financial Information has been prepared in accordance with HKFRSs (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the HKICPA. All HKFRSs effective for the accounting period commencing from 1 January 2023, together with the relevant transitional provisions, have been early adopted by the Group in the preparation of the Historical Financial Information throughout the Relevant Periods.

The Historical Financial Information has been prepared under the historical cost convention, except for certain financial assets which have been measured at fair value.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the years ended 31 December 2021, 2022 and 2023. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

Generally, there is a presumption that a majority of voting rights results in control. When the Company has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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 described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, any non-controlling interest and the exchange fluctuation reserve; and recognises the fair value of any investment retained and any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.3 ISSUED BUT NOT YET EFFECTIVE HKFRSS

The Group has not applied the following revised HKFRSSs, that have been issued but are not yet effective, in the Historical Financial Information. The Group intends to apply these revised HKFRSSs, if applicable, when they become effective.

Amendments to HKFRS 10 and HKAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ³
Amendments to HKFRS 16	<i>Lease Liability in a Sale and Leaseback</i> ¹
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current (the "2020 Amendments")</i> ^{1, 4}
Amendments to HKAS 1	<i>Non-current Liabilities with Covenants (the "2022 Amendments")</i> ^{1, 4}
Amendments to HKAS 7 and HKFRS 7	<i>Supplier Finance Arrangements</i> ¹
Amendments to HKAS 21	<i>Lack of Exchangeability</i> ²

- ¹ Effective for annual periods beginning on or after 1 January 2024
- ² Effective for annual periods beginning on or after 1 January 2025
- ³ No mandatory effective date yet determined but available for adoption
- ⁴ As a consequence of the 2020 Amendments and 2022 Amendments, Hong Kong Interpretation 5 *Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised to align the corresponding wording with no change in conclusion

The Group is in the process of making an assessment of the impact of these revised HKFRSs upon initial application. So far, the Group considers that, these revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

2.4 MATERIAL ACCOUNTING POLICIES

Investments in associates

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group's investments in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The Group's share of the post-acquisition results and other comprehensive income of associates is included in the consolidated statement of profit or loss and other comprehensive income. In addition, when there has been a change recognised directly in the equity of the associates, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associate are eliminated to the extent of the Group's investments in associates, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates is included as part of the Group's investments in associates.

Business combinations other than those under common control and goodwill

Business combinations not under common control are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in

exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Business combinations under common control

Business combinations under common control are accounted for using the principle of merger accounting. Under the principle of merger accounting, the consolidated financial statements incorporate the financial statement items of the acquired entities or businesses in which the common control combination occurs from the date when the acquired entities or businesses first come under the control of the controlling party.

The net assets of the acquired entities or businesses are consolidated using the existing book values from the controlling party's perspective. No adjustments are made to reflect fair values, or recognise any new assets or liabilities as a result of the common control combination. No amount is recognised in respect of goodwill or excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the contribution of the controlling party's interest. All differences between the cost of acquisition (fair value of consideration paid) and the amounts at which the assets and liabilities are recorded (net of any reserves of the acquired entities) have been recognised directly in equity as part of the merger reserve. Acquisition-related costs are expenses as incurred.

The consolidated profit or loss and the consolidated other comprehensive income include the results of each of the acquired entities or businesses from the earliest date presented or since the date when the acquired entities or businesses first come under common control, where this is a shorter period.

Fair value measurement

The Group measures its financial assets at fair value through profit or loss at fair value at the end of each of the Relevant Periods. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
- Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each of the Relevant Periods.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for non-financial asset is required (other than contract assets and deferred tax assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs. In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each of the Relevant Periods as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person's family and that person
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold improvements	Over the remaining lease terms of the leased buildings
Plant and machinery	10% to 32%
Motor vehicles	19% to 32%
Furniture and office equipment	19% to 32%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Technology and customer relationship are stated at cost less any impairment loss and are amortised on the straight-line basis over their estimated useful life of 10 years.

Research and development expenses

All research expenses are charged to the statement of profit or loss as incurred.

Expenditure incurred on projects to develop new technologies is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Development expenditure which does not meet these criteria is expensed when incurred.

Leases

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

Group as a lessee

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

(a) Right-of-use assets

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

Warehouses and offices

19 months to 10 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(b) Lease liabilities

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

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

(c) Short-term leases

The Group applies the short-term lease recognition exemption to its short-term leases of some warehousing units in a building (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option).

Lease payments on short-term leases are recognised as an expense on a straight-line basis over the lease term.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (“**FVOCI**”), and fair value through profit or loss (“**FVPL**”).

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 *Revenue from Contracts with Customers* in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

Purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in profit or loss.

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition as at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognises an allowance for expected credit losses (“ECLs”) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, 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 and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information. The Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Group considers a financial asset in default when contractual payments are 60 days past due based on the industry practice and the historical information, including the Group’s credit risk control practices and the historical recovery rate of financial assets. However, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

- Stage 1 — Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs
- Stage 2 — Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs
- Stage 3 — Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables and contract assets that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings, and payables, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, and payables, net of directly attributable transaction costs.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at amortised cost (trade and other payables, and borrowings)

After initial recognition, trade and other payables, and interest-bearing borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash on hand and at banks, and short-term highly liquid deposits with a maturity of generally within three months that are readily convertible into known amounts of cash, subject to an insignificant risk of changes in value and held for the purpose of meeting short-term cash commitments.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and at banks, and short-term deposits as defined above, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and tax laws that have been enacted or substantively enacted by the end of each of the Relevant Periods, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of each of the Relevant Periods between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and
- in respect of taxable temporary differences associated with investments in subsidiaries and associates, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and
- in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each of the Relevant Periods and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each of the Relevant Periods and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

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

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Revenue recognition***Revenue from contracts with customers***

Revenue from contracts with customers is recognised when control of services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those services.

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

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

(i) First-mile international freight services

Services included in the first-mile international freight services are mainly for transporting the customers' goods from designated domestic locations to overseas designated locations, which includes other value-added services, such as customs clearance and etc.. Revenue from the provision of first-mile international freight services is recognised over time, using an output method to measure progress towards complete satisfaction of the service, which is to recognise

revenue on the basis of direct measurements of the value of the services transferred to the customer to date relative to the remaining services promised under the contract, that best depicts the Group's performance in transferring control of services.

(ii) Last-mile fulfillment services

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

For both types of services, the customers simultaneously receive and consume the benefits provided by the Group's performance as the Group performs.

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Contract assets

If the Group performs by transferring services to a customer before being unconditionally entitled to the consideration under the contract terms, a contract asset is recognised for the earned consideration that is conditional. Contract assets are subject to impairment assessment, details of which are included in the accounting policy for impairment of financial assets. They are reclassified to trade receivables when the right to the consideration becomes unconditional.

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related services to the customer).

Employee benefits*Pension schemes*

In accordance with the relevant laws and regulations, the Group's employees participate in various defined contribution plans and state-managed retirement benefit plans in the countries in which the Group operates. Payments to these plans, where the Group's obligations under such plans are equivalent to a defined contribution plan, are recognised as an expense based on certain percentages of the salaries of these employees on a monthly basis when employees have rendered services entitling them to the contributions.

Housing benefits, medical insurances and other social insurances

PRC employees of the Group are entitled to participate in various government-supervised housing funds, medical insurances and other social insurance plans. The Group contributes to these funds based on certain percentages of the salaries of these employees on a monthly basis. The Group's liability in respect of these funds is limited to the contribution payable in each period. Contributions to the housing funds, medical insurances and other social insurances are expensed as incurred.

Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme")

The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries in accordance with the rules of the MPF Scheme.

Borrowing costs

Borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Dividends are recognised as a liability when they are approved by the shareholders in a general meeting.

Foreign currencies

These financial statements are presented in RMB, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of each of the Relevant Periods. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain overseas subsidiaries are currencies other than the RMB. As at the end of each of the Relevant Periods, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of each of the Relevant Periods and their statements of profit or loss are translated into RMB at the exchange rates that approximate to those prevailing at the dates of the transactions.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve, except to the extent that the differences are attributable to non-controlling interests. On disposal of a foreign operation, the cumulative amount in the reserve relating to that particular foreign operation is recognised in profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Historical Financial Information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgments

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the Historical Financial Information:

Identifying performance obligations in provision of last-mile fulfillment services

The Group provides last-mile fulfillment services from the overseas port to the overseas destination designated by the end consumers, which includes different steps such as overseas warehousing, other value-added services and deliveries. The orders are placed separately by the customers, which means such promises by the Group are separately identifiable. These services are requested by customers as needed and they are not dependent on other services that are provided by the Group. These services do not significantly affect each other and, therefore, are not highly interdependent or highly interrelated, because the Group would need to fulfill its promise to these independent services separately. Consequently, these services which are included in last-mile fulfillment services are identified as separate performance obligations.

Deferred tax assets

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised. This requires significant judgement on the tax treatments of certain transactions and also assessment on the probability that adequate future taxable profits will be available for the deferred tax assets to be recovered.

Significant judgement in determining the acquisition date of business combination

The Company entered into investment agreements with Shenzhen EDA and Shenzhen EDA's shareholders, in order to acquire the 100% equity interest of Shenzhen EDA and to restructure the Company to be the holding company in 2021. According to the investment agreements, the acquisition would be completed through several steps, otherwise the agreements would be reversed and cancelled if the steps are not completed. Although the Company has obtained 100% equity interests in Shenzhen EDA on 21 December 2021, the above mentioned steps for completion had not yet fully completed until 24 December 2021. Management considered that these steps for completion are linked transactions and therefore considered the completion of Acquisition of Shenzhen EDA on 24 December 2021.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each of the Relevant Periods, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Fair value measurement for the consideration under business combination

Significant judgements and estimates were involved in the fair value measurement of the capital reserve arising from acquisition and the pre-existing investment in an associate. These significant judgements and estimates include the adoption of appropriate valuation methodologies and the use of key assumptions, including recent transaction price, discount rate and discount for lack of control, in the valuation. See note 29 to the Historical Financial Information for more details.

Fair value assessment of the identified intangible assets and the recognition of goodwill arising from business combination

Significant judgements and estimates were involved in the fair value assessment of the identified intangible assets, being technology and customer relationship and the recognition of goodwill arising from business combination. These significant judgements and estimates include the adoption of appropriate valuation methodologies and the use of key assumptions in the valuation (mainly annual revenue growth rates, gross profit margins, discount rates and expected useful lives of the technology and customer relationship). See notes 15 and 16 to the Historical Financial Information for more details.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill as at 31 December 2021, 2022 and 2023 was RMB76,443,000. Further details are given in note 15 to the Historical Financial Information.

Provision for expected credit losses on trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on groupings of various customers/debtors segments that have similar loss patterns (i.e. by service type and customer type).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions are expected to deteriorate over the next year which can lead to an increased number of defaults in the cross-border e-commerce sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in note 19 to the Historical Financial Information.

Leases — estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate (“**IBR**”) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group “would have to pay”, which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the

lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

4. OPERATING SEGMENT INFORMATION

The Group is principally engaged in the provision of first-mile international freight services and last-mile fulfillment services, including overseas warehousing, other value-added services and deliveries for the cross-border e-commerce participants based in Chinese Mainland.

HKFRS 8 Operating Segments requires operating segments to be identified on the basis of internal reporting about components of the Group that are regularly reviewed by the chief operating decision-maker in order to allocate resources to segments and to assess their performance. The information reported to the directors of the Company, who are the chief operating decision-makers, for the purpose of resource allocation and assessment of performance does not contain discrete operating segment financial information and the directors reviewed the financial results of the Group as a whole. Therefore, no further information about the operating segment is presented.

Geographical information

(a) Revenue from external customers

	Year ended 31 December		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
China	—	187,798	259,505
The United States	—	407,261	762,530
Canada	—	70,056	95,687
The United Kingdom	—	29,746	35,680
Germany	—	11,859	51,485
Australia	—	1,945	4,417
	—	708,665	1,209,304

The above revenue information is based on the location of the services rendered.

(b) Non-current assets

	As at 31 December		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
China	89,690	87,610	65,592
The United States	125,554	113,706	91,691
The United Kingdom	19,457	13,148	8,122
Canada	13,325	9,860	6,353
Australia	—	—	7
	<u>248,026</u>	<u>224,324</u>	<u>171,765</u>

The above non-current asset information is based on the locations of the assets and excludes deferred tax assets and goodwill.

Information about major customers

For the years ended 31 December 2022 and 2023, revenue from a single customer, including sales to a group of entities which are known to be under common control with that customer, contributed 12.4% and 12.5% to the Group's revenue, respectively.

5. REVENUE, OTHER INCOME AND GAINS**Revenue**

An analysis of revenue is as follows:

	Year ended 31 December		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue from contracts with customers. . . .	<u>—</u>	<u>708,665</u>	<u>1,209,304</u>

(a) Disaggregated revenue information

	Year ended 31 December		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Type of services			
First-mile international freight services	—	187,798	259,505
Last-mile fulfillment services	—	520,867	949,799
	—	708,665	1,209,304
Timing of revenue recognition			
Services transferred over time	—	708,665	1,209,304

The following table shows the amounts of revenue recognised in the Relevant Periods that were included in the contract liabilities at the beginning of the respective periods:

	Year ended 31 December		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Revenue recognised that was included in contract liabilities at the beginning of the year:			
First-mile international freight services	—	1,961	3,278
Last-mile fulfillment services	—	5,622	7,200
	—	7,583	10,478

(b) Performance obligations

Information about the Group's performance obligations is summarised below:

For first-mile international freight services including provision of transportation from the designated locations in Chinese Mainland to the designated oversea locations, the performance obligation is satisfied over time and the completion progress of these services is therefore measured by the number of days from the date the Group receiving the goods from the customers to the report date over the estimated service period. Payment is generally due within 10 days from the date of billing, extending up to two months or is settled on an advance receipt basis depending on the relationships with the customers.

For last-mile fulfillment services including the provision of one-stop logistic services from the overseas port to the overseas destination designated by the end customers, which includes different steps such as overseas warehousing, other value-added services and local deliveries, the performance obligation is satisfied over time as progress towards the days consumed over the estimated service period. Payment is generally due within 10 days from the date of billing, extending up to two months or is settled on an advance receipt basis depending on the relationships with the customers.

The Group has elected the practical expedient for not to disclose the remaining performance obligations for these types of contracts because the performance obligation is part of a contract that has an original expected duration of one year or less.

Other income and gains

	Year ended 31 December		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Interest income	16	621	1,017
Government grants	—	1,204	172
Surcharges from customers for overdue balances	—	285	351
Fair value changes of financial assets at fair value through profit or loss	—	61	42
Foreign exchange gain, net	4	4,541	2,076
Gain on disposal of an associate	—	—	779
Others	—	1,208	1,674
	<u>20</u>	<u>7,920</u>	<u>6,111</u>

Government grants mainly represent funding received from government authorities to support the cross border e-commerce industry. There are no unfulfilled conditions or contingencies related to these grants.

6. FINANCE COSTS

An analysis of finance costs is as follows:

	Year ended 31 December		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Interest expense on borrowings	—	851	1,632
Interest expense on lease liabilities	—	10,193	8,820
	—	11,044	10,452

7. PROFIT BEFORE TAX

	Notes	Year ended 31 December		
		2021	2022	2023
		RMB'000	RMB'000	RMB'000
Cost of provision of first-mile international freight services		—	183,795	253,613
Cost of provision of last-mile fulfillment services		—	418,376	758,587
Depreciation of property, plant and equipment	13	—	3,480	3,590
Depreciation of right-of-use assets	14(c)	—	33,159	33,971
Amortisation of other intangible assets	16	—	7,330	7,330
Total depreciation and amortisation		—	43,969	44,891
Lease payments not included in the measurement of lease liabilities	14(c)	—	1,121	2,571
Auditors' remuneration		33	201	86
Listing expenses		—	535	22,493
Employee benefit expenses* (excluding directors' and chief executive's remuneration (note 8)):				
Wages and salaries		—	95,667	168,841
Pension scheme contributions**		—	2,351	3,471
		—	98,018	172,312

	<i>Notes</i>	Year ended 31 December		
		2021	2022	2023
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Research and development expenses		—	20,836	33,327
(Gain)/loss on disposal of items of property, plant and equipment		—	(30)	1
Gain on disposal of an associate		—	—	(779)
Loss on deemed disposal of an associate***	29	5,656	—	—
Fair value gains on financial assets at fair value through profit or loss		—	(61)	(42)
Impairment losses on trade receivables, net*	19	—	2,489	2,508
Impairment losses on contract assets, net	20	—	—	7
Foreign exchange differences, net		(4)	(4,541)	(2,076)
		<u> </u>	<u> </u>	<u> </u>

* No employee benefit expenses were included in cost of provision of first-mile international freight services and last-mile fulfillment services during the year ended 31 December 2021. Amounts of RMB62,762,000 and RMB125,656,000 of employee benefit expenses were included in cost of provision of first-mile international freight services and last-mile fulfillment services during the years ended 31 December 2022 and 2023, respectively.

** During the Relevant Periods, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years.

*** Included in "Other expenses" in the consolidated statements of profit or loss and other comprehensive income.

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' remuneration for the Relevant Periods is as follows:

	Year ended 31 December		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Fees	—	—	—
Other emoluments:			
Salaries, allowances and benefits in kind.	—	1,730	1,719
Pension scheme contributions	—	188	191
Performance related bonuses	—	720	1,972
	<u> </u>	<u> </u>	<u> </u>
	<u> </u>	<u> </u>	<u> </u>

(a) Executive directors and the chief executive

Year ended 31 December 2021

	Salaries, allowances and benefits in kind	Pension scheme contributions	Performance related bonuses	Total remuneration
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Executive director:				
Mr. Luo Jianfeng*	—	—	—	—

Year ended 31 December 2022

	Salaries, allowances and benefits in kind	Pension scheme contributions	Performance related bonuses	Total remuneration
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Executive directors:				
Mr. Liu Yong**	930	94	300	1,324
Mr. Luo Jianfeng	—	—	—	—
Ms. Li Qin***	800	94	420	1,314
Mr. Cheung Man Yu***	—	—	—	—
Mr. Zuo Manlun***	—	—	—	—
	<u>1,730</u>	<u>188</u>	<u>720</u>	<u>2,638</u>

Year ended 31 December 2023

	Salaries, allowances and benefits in kind	Pension scheme contributions	Performance related bonuses	Total remuneration
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Executive directors:				
Mr. Liu Yong	845	95	880	1,820
Ms. Li Qin	820	95	820	1,735
Mr. Cheung Man Yu	54	1	272	327
	<u>1,719</u>	<u>191</u>	<u>1,972</u>	<u>3,882</u>
Non-executive directors:				
Mr. Luo Jianfeng	—	—	—	—
Mr. Zuo Manlun	—	—	—	—
	<u>1,719</u>	<u>191</u>	<u>1,972</u>	<u>3,882</u>

Notes:

- * Mr. Luo Jianfeng was appointed as a director of the Company on 17 September 2020.
- ** Mr. Liu Yong was appointed as the chairman of the Board, a director and the chief executive officer of the Company on 11 October 2022.
- *** Mr. Cheung Man Yu, Mr. Zuo Manlun and Ms. Li Qin were appointed as directors of the Company on 11 October 2022.

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

9. FIVE HIGHEST PAID EMPLOYEES

No employee received any fees or emoluments in respect of their services rendered to the Group during the year ended 31 December 2021. The five highest paid employees for the years ended 31 December 2022 and 2023 included 2 and 2 directors, respectively, details of whose remuneration are set out in note 8 above. Details of the remuneration for the years ended 31 December 2022 and 2023 of the remaining highest paid employees who are neither a director nor chief executive of the Company are as follows:

	Year ended 31 December		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Salaries, allowances and benefits in kind . . .	—	1,997	1,809
Pension scheme contributions	—	216	296
Performance related bonuses	—	830	1,080
	—	3,043	3,185
	<u>—</u>	<u>3,043</u>	<u>3,185</u>

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees		
	Year ended 31 December		
	2021	2022	2023
Nil to HK\$1,000,000	—	—	—
HK\$1,000,001 to HK\$1,500,000	—	3	3
	—	3	3
	<u>—</u>	<u>3</u>	<u>3</u>

10. INCOME TAX

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

Hong Kong profits tax

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong for the Relevant Periods. No provision for Hong Kong profits tax was made as the Group had no assessable profits arising in Hong Kong during the year ended 31 December 2021. Since 2022, one Hong Kong subsidiary of the Group is a qualifying entity under the two-tiered profits tax rates regime. The first HK\$2,000,000 of assessable profits of this subsidiary are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%.

PRC corporate income tax

The Group's income tax provision in respect of its operations in Chinese Mainland has been calculated at the statutory tax rate of 25% on the taxable profits for the Relevant Periods, based on the existing legislation, interpretations and practices in respect thereof.

One of the Group's PRC subsidiaries is qualified as High and New Technology Enterprises and is entitled to a preferential corporate income tax rate of 15% for the years ended 31 December 2021, 2022 and 2023. Another PRC subsidiary is entitled to a preferential corporate income tax rate of 15% in Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone since 1 August 2023.

Income tax for other jurisdictions

During the Relevant Periods, income tax of other jurisdictions mainly arose from the United States, the United Kingdom, Canada and Australia.

The Company's subsidiaries incorporated in the United States for the Relevant Periods were subject to the federal tax at a rate of 21% and the state tax at the rates ranging from 8.8% to 11.5%. In addition, the United Kingdom profits taxes have been provided at a rate of 19%, Canada profits tax has been provided at a rate of 26.5% and Australia profits tax has been provided at a rate of 30% on the estimated assessable profits arising in the respective jurisdictions during the years ended 31 December 2022 and 2023.

Pillar Two income taxes

The Group has applied the mandatory exception to recognising and disclosing information about deferred tax assets and liabilities arising from Pillar Two income taxes, and will account for the Pillar Two income taxes as current tax when incurred. Pillar Two legislation has been enacted or substantively enacted in certain jurisdictions in which the Group operates, and the legislation will be effective for the Group's financial year beginning 1 January 2024. The Group is in the process of assessing the related exposure from Pillar Two income taxes. Based on the assessment, the Group does not expect a material exposure to Pillar Two income taxes.

	Year ended 31 December		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Current			
Chinese Mainland	—	4,258	7,421
Hong Kong	—	1,790	2,473
The United States	—	715	1,002
Canada	—	458	617
Australia	—	41	46
The United Kingdom	—	—	32
	—	7,262	11,591
Deferred (<i>note 18</i>)	—	(2,963)	(570)
Total tax charge for the year	—	4,299	11,021

A reconciliation of the tax expense applicable to profit/(loss) before tax at the statutory rate for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the income tax expense at the effective income tax rate of each of the Relevant Periods and a reconciliation of the applicable rates (i.e., the statutory tax rates) to the effective rates of each of the Relevant Periods, are as follows:

31 December 2021

	Hong Kong	
	<i>RMB'000</i>	%
Profit before tax	3,046	
Tax at the statutory tax rate	503	16.5
Expenses not deductible for tax	933	30.6
Income not subject to tax	(1,445)	(47.4)
Tax losses not recognised	9	0.3
Tax charge at the Group's effective rate	—	—

31 December 2022

	Chinese Mainland		Hong Kong		The United States		The United Kingdom		Canada		Australia		Total	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Profit/(loss) before tax	26,465		11,034		2,122		(535)		1,356		149		40,591	
Tax at the statutory tax rate.	6,616	25.0	1,821	16.5	637	30.0	(102)	19.0	359	26.5	45	30.0	9,376	23.1
Lower tax rates for specific jurisdictions														
or enacted by local authority	(2,916)	(11.0)	(151)	(1.4)	—	—	—	—	—	—	—	—	(3,067)	(7.5)
Expenses not deductible for tax	162	0.6	—	—	210	9.9	—	—	37	2.7	—	—	409	1.0
Tax losses not recognised	—	—	51	0.5	—	—	—	—	—	—	—	—	51	0.1
Income not subject to tax	—	—	—	—	(5)	(0.2)	—	—	—	—	—	—	(5)	(0.0)
Tax incentive on eligible expenses	(2,451)	(9.3)	—	—	(14)	(0.7)	—	—	—	—	—	—	(2,465)	(6.1)
Tax charge at the Group's effective rate	1,411	5.3	1,721	15.6	828	39.0	(102)	19.0	396	29.2	45	30.0	4,299	10.6

31 December 2023

	Chinese Mainland		Hong Kong		The United States		The United Kingdom		Canada		Australia		Total	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Profit/(loss) before tax	75,435		(1,139)		3,493		654		1,819		162		80,424	
Tax at the statutory tax rate	18,859	25.0	(188)	16.5	1,048	30.0	124	19.0	482	26.5	49	30.0	20,374	25.3
Lower tax rates for specific jurisdictions														
or enacted by local authority	(8,333)	(11.0)	(156)	13.7	—	—	—	—	—	—	—	—	(8,489)	(10.6)
Expenses not deductible for tax	1,227	1.6	2,830	(248.5)	—	—	18	2.8	—	—	—	—	4,075	5.1
Income not subject to tax	—	—	—	—	—	—	—	—	—	—	(3)	(1.9)	(3)	(0.0)
Tax losses not recognised	—	—	20	(1.8)	—	—	—	—	—	—	—	—	20	0.0
Adjustments in respect of current tax of														
previous periods	—	—	—	—	(46)	(1.3)	—	—	—	—	—	—	(46)	(0.1)
Tax incentive on eligible expenses	(4,910)	(6.5)	—	—	—	—	—	—	—	—	—	—	(4,910)	(6.1)
Tax charge at the Group's effective rate	6,843	9.1	2,506	(220.0)	1,002	28.7	142	21.7	482	26.5	46	28.4	11,021	13.7

The share of tax attributable to an associate for the year ended 31 December 2021 were RMB1,445,000, which is included in “Share of results of an associate” in the consolidated statements of profit or loss and other comprehensive income. There is no share of tax attributable to an associate for the years ended 31 December 2022 and 2023.

11. DIVIDENDS

During the years ended 31 December 2021 and 2022, no dividends have been paid or declared by the Company.

During the year ended 31 December 2023, dividend of RMB23,000,000 has been declared and paid by the Company.

12. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares of 102,459, 228,210 and 228,210 in issue during each of the Relevant Periods, respectively.

The basic earnings per share is calculated by dividing the profit attributable to owners of the parent by the weighted average number of ordinary shares during the Relevant Periods.

The Company did not have any potential dilutive ordinary shares outstanding during the Relevant Periods. Diluted earnings per share is equal to basic earnings per share.

The calculation of basic and diluted earnings per share are based on:

	Year ended 31 December		
	2021	2022	2023
Earnings			
Profit attributable to owners of the parent (RMB'000)	3,046	36,292	69,403
Shares			
Weighted average number of ordinary shares in issue at 1 January	100,000	228,210	228,210
Weighted average number of new shares .	2,459	—	—
Adjusted weighted average number of ordinary shares of the Company in issue used in the basic and diluted earnings per share calculation	102,459	228,210	228,210
Earnings per share			
Basic and diluted (RMB per share)	29.74	159.03	304.11

13. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements	Plant and machinery	Motor vehicles	Furniture and office equipment	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2021					
At 1 January 2021:					
Cost	—	—	—	—	—
Accumulated depreciation	—	—	—	—	—
Net carrying amount	—	—	—	—	—
At 1 January 2021, net of accumulated depreciation.					
At 1 January 2021, net of accumulated depreciation.	—	—	—	—	—
Additions as a result of acquisition of subsidiaries (note 29)	2,306	2,759	2,909	1,176	9,150
At 31 December 2021, net of accumulated depreciation.					
At 31 December 2021, net of accumulated depreciation.	2,306	2,759	2,909	1,176	9,150

	Leasehold improvements	Plant and machinery	Motor vehicles	Furniture and office equipment	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 31 December 2021:					
Cost	2,914	4,311	3,674	2,045	12,944
Accumulated depreciation	(608)	(1,552)	(765)	(869)	(3,794)
Net carrying amount	<u>2,306</u>	<u>2,759</u>	<u>2,909</u>	<u>1,176</u>	<u>9,150</u>
31 December 2022					
At 1 January 2022:					
Cost	2,914	4,311	3,674	2,045	12,944
Accumulated depreciation	(608)	(1,552)	(765)	(869)	(3,794)
Net carrying amount	<u>2,306</u>	<u>2,759</u>	<u>2,909</u>	<u>1,176</u>	<u>9,150</u>
At 1 January 2022, net of accumulated					
depreciation.	2,306	2,759	2,909	1,176	9,150
Additions	345	609	98	648	1,700
Disposals	—	(20)	(79)	(13)	(112)
Depreciation provided during the year. . .	(690)	(1,244)	(961)	(585)	(3,480)
Exchange realignment	(3)	103	91	27	218
At 31 December 2022, net of accumulated	<u>1,958</u>	<u>2,207</u>	<u>2,058</u>	<u>1,253</u>	<u>7,476</u>
At 31 December 2022:					
Cost	3,256	5,109	3,740	2,728	14,833
Accumulated depreciation	(1,298)	(2,902)	(1,682)	(1,475)	(7,357)
Net carrying amount	<u>1,958</u>	<u>2,207</u>	<u>2,058</u>	<u>1,253</u>	<u>7,476</u>
31 December 2023					
At 1 January 2023:					
Cost	3,256	5,109	3,740	2,728	14,833
Accumulated depreciation	(1,298)	(2,902)	(1,682)	(1,475)	(7,357)
Net carrying amount	<u>1,958</u>	<u>2,207</u>	<u>2,058</u>	<u>1,253</u>	<u>7,476</u>
At 1 January 2023, net of accumulated					
depreciation.	1,958	2,207	2,058	1,253	7,476
Additions	—	194	748	520	1,462
Disposals	—	(25)	—	(5)	(30)
Depreciation provided during the year . . .	(620)	(1,358)	(862)	(750)	(3,590)
Exchange realignment	—	30	31	3	64
At 31 December 2023, net of accumulated	<u>1,338</u>	<u>1,048</u>	<u>1,975</u>	<u>1,021</u>	<u>5,382</u>
At 31 December 2023:					
Cost	3,265	5,247	4,570	3,208	16,290
Accumulated depreciation.	(1,927)	(4,199)	(2,595)	(2,187)	(10,908)
Net carrying amount	<u>1,338</u>	<u>1,048</u>	<u>1,975</u>	<u>1,021</u>	<u>5,382</u>

14. LEASES

The Group as a lessee

The Group has lease contracts for some warehouses and offices used in its operations. Leases of some warehouses and an office generally have lease terms of 19 months to 10 years. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

(a) Right-of-use assets

The carrying amounts of right-of-use assets and the movement during each of the Relevant Periods are as follows:

	<i>Note</i>	As at 31 December		
		2021	2022	2023
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At beginning of year		—	162,172	139,425
Additions as a result of acquisition of subsidiaries	29	162,172	—	—
Depreciation charge		—	(33,159)	(33,971)
Exchange realignment		—	10,412	2,289
At end of year		<u>162,172</u>	<u>139,425</u>	<u>107,743</u>

(b) Lease liabilities

The carrying amount of lease liabilities and the movements during each of the Relevant Periods are as follows:

	<i>Notes</i>	At 31 December		
		2021	2022	2023
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At beginning of year		—	171,023	153,791
Additions as a result of acquisition of subsidiaries	29	171,023	—	—
Accretion of interest recognised during the year	6	—	10,193	8,820
Payment		—	(38,619)	(40,741)
Exchange realignment		—	11,194	2,529
At end of year		<u>171,023</u>	<u>153,791</u>	<u>124,399</u>
Analysed into:				
Within one year		27,586	31,351	34,724
In the second year		29,685	34,300	30,931
In the third to fifth years, inclusive		76,516	61,965	39,546
Beyond five years		37,236	26,175	19,198
		<u>171,023</u>	<u>153,791</u>	<u>124,399</u>

The maturity analysis of lease liabilities is disclosed in note 34 to the Historical Financial Information.

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	Year ended 31 December		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Interest on lease liabilities	—	10,193	8,820
Depreciation charge of right-of-use assets	—	33,159	33,971
Expense relating to short-term leases	—	1,121	2,571
Total amount recognised in profit or loss	<u>—</u>	<u>44,473</u>	<u>45,362</u>

(d) The total cash outflow for leases is disclosed in note 30 to the Historical Financial Information.

15. GOODWILL

	As at 31 December		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
At the beginning of the year	—	76,443	76,443
Acquisition of subsidiaries (<i>note 29</i>)	76,443	—	—
At the end of the year	76,443	76,443	76,443

Impairment testing of goodwill

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

The recoverable amount of the Shenzhen EDA CGU has been determined based on a value in use calculation using cash flow projections based on financial budget covering a five-year period approved by senior management.

	Annual revenue growth rate	Terminal growth rate	Budgeted gross margins	Pre-tax discount rate
31 December 2021	6.8%	3.0%	15.5%-16.9%	21.1%
31 December 2022	8.0%	3.0%	15.5%-16.0%	21.0%
31 December 2023	6.3%	2.3%	15.0%-15.1%	21.7%

The above assumptions were used in the value in use calculation of the Shenzhen EDA CGU. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

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

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

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

Discount rate — The discount rate used is before tax and reflects specific risks relating to the relevant unit.

Sensitivity analysis

Details of the headroom measured by the excess of the recoverable amount over the carrying amount are as follows:

	As at 31 December		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Shenzhen EDA CGU	3,750	13,532	186,029

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

	Change of key assumptions required for carrying value to equal recoverable amount		
	2021	2022	2023
Annual revenue growth rates (during the five-year period)	(5.4%)	(10.8%)	(51.1%)
Gross profit margin	(5.1%)	(1.8%)	(12.3%)
Pre-tax discount rate	1.2%	4.0%	19.9%

At the end of each of the Relevant Periods, the management of the Group considered there was no reasonably possible change in the key assumptions mentioned above that would cause the carrying amount of the Shenzhen EDA CGU to exceed its recoverable amount. The management of the Company determined that there was no impairment of the Shenzhen EDA CGU.

16. OTHER INTANGIBLE ASSETS

		<u>Technology</u>	<u>Customer relationship</u>	<u>Total</u>
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
31 December 2021				
Cost at 1 January 2021, net of accumulated amortisation		—	—	—
Acquisition of subsidiaries	29	25,900	47,400	73,300
At 31 December 2021		<u>25,900</u>	<u>47,400</u>	<u>73,300</u>
At 31 December 2021:				
Costs		25,900	47,400	73,300
Accumulated amortisation		—	—	—
Net carrying amount		<u>25,900</u>	<u>47,400</u>	<u>73,300</u>
31 December 2022				
Cost at 1 January 2022, net of accumulated amortisation		25,900	47,400	73,300
Amortisation provided during the year . . .	7	(2,590)	(4,740)	(7,330)
At 31 December 2022		<u>23,310</u>	<u>42,660</u>	<u>65,970</u>
At 31 December 2022:				
Costs		25,900	47,400	73,300
Accumulated amortisation		(2,590)	(4,740)	(7,330)
Net carrying amount		<u>23,310</u>	<u>42,660</u>	<u>65,970</u>
31 December 2023				
Cost at 1 January 2023, net of accumulated amortisation		23,310	42,660	65,970
Amortisation provided during the year . . .	7	(2,590)	(4,740)	(7,330)
At 31 December 2023		<u>20,720</u>	<u>37,920</u>	<u>58,640</u>
At 31 December 2023:				
Cost		25,900	47,400	73,300
Accumulated amortisation		(5,180)	(9,480)	(14,660)
Net carrying amount		<u>20,720</u>	<u>37,920</u>	<u>58,640</u>

17. INVESTMENTS IN ASSOCIATES

	As at 31 December		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Share of net assets	2,904	11,453	—
Goodwill	—	—	—
	<u>2,904</u>	<u>11,453</u>	<u>—</u>

Particulars of the associates are as follows:

Name	Particulars of issued capital held	Place of incorporation/ registration and business	Percentage of ownership interest attributable to the Group	Principal activities
Shenzhen EDA ⁽¹⁾	Registered capital	PRC/Chinese Mainland	20.83	Provision of logistics services and warehousing
Hangzhou Yuehui Venture Capital Partnership [#] (“ Hangzhou Yuehui ”) ⁽²⁾	Partnership shares	PRC/Chinese Mainland	16.13	Capital investment

Notes:

- (1) On 28 February 2020, EDAHK acquired 20.83% equity interests in Shenzhen EDA from independent third party and capital injection at a total consideration of RMB25,000,000. In January 2021, the Company entered into investment agreements with the former controlling shareholders of Shenzhen EDA to acquire the remaining equity interest in Shenzhen EDA. In the opinion of directors, on 24 December 2021, all steps set out in the agreements had been completed and the Company then has obtained the control of Shenzhen EDA, therefore it is determined as the acquisition date. The Group remeasured the investment in the associate to fair value at the acquisition date and was deemed to had been disposed of in exchange for the step-acquisition of Shenzhen EDA. The resulting loss on deemed disposal of an associate of RMB5,656,000 was recognised in profit or loss for the year ended 31 December 2021.
- (2) Hangzhou Yuehui was incorporated on 15 September 2021. The Group considers it has significant influence over Hangzhou Yuehui even though it owns less than 20% of the equity interests because the Group is the limited partner and has the voting power in Hangzhou Yuehui. On 21 June 2023, Hangzhou Yuehui was disposed by the Group to a related party at a consideration of RMB12,000,000.

[#] The English name of this entity represents the best efforts made by the directors of the Company to translate the Chinese name as the entity does not have an official English name.

The following table illustrates the summarised financial information in respect of Hangzhou Yuehui, adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated statements of financial position:

Hangzhou Yuehui

	As at 31 December		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Current assets	9,489	18,953	—
Non-current assets	9,000	24,322	—
Net assets	<u>18,489</u>	<u>43,275</u>	<u>—</u>
Reconciliation to the Group's interest in the associate:			
Proportion of the Group's ownership (note)	15.71%	26.32%	—
Group's share of net assets of the associate	<u>2,904</u>	<u>11,453</u>	<u>—</u>
	Year ended 31 December		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Loss and total comprehensive expense for the year	<u>(611)</u>	<u>(1,714)</u>	<u>(882)</u>

Note: According to the articles of association, the percentage of profit sharing is based on the proportion of capital contribution actually made to Hangzhou Yuehui.

18. DEFERRED TAX

The movements in deferred tax assets and liabilities during each of the Relevant Periods are as follows:

Deferred tax liabilities

	Accelerated tax depreciation	Fair value adjustments arising from acquisition of subsidiaries	Right-of-use assets	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2021.....	—	—	—	—
Acquisition of subsidiaries (<i>note 29</i>)..	33	10,995	44,834	55,862
At 31 December 2021 and 1 January 2022	33	10,995	44,834	55,862
Deferred tax credited to profit or loss during the year	(33)	(1,099)	(8,855)	(9,987)
Exchange realignment	—	—	3,206	3,206
At 31 December 2022 and 1 January 2023	—	9,896	39,185	49,081
Deferred tax credited to profit or loss during the year	—	(1,100)	(9,274)	(10,374)
Exchange realignment	—	—	774	774
At 31 December 2023.....	—	8,796	30,685	39,481

Deferred tax assets

	Lease liabilities	Loss available for offsetting against future taxable profit	Provision for impairment of financial and contract assets	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2021.....	—	—	—	—
Acquisition of subsidiaries (<i>note 29</i>)..	47,287	109	3,811	51,207
At 31 December 2021 and 1 January 2022	47,287	109	3,811	51,207
Deferred tax credited/(charged) to profit or loss during the year.....	(7,469)	(13)	458	(7,024)
Exchange realignment	3,442	6	—	3,448
At 31 December 2022 and 1 January 2023	<u>43,260</u>	<u>102</u>	<u>4,269</u>	<u>47,631</u>
Deferred tax charged to profit or loss during the year	(8,533)	(110)	(1,161)	(9,804)
Exchange realignment	863	8	—	871
At 31 December 2023	<u>35,590</u>	<u>—</u>	<u>3,108</u>	<u>38,698</u>

For presentation purposes, certain deferred tax assets and liabilities have been offset in the consolidated statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	As at 31 December		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Net deferred tax assets recognised in the consolidated statement of financial position	6,373	8,446	8,013
Net deferred tax liabilities recognised in the consolidated statement of financial position	<u>11,028</u>	<u>9,896</u>	<u>8,796</u>

The Group has tax losses arising in Hong Kong of RMB286,000, RMB593,000 and RMB715,000 at the end of each of the Relevant Periods, respectively, that are available indefinitely for offsetting against future taxable profits of the companies from which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

The Group is liable for withholding taxes on dividends distributed by those subsidiaries established in Chinese Mainland in respect of earnings generated from 1 January 2008. The applicable rate is 10% for the Group. As at 31 December 2021, 2022 and 2023, the Group has not recognised deferred tax liabilities of RMB1,339,000, RMB4,815,000 and RMB12,201,500 in respect of temporary differences relating to the undistributed profits of subsidiaries, amounting to RMB13,390,000, RMB48,154,000 and RMB122,015,000, that would be payable on the distribution of these retained profits as the Company controls the dividend policy of these subsidiaries and plans to retain such undistributed profits in Chinese Mainland for business development. Therefore, it is not probable that these profits will be distributed in the foreseeable future.

19. TRADE RECEIVABLES

	As at 31 December		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Related parties	2,524	458	—
Third parties	67,035	87,850	151,459
	69,559	88,308	151,459
Impairment	(25,353)	(17,907)	(9,028)
	<u>44,206</u>	<u>70,401</u>	<u>142,431</u>

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally 10 days from the date of billing, extending up to two months for major customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by management. The Group's trade receivables from third parties relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An ageing analysis of the trade receivable as at the end of each of the Relevant Periods, based on the invoice date and net of loss allowance, is as follows:

	As at 31 December		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within 3 months	43,108	69,524	141,771
3 to 6 months	398	302	333
Over 6 months	700	575	327
	<u>44,206</u>	<u>70,401</u>	<u>142,431</u>

The movements in the loss allowance for impairment of trade receivables are as follows:

	As at 31 December		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At beginning of year	—	25,353	17,907
Acquisition of subsidiaries (<i>note 29</i>)	25,353	—	—
Impairment losses	—	2,489	2,508
Amount written off as uncollectible	—	(10,457)	(11,387)
Exchange realignment	—	522	—
At end of year	<u>25,353</u>	<u>17,907</u>	<u>9,028</u>

An impairment analysis is performed at each reporting date. The Group uses a provision matrix to measure expected credit losses for trade receivables. The provision rates are based on groupings of various customer segments with similar loss patterns (i.e., by customer type and service type). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Besides, for balances in relation to individual customers which bear specific credit risk depending on the repayment history, financial position and other external or internal information, management estimates the amounts recoverable by taking into account any credit enhancement held by the Group and recognises provision against the difference between the net remaining balance and the amount recoverable.

Set out below is the information about the credit risk exposure on the trade receivables using a provision matrix:

Group A

	Third parties			Related parties	Total
	Within 3 months	3 to 6 months	Over 6 months	Within 3 months	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
As at 31 December 2021					
Expected credit loss rate	4.0%	57.4%	91.6%	4.0%	18.3%
Gross carrying amount	42,364	935	8,313	2,524	54,136
Expected credit losses	1,680	537	7,613	100	9,930
As at 31 December 2022					
Expected credit loss rate	3.3%	57.3%	94.4%	3.3%	15.2%
Gross carrying amount	71,473	708	10,344	458	82,983
Expected credit losses	2,392	406	9,769	15	12,582
As at 31 December 2023					
Expected credit loss rate	2.7%	52.5%	92.7%	2.7%	5.6%
Gross carrying amount	145,753	701	4,462	—	150,916
Expected credit losses	3,982	368	4,135	—	8,485

Group B

	Third parties			Related parties	Total
	Within 3 months	3 to 6 months	Over 6 months	Within 3 months	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
As at 31 December 2021					
Expected credit loss rate	100.0%	100.0%	100.0%	—	100.0%
Gross carrying amount	668	413	14,342	—	15,423
Expected credit losses	<u>668</u>	<u>413</u>	<u>14,342</u>	<u>—</u>	<u>15,423</u>
As at 31 December 2022					
Expected credit loss rate	100.0%	100.0%	100.0%	—	100.0%
Gross carrying amount	379	183	4,763	—	5,325
Expected credit losses	<u>379</u>	<u>183</u>	<u>4,763</u>	<u>—</u>	<u>5,325</u>
As at 31 December 2023					
Expected credit loss rate	100.0%	100.0%	100.0%	—	100.0%
Gross carrying amount	—	—	543	—	543
Expected credit losses	<u>—</u>	<u>—</u>	<u>543</u>	<u>—</u>	<u>543</u>

20. CONTRACT ASSETS

	As at 31 December		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Contract assets	—	—	275
Impairment	—	—	(7)
	<u>—</u>	<u>—</u>	<u>268</u>

Contract assets are initially recognised for revenue earned from the provision of cross-border direct delivery services as the receipt of consideration is conditional on successful completion of delivering to the overseas destination designated by the end consumers.. Upon completion and acceptance by the end consumers, the amounts recognised as contract assets are reclassified to trade receivables. The increase in contract assets as at 31 December 2023 was the result of the business development with a new customer that has different billing arrangement during the year ended 31 December 2023.

During the year ended 31 December 2023, RMB7,000 was recognised as an allowance for expected credit losses on contract assets. The Group's trading terms and credit policy with customers are disclosed in note 19 to the Historical Financial Information.

The expected timing of recovery or settlement for contract assets is within one year.

The movements in the loss allowance for impairment of contract assets are as follows:

	As at 31 December		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At beginning of year	—	—	—
Impairment losses	—	—	7
At end of year	<u>—</u>	<u>—</u>	<u>7</u>

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates for the measurement of the expected credit losses of the contract assets are based on those of the trade receivables as the contract assets and the trade receivables are from the same customer bases. The provision rates of contract assets are based on days past due of trade receivables for groupings of various customer segments with similar loss patterns (i.e., by customer type and service type). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Set out below is the information about the credit risk exposure on the Group's contract assets using a provision matrix:

	As at 31 December		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Expected credit loss rate	—	—	2.7%
Gross carrying amount	—	—	275
Expected credit losses	<u>—</u>	<u>—</u>	<u>7</u>

21. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

The Company

	As at 31 December		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Amount due from subsidiaries	70,041	70,048	91,996
Amount due from the immediate holding company	—	—	605
Prepayments	—	—	2,090
Other receivables	8	8	8
	<u>70,049</u>	<u>70,056</u>	<u>94,699</u>

The Group

	Notes	As at 31 December		
		2021	2022	2023
		RMB'000	RMB'000	RMB'000
Prepayments		50,475	10,084	21,317
Deposits		10,065	13,801	21,754
Value-added tax recoverable		4,997	8,039	7,550
Tax recoverable		—	—	766
Advances to employees		1,168	1,389	32
Loans to directors and employees	(i)	5,200	19,836	—
Loan receivables	(ii)	2,391	10,856	—
Payment on behalf of customers for custom duties		595	4,852	4,787
Amount due from the immediate holding company		—	—	605
Other receivables		669	133	1,841
		<u>75,560</u>	<u>68,990</u>	<u>58,652</u>
Portion classified as non-current		(500)	—	—
Current portion		<u>75,060</u>	<u>68,990</u>	<u>58,652</u>

Notes:

- (i) The loans to directors and employees as at 31 December 2021 are unsecured, interest-free and had maturity of three months and two years, respectively.

The loans to directors and employees as at 31 December 2022 are unsecured, had an interest rate ranging from 0% to 5% and maturity ranging from one month to two years.

- (ii) The loan receivables as at 31 December 2021 are unsecured, interest-free and had maturity of six months.

The loan receivables as at 31 December 2022 are unsecured, had an interest rate ranging from 0% to 8% and maturity ranging from six months to one year.

- (iii) The financial assets included in the above balances relate to receivables for which there was no recent history of default and past due amounts. As at the end of each of the Relevant Periods, the loss allowance was assessed to be not material.

- (iv) As at 31 December 2021, 2022 and 2023, the outstanding balances with related parties included in the balances of prepayment and other receivables amounted of RMB270,000, RMB275,000 and RMB280,000, respectively, represented the rental deposit of warehouse leasing in the overseas, which were trade in nature. The remaining outstanding balances with related parties included in the balances of prepayment and other receivables as at the end of each of the Relevant Periods were non-trade in nature and further details of which are set out in note 31 to the Historical Financial Information.

22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Wealth management products	30,165	3,061	—

The Group's wealth management products at 31 December 2021, 2022 and 2023, were issued by banks in Chinese Mainland. They are classified as financial assets at fair value through profit or loss as their contractual cash flows do not qualify for solely payments of principal and interest.

23. CASH AND CASH EQUIVALENTS

The Company

	As at 31 December		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Cash and bank balances	36	13	165
Denominated in:			
RMB (<i>note</i>).	36	13	7
US\$.	—	—	154
HK\$	—	—	4
	36	13	165

The Group

	As at 31 December		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Cash and bank balances	44,640	102,745	211,427
Time deposit	10,000	10,000	10,000
Cash and cash equivalents.	54,640	112,745	221,427
Denominated in:			
RMB (<i>note</i>).	45,725	91,093	127,610
US\$.	7,405	16,052	86,873
HK\$	413	16	23
EUR	1	1,531	511
GBP	538	1,782	4,440
AUD.	95	142	346
CAD	463	2,129	1,624
	54,640	112,745	221,427

Note: The RMB is not freely convertible into other currencies, however, under Chinese Mainland's Foreign Exchange Control Regulations and Administration of Settlement, and Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Time deposit is made for a period of three years and earn interest at the respective time deposit rate. However, the Group can withdraw the time deposit in a period less than the pre-determined period of three years and such time deposit then earns interest at floating rates based on daily bank deposit rates. Therefore, management considers that such time deposit is held for short term cash commitment. The bank balances and time deposit are deposited with creditworthy banks with no recent history of default.

24. TRADE PAYABLES

The Group

	As at 31 December		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables			
— Related parties (<i>note 31</i>)	539	154	166
— Third parties.	83,393	61,655	127,709
	<u>83,932</u>	<u>61,809</u>	<u>127,875</u>

An ageing analysis of the trade payables at the end of each of the Relevant Periods, based on the invoice date, is as follows:

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

Trade payables are unsecured, interest-free and normally settled on terms of 30 to 60 days.

25. OTHER PAYABLES AND ACCRUALS

The Company

	As at 31 December		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Amount due to the immediate holding company	70,144	153	—
Amount due to an intermediate holding company	—	11	—
Amounts due to subsidiaries	—	—	17,757
Accruals	—	—	1,324
Other payables	22	180	—
	<u>70,166</u>	<u>344</u>	<u>19,081</u>

The Group

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

Notes:

- (i) Contract liabilities include short-term advances received to render first-mile international freight services and last-mile fulfillment services. The increase in contract liabilities as at 31 December 2021 was mainly due to the business combination of Shenzhen EDA and the increase as at 31 December 2022 was mainly due to business development and the increase in customer base. The decrease as at 31 December 2023 was mainly due to the significant increase in service orders during the year ended 31 December 2023 and resulting in more consumption of the contract liabilities.

- (ii) Other payables and accruals are unsecured, interest-free and repayable on demand.
- (iii) As at 31 December 2021, 2022 and 2023, all the outstanding balances with related parties included in the balances of other payables and accruals were non-trade in nature and further details of which are set out in note 31 to the Historical Financial Information.

26. BORROWINGS

	31 December 2021			31 December 2022			31 December 2023		
	Effective interest rate		RMB'000	Effective interest rate		RMB'000	Effective interest rate		RMB'000
	(%)	Maturity		(%)	Maturity		(%)	Maturity	
Current									
Bank overdrafts — unsecured	3.3%-19.9%	On demand	5,899	3.3%-19.9%	On demand	689	19.9%	On demand	418
Bank loans — unsecured	3.85%-5.8%	2022	11,850	3.85%	2023	34,250	3.6%-4.47%	2024	51,800
Current portion of long term bank loans — unsecured	2.8%	2022	300	2.8%	2023	102	2.8%	2024	106
Other borrowing	—	—	—	—	2023	6,782	—	—	—
			18,049			41,823			52,324
Non-current									
Bank loans — unsecured	2.8%	2023-2025	291	2.8%	2024-2025	196	2.8%	2025	98
			18,340			42,019			52,422

As at 31 December

	2021	2022	2023
	RMB'000	RMB'000	RMB'000

Analysed into:

Bank loans and overdrafts repayable:

Within one year or on demand	18,049	35,041	52,324
In the second year	100	102	98
In the third to fifth years, inclusive	191	94	—
	18,340	35,237	52,422

Other borrowings repayable:

Within one year or on demand	—	6,782	—
	18,340	42,019	52,422

Notes:

- (a) The Group's overdraft facilities amounting to RMB12,654,000, RMB13,685,000 and RMB9,479,000, of which RMB5,899,000, RMB689,000 and RMB418,000 had been utilised as at 31 December 2021, 2022 and 2023.
- (b) Certain of the Group's bank loans are guaranteed by:
- (i) a personal guarantee provided by a shareholder of the Company and his spouse;

- (ii) a personal guarantee provided by the legal representative of a subsidiary of the Company; and
- (iii) a guarantee provided by third-party financing guarantee corporations.
- (c) The Group's borrowings are denominated in:

	As at 31 December		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
RMB	11,850	34,250	51,800
US\$	5,758	6,878	—
CAD	732	891	622
	<u>18,340</u>	<u>42,019</u>	<u>52,422</u>

- (d) As at 31 December 2022, the Group's other borrowings are loans from a fellow subsidiary, which is one of the subsidiaries of the Lesso Group, the ultimate holding company of the Company. The loans are unsecured, interest-free and are repayable in one year.

27. SHARE CAPITAL

	As at 31 December		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Issued and fully paid:			
Number of ordinary shares	228,210	228,210	228,210
Nominal value of ordinary shares (<i>RMB'000</i>)	<u>15</u>	<u>15</u>	<u>15</u>

A summary of movements in the Company's share capital is as follows:

	Number of ordinary shares	Share capital <i>RMB'000</i>
At 1 January 2021 (<i>note (a)</i>)	100,000	7
Issuance of ordinary shares (<i>note (b)</i>)	<u>128,210</u>	<u>8</u>
At 31 December 2021, 31 December 2022 and 31 December 2023	<u>228,210</u>	<u>15</u>

Notes:

- (a) On 17 September 2020, the Company issued 100,000 ordinary shares at US\$0.01 each to Samanea China Holdings Limited.

- (b) On 24 December 2021, 128,210 ordinary shares were issued and allotted by the Company to an individual and various holding platforms at the issue prices of US\$0.01 each, with a total nominal value of RMB8,000.

28. RESERVES

The amounts of the Group's reserves and the movements therein for the Relevant Periods are presented in the consolidated statements of changes in equity.

(a) Share premium

The share premium account represents the amount paid by shareholders for capital injection in excess of its nominal value.

(b) Merger reserve

Deemed capital contribution arising from transferring one of the subsidiaries of the ultimate holding company to the Company without consideration.

(c) Capital reserve

Capital reserve represents contribution of certain equity interests of Shenzhen EDA from former shareholders/shareholders of Shenzhen EDA for certain equity interests of the Company and the deemed contribution from shareholders of the Group by way of discharge of liability.

(d) Statutory surplus reserve

In accordance with the PRC Company Law and the articles of association of the group companies established in the PRC, these companies are required to appropriate 10% of their net profit after tax, as determined under the Chinese Accounting Standards, to the statutory surplus reserve until the reserve balance reaches 50% of their registered capital. Subject to certain restrictions set out in the relevant PRC regulations and in the articles of association of the group companies, the statutory surplus reserve may be used either to offset losses, or to be converted to increase the share capital of the group companies provided that the balance after such conversion is not less than 25% of the registered capital of them. The reserve cannot be used for purposes other than those for which it is created and is not distributable as cash dividends.

(e) Exchange fluctuation reserve

The exchange fluctuation reserve comprises all foreign exchange differences arising from the translation of the financial statements of companies whose functional currency is not RMB. The reserve is dealt with in accordance with the accounting policy set out in note 2.4 to the Historical Financial Information.

(f) A summary of statements of changes in equity of the Company is as follows:

	Share capital	Share premium	Capital reserve	Accumulated losses	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2021	7	—	—	(73)	(66)
Loss for the year and total					
comprehensive expense for the year . .	—	—	—	(16)	(16)
Capital injection	8	—	—	—	8
At 31 December 2021 and					
1 January 2022	15	—	—	(89)	(74)
Loss for the year and total					
comprehensive expense for the year . .	—	—	—	(194)	(194)
Deemed capital contributions by way of discharge of liability due to the immediate holding company	—	—	70,000	—	70,000
At 31 December 2022 and 1 January					
2023	15	—	70,000	(283)	69,732
Loss for the year and total					
comprehensive expense for the year . .	—	—	—	(15,942)	(15,942)
Deemed capital contributions by way of discharge of liability due to a shareholder	—	—	25,000	—	25,000
Capital injection	—	20,000	—	—	20,000
Dividend recognised as distributions to owners	—	(20,000)	(3,000)	—	(23,000)
At 31 December 2023	15	—	92,000	(16,225)	75,790

29. BUSINESS COMBINATION

On 28 February 2020, the Group acquired 20.83% equity interest in Shenzhen EDA at a total consideration of RMB25,000,000 and the investment is accounted as interest in an associate.

In January 2021, the Company entered into investment agreements with the former controlling shareholders of Shenzhen EDA to acquire the remaining 79.17% equity interest, after which Shenzhen EDA became a wholly owned subsidiary of the Group. The acquisition of Shenzhen EDA was completed on 24 December 2021.

The fair values of the identifiable assets and liabilities of Shenzhen EDA at the date of acquisition were as follows:

	<i>Notes</i>	Fair value recognised on acquisition
		<i>RMB'000</i>
Property, plant and equipment	<i>13</i>	9,150
Right-of-use assets	<i>14(a)</i>	162,172
Other intangible assets	<i>16</i>	73,300
Investment in an associate		2,904
Deferred tax assets	<i>18</i>	6,373
Other non-current assets		500
Financial assets at fair value through profit or loss		30,165
Trade receivables		44,206
Prepayments, deposits and other receivables		75,054
Cash and cash equivalents		54,549
Trade payables		(83,932)
Other payables and accruals		(23,253)
Borrowings — current		(18,049)
Tax payable		(2,962)
Borrowings — non-current		(291)
Lease liabilities	<i>14(b)</i>	(171,023)
Deferred tax liabilities	<i>18</i>	(11,028)
Total identifiable net assets at fair value		<u>147,835</u>
Goodwill on acquisition	<i>15</i>	<u>76,443</u>
Satisfied by:		
Cash		69,970
Other payable		2,218
Capital reserve arising from acquisition		122,130
Carrying amount of the Group's former investment in an associate		35,616
Remeasurement of the pre-existing investment in an associate	<i>7</i>	<u>(5,656)</u>
		<u>224,278</u>

Capital reserve arising from the business combination represented the fair value of the share warrants granted to the former controlling shareholders of Shenzhen EDA, which was in exchange of Shenzhen EDA's equity interests and considered as part of consideration for acquisition of Shenzhen EDA. The fair value of the capital reserve arising from acquisition of RMB122,130,000 was estimated by using Black-Scholes-Merton Model and was within Level 3 of the fair value hierarchy as the valuations were arrived at by reference to certain significant unobservable inputs. Set out below is a summary of significant unobservable inputs to the valuation together with a quantitative sensitivity analysis as at 31 December 2021:

	Valuation technique	Significant unobservable input	Range	Sensitivity of fair value to the input
Capital reserve arising from acquisition	Black-Scholes-Merton Model	Recent transaction price	1,001.34-1,223.87 per share	A change in recent transaction price by +/- 10% will result in a change in fair value by +/-RMB12,213,000

The fair values of trade receivables and financial assets included in prepayments, deposits and other receivables as at the date of acquisition amounted to RMB44,206,000 and RMB20,082,000, respectively. The gross contractual amount of trade receivables and financial assets included in prepayments, deposits and other receivables as at the date of acquisition amounted to RMB69,559,000 and RMB20,082,000 respectively, of which trade receivables of RMB25,353,000 and no financial assets included in prepayments, deposits and other receivables are expected to be uncollectible.

The transaction costs incurred for this acquisition have been expensed and are included in administrative expenses in the consolidated statements of profit or loss and other comprehensive income.

The Group measured the acquired lease liabilities using the present value of the remaining lease payments at the date of acquisition. The right-of-use assets were measured at an amount equal to the lease liabilities.

An analysis of the cash flows in respect of the above acquisition is as follows:

	<i>RMB'000</i>
Cash consideration	(69,970)
Cash and bank balances acquired	54,549
Bank overdrafts held by Shenzhen EDA	(5,899)
Net outflow of cash and cash equivalents included in cash flows from investing activities	<u>(21,320)</u>

No revenue and profit were contributed to the Group's consolidated revenue and consolidated profit since the acquisition for the year ended 31 December 2021.

Had the combination taken place at the beginning of the year of 2021, the revenue of the Group and the profit of the Group for the year ended 31 December 2021 would have been RMB631,882,000 and RMB46,411,000, respectively.

30. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Major non-cash transactions

During the year ended 31 December 2022, the immediate holding company of the Company, Samanea China Holdings Limited, waived the liability amounted to RMB70,000,000 due from the Company, accordingly, the Group accounted for the liability discharge by the immediate holding company as a deemed contribution from the immediate holding company, which increased the capital reserve of the Company.

During the year ended 31 December 2023, a shareholder of the Company, LS DiDi Network Technology Limited, waived the liability amounted to RMB25,000,000 due from the Company, accordingly, the Group accounted for the liability discharge by a shareholder as a deemed contribution from a shareholder, which increased the capital reserve of the Company.

During the year ended 31 December 2023, the Group had offset the loan receivables with trade payables of RMB4,728,000, in respect of the offsetting arrangements with this supplier.

(b) Changes in liabilities arising from financing activities

Years ended 31 December 2021, 2022 and 2023

	Amounts due to related parties included in other payables and accruals	Interest-bearing borrowings	Lease liabilities	Interest payable included in other payables and accruals
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2021	60,207	—	—	—
Changes from financing cash flows . . .	35,069	—	—	—
Acquisition of subsidiaries	—	12,441	171,023	578
At 31 December 2021 and 1 January 2022	95,276	12,441	171,023	578
Interest expenses	—	—	10,193	851
Changes from financing cash flows . . .	2,345	28,689	(38,619)	(1,429)
Other non-cash movements	(70,000)	200	11,194	—
At 31 December 2022 and 1 January 2023	27,621	41,330	153,791	—
Interest expenses	—	—	8,820	1,632
Changes from financing cash flows . . .	(2,621)	10,531	(40,741)	(1,632)
Other non-cash movements	(25,000)	143	2,529	—
At 31 December 2023	—	52,004	124,399	—

(c) Total cash outflow for leases

The total cash outflow for leases included in the consolidated statements of cash flows is as follows:

	Year ended 31 December		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within operating activities	—	1,121	2,571
Within financing activities	—	38,619	40,741
	—	39,740	43,312

31. RELATED PARTY TRANSACTIONS**(a) Name and relationship of related parties**

Name	Relationship with the Group
Liu Yong	Director of the Company
Li Qin	Director of the Company
Samanea China Holdings Limited	Immediate holding company of the Company
Lesso Home International Holdings Limited	Intermediate holding company of the Company
LS DiDi Network Technology Limited	A shareholder of the Company
Flextrade Holdings Limited	Fellow subsidiary of the Company
Sea Lark Technology Co., Ltd.	Fellow subsidiary of the Company
Guangzhou LS DiDi Technology Co., Ltd.	Fellow subsidiary of the Company
Xparcel Technology Co., Ltd.	Fellow subsidiary of the Company
Lesso Mall Development (Auburn) Pty Ltd	Fellow subsidiary of the Company
Lesso Mall Development (Long Island), Inc.	Fellow subsidiary of the Company
Sea Lark Solution Limited	Fellow subsidiary of the Company
Lesso Home Logistic Services L.L.C	Fellow subsidiary of the Company
Xparcel Solution Limited	Fellow subsidiary of the Company
Lesso Building Material Trading (Sydney) Pty Ltd	Fellow subsidiary of the Company
Shenzhen Qianhai Lesso Commercial Factoring Co., Ltd.	Fellow subsidiary of the Company
Liansu Group Company Limited	Fellow subsidiary of the Company
Foshan Liansu Building Material Trading Co., Ltd.	Fellow subsidiary of the Company
YESY International Limited	Company controlled by Ms. Tang Jiajia, a director of the Group's subsidiary

(b) Transactions with related parties

The Group had the following material transactions with related parties during the Relevant Periods:

	<i>Notes</i>	Year ended 31 December		
		2021	2022	2023
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Fellow subsidiaries:				
Revenue from first-mile international freight services	(i)	—	—	2,544
IT service income	(i)	—	189	—
Cost of provision of last-mile fulfillment services	(ii)	—	3,354	2,045
Short-term borrowings	(iii)	—	8,081	23,153
Loan to a fellow subsidiary	(v)	—	—	17,229
Amount due to the immediate holding company	(iv)	35,069	2,310	—
Amount due from the immediate holding company	(iv)	—	—	697
Amount due to a shareholder	(iv)	—	2	—
Amount due to an intermediate holding company	(iv)	—	33	—
Loan to the company controlled by a director of the Group's subsidiary	(vi)	—	2,535	—
Loans to directors	(vii)	—	11,436	—
Repayment from directors		—	1,200	11,423
		<u> </u>	<u> </u>	<u> </u>

Notes:

- (i) The services provided to fellow subsidiaries were made with reference to the prices and conditions offered by the Group to third-party consumers.
- (ii) The Group entered into lease agreements to lease warehousing units in buildings in the United States and Australia.
- (iii) The Group entered into three loan agreements with a carrying amount in aggregate of CAD100,000, US\$100,000 and US\$1,000,000 during the year ended 31 December 2022, and three loan agreements with a carrying amount of US\$1,000,000, US\$1,000,000 and US\$1,273,000 during the year ended 31 December 2023, respectively, with a fellow subsidiary to meet its short-term funding needs. The aforesaid loans were unsecured, interest-free and had maturity of one year. All of the loans have been repaid before the end of 2023.

- (iv) The amounts due to a shareholder, immediate holding company and intermediate holding company are for the Group's daily operation and investment. The amounts were unsecured, interest-free and repayable on demand.
- (v) A fellow subsidiary borrowed two loans from the Group with a carrying amount of US\$1,450,000 and US\$1,000,000, respectively, during the year ended 31 December 2023. The aforesaid loans were unsecured, interest-free and had maturity of one year. Both of these loans was early repaid by the fellow subsidiary before the end of 2023.
- (vi) YESY International Limited, the company controlled by a director of the Group's subsidiary, borrowed US\$350,000 from the Group at an interest rate of 8% per annum and had maturity of six months. The loan was unsecured and fully settled in January 2023.
- (vii) The Group entered into a series of loan agreements with Mr. Liu Yong and Ms. Li Qin. The aforesaid loans were unsecured, interest-free and had maturity ranging from 1 to 2 years.

The details of loans to directors, including advances to a director, are as follows:

	Maximum amount outstanding		Maximum amount outstanding		Maximum amount outstanding		
	At 1 January 2021	At 31 December 2021	At 31 December 2021	At 31 December 2022	At 31 December 2023	At 31 December 2023	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	
Liu Yong	—	500	500	9,936	9,936	9,938	—
Li Qin	—	928	623	2,623	1,423	1,423	—
	—	1,428	1,123	12,559	11,359	11,361	—

The prices for the above transactions were determined in accordance with the terms mutually agreed by the contract parties.

(c) Outstanding balances with related parties

	<i>Notes</i>	As at 31 December		
		2021	2022	2023
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables	(i)	2,524	443	—
Prepayments and other receivables	(i)	1,813	16,288	923
Trade payables	(ii)	539	154	166
Other payables	(ii)	95,854	27,621	—
Borrowings		—	6,782	—

Notes:

- (i) The credit term for trade receivables are the same as those for independent third parties, which is set out in note 19 to the Historical Financial Information. The detail information of credit terms for other receivables is set out in note 21 to the Historical Financial Information.
- (ii) Save as disclosed in notes 24 and 25 to the Historical Financial Information, these balances are unsecured, interest-free and normally settled on terms same as independent third parties.
- (iii) As at 31 December 2021, 2022 and 2023, the outstanding balances with related parties included in the balances of trade receivables and trade payables are all trade in nature, and the outstanding balances with related parties included in the balances of prepayment and other receivables amounted of RMB270,000, RMB275,000 and RMB280,000, respectively, represent the deposit of leasing warehouse in overseas, which are also trade in nature. The remaining outstanding balances with related parties as at the end of each of the Relevant Periods are non-trade in nature. All the outstanding non-trade balances have been subsequently settled.
- (d) As at 31 December 2021, 2022 and 2023, the Group's bank loans of RMB9,200,000, RMB20,000,000 and RMB6,800,000 were guaranteed by a personal guarantee by Mr. Liu Yong and his spouse, respectively, as required under the scheme.
- (e) Compensation of key management personnel of the Group**

	Year ended 31 December		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Salaries, allowances and benefits in kind . .	—	2,517	2,480
Pension scheme contributions	—	246	277
Performance related bonuses	—	950	2,272
	—	3,713	5,029
	<u> </u>	<u> </u>	<u> </u>

32. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of each of the Relevant Periods are as follows:

Financial assets

		As at 31 December		
		2021	2022	2023
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>Notes</i>			
Financial assets at amortised cost				
Trade receivables	19	44,206	70,401	142,431
Financial assets included in prepayments, deposits and other receivables	21	20,088	50,867	29,019
Cash and cash equivalents	23	54,640	112,745	221,427
		<u>118,934</u>	<u>234,013</u>	<u>392,877</u>
Financial assets at fair value through profit or loss				
Wealth management products	22	30,165	3,061	—
		<u>149,099</u>	<u>237,074</u>	<u>392,877</u>

Financial liabilities

		As at 31 December		
		2021	2022	2023
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>Notes</i>			
Financial liabilities at amortised cost				
Trade payables	24	83,932	61,809	127,875
Financial liabilities included in other payables and accruals	25	100,287	29,942	4,265
Borrowings	26	18,340	42,019	52,422
Lease liabilities	14	171,023	153,791	124,399
		<u>373,582</u>	<u>287,561</u>	<u>308,961</u>

33. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts			Fair values		
	31 December			31 December		
	2021	2022	2023	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets						
Wealth management products	30,165	3,061	—	30,165	3,061	—

Management has assessed that the fair values of cash and cash equivalents, trade receivables, trade payables, financial assets included in prepayments, deposits and other receivables, and financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the chief financial officer. At the end of each of the Relevant Periods, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of interest-bearing borrowings and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The changes in fair value as a result of the Group's own non-performance risk for interest-bearing borrowings and other borrowings as at 31 December 2021, 2022 and 2023 were assessed to be insignificant. The carrying amounts of interest-bearing borrowings and other borrowings approximate to their fair values.

The fair values of wealth management products issued by banks in Chinese Mainland have been estimated by using a discounted cash flow valuation model based on the market interest rates of instruments with similar terms and risks.

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

*Assets measured at fair value:***As at 31 December 2021**

	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Wealth management products	—	30,165	—	30,165

As at 31 December 2022

	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Wealth management products	—	3,061	—	3,061

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash and cash equivalents, trade and other receivables, financial assets at fair value through profit or loss, trade and other payables, and borrowings, which arise directly from its operations. The main purpose of these financial instruments is to raise finance for the Group's operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. Generally, the Group introduces conservative strategies on its risk management. To keep the Group's exposure to these risks at a minimum, the Group has not used any derivatives and other instruments for hedging purposes. The Group does not hold or issue derivative financial instruments for trading purposes. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below:

(a) Interest rate risk

In respect of the floating interest rate instruments, the Group is subject to the cash flow interest rate risk, while for the fixed interest rate instruments, the Group is subject to fair value interest rate risk. The Group currently does not have an interest rate hedging policy to mitigate interest rate risk; nevertheless, the management monitors interest rate exposure and will consider hedging significant interest rate risk should the need arise.

The following table demonstrates the sensitivity to a reasonably possible change in interest rate, with all other variables held constant, of the Group's profit before tax by assuming the floating rate borrowings outstanding at the end of each of the Relevant Periods were outstanding for the whole year.

	Increase/(decrease) in basis points	Increase/(decrease) in profit before tax
		<i>RMB'000</i>
Year ended 31 December 2021	50	(29)
Year ended 31 December 2021	(50)	29
Year ended 31 December 2022	50	(152)
Year ended 31 December 2022	(50)	152
Year ended 31 December 2023	50	(176)
Year ended 31 December 2023	(50)	176

(b) Foreign currency risk

The Group's main businesses are located in Chinese Mainland and most of the transactions are conducted in Renminbi. Most of the Group's assets and liabilities are denominated in Renminbi, except for certain cash and cash equivalents, trade and other receivables, right-of-use assets, lease liabilities and borrowings denominated in HK\$, US\$, GBP and CAD. The Group has not hedged its foreign exchange rate risk; nevertheless, the management monitors foreign exchange rate exposure and will consider hedging significant foreign currency risk should the need arise.

The following table demonstrates the sensitivity at the end of each of the Relevant Periods to a reasonably possible change in the Renminbi against the relevant currencies, with all other variables held constant, of the Group's profit before tax (due to changes in the translated value of monetary assets and loans).

	Increase/(decrease) in exchange rate	Increase/(decrease) in profit before tax
	%	RMB'000
Year ended 31 December 2021		
If the RMB weakens against the US\$	5	766
If the RMB strengthens against the US\$	(5)	(766)
If the RMB weakens against the GBP	5	78
If the RMB strengthens against the GBP	(5)	(78)
If the RMB weakens against the CAD	5	(127)
If the RMB strengthens against the CAD	(5)	127
Year ended 31 December 2022		
If the RMB weakens against the US\$	5	2,132
If the RMB strengthens against the US\$	(5)	(2,132)
If the RMB weakens against the GBP	5	218
If the RMB strengthens against the GBP	(5)	(218)
If the RMB weakens against the CAD	5	(106)
If the RMB strengthens against the CAD	(5)	106

	Increase/(decrease) in exchange rate	Increase/(decrease) in profit before tax
	%	RMB'000
Year ended 31 December 2023		
If the RMB weakens against the US\$	5	3,436
If the RMB strengthens against the US\$	(5)	(3,436)
If the RMB weakens against the GBP	5	86
If the RMB strengthens against the GBP	(5)	(86)
If the RMB weakens against the CAD	5	(279)
If the RMB strengthens against the CAD	(5)	279

(c) Credit risk

The Group is exposed to credit risk in relation to its trade receivables, contract assets, financial assets included in prepayments, deposits and other receivables, and cash and cash equivalents.

The Group expects that there is no significant credit risk associated with cash and cash equivalents since they are substantially deposited at state-owned banks and other medium or large-sized listed banks in Chinese Mainland. Management does not expect that there will be any significant losses from non-performance by these banks.

The Group expects that the credit risk associated with trade receivables and other receivables from related parties is considered to be low, since related parties have strong financial capacity and commitment to meet contractual cash flow obligation in the near term.

The Group trades only with recognised and creditworthy third parties. Concentrations of credit risk are managed by analysis by customer/counterparty. There are no significant concentrations of credit risk for trade receivables and other receivables from third parties as the customer bases of the Group's trade receivables and other receivables from third parties are widely dispersed. In addition, receivable balances are monitored on an ongoing basis.

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December 2021, 2022 and 2023. The amounts presented are gross carrying amounts for financial assets.

As at 31 December 2021

	12-month	Lifetime ECLs			Total
	ECLs				
	Stage 1	Stage 2	Stage 3	Simplified approach	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables*	—	—	—	69,559	69,559
Financial assets included in prepayments, deposits and other receivables					
— Normal**	20,088	—	—	—	20,088
Cash and cash equivalents					
— Not yet past due.	54,640	—	—	—	54,640
	<u>74,728</u>	<u>—</u>	<u>—</u>	<u>69,559</u>	<u>144,287</u>

As at 31 December 2022

	12-month	Lifetime ECLs			Total
	ECLs				
	Stage 1	Stage 2	Stage 3	Simplified approach	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables*	—	—	—	88,308	88,308
Financial assets included in prepayments, deposits and other receivables					
— Normal**	50,867	—	—	—	50,867
Cash and cash equivalents.					
— Not yet past due.	112,745	—	—	—	112,745
	<u>163,612</u>	<u>—</u>	<u>—</u>	<u>88,308</u>	<u>251,920</u>

As at 31 December 2023

	12-month		Lifetime ECLs		
	ECLs				
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables*	—	—	—	151,459	151,459
Contract assets*	—	—	—	275	275
Financial assets included in prepayments, deposits and other receivables					
— Normal**	29,019	—	—	—	29,019
Cash and cash equivalents					
— Not yet past due	221,427	—	—	—	221,427
	<u>250,446</u>	<u>—</u>	<u>—</u>	<u>151,734</u>	<u>402,180</u>

* For trade receivables and contract assets to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 19 and note 20 to the Historical Financial Information.

** The credit quality of the financial assets included in prepayments, deposits and other receivables is considered to be “normal” when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be “doubtful”.

(d) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulties in meeting financial obligations due to shortage of funds. The Group's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's objective is to maintain a balance between continuity of funding to finance its working capital needs as well as capital expenditure.

The tables below analyse the maturity profile of the Group's financial liabilities as at the end of each of the Relevant Periods, which is based on contractual undiscounted payments.

31 December 2021

	<u>On demand</u>	<u>Less than 1 year</u>	<u>1 to 5 years</u>	<u>Over 5 years</u>	<u>Total</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables	—	83,932	—	—	83,932
Financial liabilities included in other payables and accruals . . .	100,287	—	—	—	100,287
Lease liabilities	—	37,347	127,574	42,382	207,303
Borrowings	5,899	12,488	333	—	18,720
	<u>106,186</u>	<u>133,767</u>	<u>127,907</u>	<u>42,382</u>	<u>410,242</u>

31 December 2022

	<u>On demand</u>	<u>Less than 1 year</u>	<u>1 to 5 years</u>	<u>Over 5 years</u>	<u>Total</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables	—	61,809	—	—	61,809
Financial liabilities included in other payables and accruals . . .	29,942	—	—	—	29,942
Lease liabilities	—	40,050	113,063	29,474	182,587
Borrowings	7,471	35,104	224	—	42,799
	<u>37,413</u>	<u>136,963</u>	<u>113,287</u>	<u>29,474</u>	<u>317,137</u>

31 December 2023

	<u>On demand</u>	<u>Less than 1 year</u>	<u>1 to 5 years</u>	<u>Over 5 years</u>	<u>Total</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables	—	127,875	—	—	127,875
Financial liabilities included in other payables and accruals . . .	4,265	—	—	—	4,265
Lease liabilities	—	41,581	82,667	20,945	145,193
Borrowings	418	53,366	110	—	53,894
	<u>4,683</u>	<u>222,822</u>	<u>82,777</u>	<u>20,945</u>	<u>331,227</u>

(e) Capital management

The Group's primary objectives for managing capital are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratio in order to support its business and maximise shareholders' value.

The Group regards equity attributable to owners of the parent as capital and manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or return capital to shareholders. No change was made in the objectives, policies or processes for managing capital during the Relevant Periods.

The Group monitors capital using the gearing ratio, which is total debt divided by total equity attributable to owners. The gearing ratios at the end of each of the Relevant Periods are as follows:

	<i>Note</i>	As at 31 December		
		2021	2022	2023
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Borrowings	26	18,340	42,019	52,422
Equity attributable to owners of the parent		126,819	232,393	324,044
Gearing ratio		14.5%	18.1%	16.2%

35. EVENTS AFTER THE RELEVANT PERIODS

There were no significant events subsequent to the end of the Relevant Periods.

36. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company, the Group or any of the companies now comprising the Group in respect of any period subsequent to 31 December 2023.

The following is the text of a report, prepared for the purpose of incorporation in this document, received from the independent reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong.



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ACCOUNTANTS' REPORT ON SHENZHEN EDA HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF EDA GROUP HOLDINGS LIMITED AND CMB INTERNATIONAL CAPITAL LIMITED

Introduction

We report on the historical financial information of Shenzhen EDA Cloud Technology Co., Ltd. (“**Shenzhen EDA**”) and its subsidiaries (together, the “**Shenzhen EDA Group**”) set out on pages IB-4 to IB-80, which comprises the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows of Shenzhen EDA Group for the year ended 31 December 2021 (the “**Predecessor Track Record Period**”) and the consolidated statement of financial position of Shenzhen EDA Group and the statement of financial position of Shenzhen EDA as at 31 December 2021 and material accounting policy information and other explanatory information (together, the “**Shenzhen EDA Historical Financial Information**”). The Shenzhen EDA Historical Financial Information set out on pages IB-4 to IB-80 forms an integral part of this report, which has been prepared for inclusion in the prospectus of EDA Group Holdings Limited (the “**Company**”) dated 20 May 2024 (the “**Prospectus**”) in connection with the initial listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

Directors' responsibility for the Shenzhen EDA Historical Financial Information

The directors of Shenzhen EDA are responsible for the preparation of the Shenzhen EDA Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 2.1 to the Shenzhen EDA Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of the Shenzhen EDA 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 Shenzhen EDA Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Shenzhen EDA Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Shenzhen EDA Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Shenzhen EDA 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 the Shenzhen EDA Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 2.1 to the Shenzhen EDA Historical Financial Information, in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Shenzhen EDA 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 Shenzhen EDA Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the financial position of Shenzhen EDA Group and Shenzhen EDA as at 31 December 2021 and of the financial performance and cash flows of Shenzhen EDA Group for the Predecessor Track Record Period in accordance with the basis of preparation set out in note 2.1 to the Shenzhen EDA Historical Financial Information.

APPENDIX IB ACCOUNTANTS' REPORT OF SHENZHEN EDA GROUP

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 Shenzhen EDA Historical Financial Information, no adjustments to the Shenzhen EDA Underlying Financial Statements as defined on page IB-4 have been made.

Dividends

No dividends have been paid by Shenzhen EDA in respect of the Predecessor Track Record Period.

Certified Public Accountants

Hong Kong
20 May 2024

I SHENZHEN EDA HISTORICAL FINANCIAL INFORMATION

Preparation of the Shenzhen EDA Historical Financial Information

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

The financial statements of Shenzhen EDA Group for the Predecessor Track Record Period, on which the Shenzhen EDA Historical Financial Information is based, were audited by Ernst & Young in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the **"Shenzhen EDA Underlying Financial Statements"**).

The Shenzhen EDA Historical Financial Information is presented in Renminbi (**"RMB"**) and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

APPENDIX IB ACCOUNTANTS' REPORT OF SHENZHEN EDA GROUP

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	<i>Notes</i>	Year ended 31 December 2021
		<i>RMB'000</i>
REVENUE	5	631,882
Cost of sales		<u>(525,027)</u>
Gross profit		106,855
Selling and distribution expenses		(7,643)
Administrative expenses		(18,752)
Research and development expenses		(17,956)
Impairment losses on financial assets, net	7	(5,480)
Other income and gains	5	8,083
Other expenses		(2,751)
Finance costs	6	(10,651)
Share of results of an associate		<u>(96)</u>
PROFIT BEFORE TAX	7	51,609
Income tax expense	10	<u>(5,198)</u>
PROFIT FOR THE YEAR		<u><u>46,411</u></u>
OTHER COMPREHENSIVE INCOME		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations		<u>(423)</u>
OTHER COMPREHENSIVE INCOME		
FOR THE YEAR		<u>(423)</u>
TOTAL COMPREHENSIVE INCOME		<u><u>45,988</u></u>
Profit attributable to:		
Owners of the parent		<u><u>46,411</u></u>
Total comprehensive income attributable to:		
Owners of the parent		<u><u>45,988</u></u>

APPENDIX IB ACCOUNTANTS' REPORT OF SHENZHEN EDA GROUP

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Notes</i>	As at 31 December 2021
		<i>RMB'000</i>
NON-CURRENT ASSETS		
Property, plant and equipment	<i>13</i>	9,150
Right-of-use assets	<i>14</i>	162,172
Investment in an associate	<i>15</i>	2,904
Deferred tax assets	<i>16</i>	6,373
Other non-current assets	<i>18</i>	500
Total non-current assets		<u>181,099</u>
CURRENT ASSETS		
Trade receivables	<i>17</i>	44,206
Prepayments, deposits and other receivables	<i>18</i>	75,054
Financial assets at fair value through profit or loss	<i>19</i>	30,165
Cash and cash equivalents	<i>20</i>	54,549
Total current assets		<u>203,974</u>
CURRENT LIABILITIES		
Trade payables	<i>21</i>	83,932
Other payables and accruals	<i>22</i>	23,253
Borrowings	<i>23</i>	18,049
Lease liabilities	<i>14</i>	27,586
Income tax payable		2,962
Total current liabilities		<u>155,782</u>
NET CURRENT ASSETS		<u>48,192</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>229,291</u>
NON-CURRENT LIABILITIES		
Lease liabilities	<i>14</i>	143,437
Deferred tax liabilities	<i>16</i>	33
Borrowings	<i>23</i>	291
Total non-current liabilities		<u>143,761</u>
Net assets		<u>85,530</u>
EQUITY		
Share capital	<i>24</i>	56,311
Reserves	<i>25</i>	29,219
Total equity		<u>85,530</u>

APPENDIX IB ACCOUNTANTS' REPORT OF SHENZHEN EDA GROUP

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium*	Capital reserve*	Statutory surplus reserve*	Exchange fluctuation reserve*	(Accumulated losses)/ retained profits*	(Deficiency in assets)/ total equity
	RMB'000 (note 24)	RMB'000 (note 25(a))	RMB'000 (note 25(b))	RMB'000 (note 25(c))	RMB'000 (note 25(d))	RMB'000	RMB'000
At 1 January 2021	6,316	26,184	34,145	—	531	(77,629)	(10,453)
Profit for the year	—	—	—	—	—	46,411	46,411
Other comprehensive income for the year:							
Exchange differences on translation of foreign operations	—	—	—	—	(423)	—	(423)
Total comprehensive income for the year	—	—	—	—	(423)	46,411	45,988
Capital injection	49,995	—	—	—	—	—	49,995
Appropriation of retained profits . .	—	—	—	1,488	—	(1,488)	—
At 31 December 2021	<u>56,311</u>	<u>26,184</u>	<u>34,145</u>	<u>1,488</u>	<u>108</u>	<u>(32,706)</u>	<u>85,530</u>

* These reserve accounts comprised the reserves of RMB29,219,000 in the consolidated statement of financial position as at 31 December 2021.

APPENDIX IB ACCOUNTANTS' REPORT OF SHENZHEN EDA GROUP

CONSOLIDATED STATEMENT OF CASH FLOWS

	<i>Notes</i>	Year ended 31 December 2021
		<i>RMB'000</i>
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax		51,609
Adjustments for:		
Interest income	5	(693)
Finance costs	6	10,651
Share of results of an associate		96
Depreciation of property, plant and equipment	7	2,503
Depreciation of right-of-use assets	7	31,811
Impairment losses on financial assets, net	7	5,480
Fair value changes of financial assets at fair value through profit or loss	5	(165)
Gain on early termination of lease arrangement	5	(859)
		100,433
Increase in trade receivables		(9,629)
Increase in prepayments, deposits and other receivables		(24,202)
Increase in trade payables		1,349
Increase in other payables and accruals		6,587
Cash generated from operations		74,538
Interest received		590
Income tax paid		(3,793)
Net cash flows from operating activities		71,335
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of items of property, plant and equipment		(9,360)
Proceeds from disposal of items of property, plant and equipment		142
Purchase of financial assets at fair value through profit or loss		(40,000)
Proceeds from disposal of financial assets at fair value through profit or loss		20,200
Capital injection to an associate		(3,000)
Increase in loans to directors, employees and third parties		(22,591)
Decrease in loans to directors, employees and third parties		17,000
Interest received from financial assets at fair value through profit or loss		138
Net cash flows used in investing activities		(37,471)

APPENDIX IB ACCOUNTANTS' REPORT OF SHENZHEN EDA GROUP

	<i>Notes</i>	Year ended 31 December 2021
		<i>RMB'000</i>
CASH FLOWS FROM FINANCING ACTIVITIES		
New borrowings	<i>26(b)</i>	20,553
Repayment of borrowings	<i>26(b)</i>	(28,807)
Interest paid	<i>26(b)</i>	(494)
Repayment of lease liabilities	<i>26(b)</i>	(34,420)
Proceeds from capital injection		49,995
Net cash flows from financing activities		<u>6,827</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS		
Cash and cash equivalents at beginning of year		40,691
Effect of foreign exchange rate changes, net		8,093
		<u>(134)</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR		
		<u><u>48,650</u></u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	<i>20</i>	44,549
Time deposit	<i>20</i>	10,000
Cash and cash equivalents as stated in the consolidated statement of financial position		<u>54,549</u>
Bank overdrafts	<i>23</i>	(5,899)
Cash and cash equivalents as stated in the consolidated statement of cash flows		<u><u>48,650</u></u>

APPENDIX IB ACCOUNTANTS' REPORT OF SHENZHEN EDA GROUP

STATEMENT OF FINANCIAL POSITION

	<i>Notes</i>	As at 31 December 2021
		<i>RMB'000</i>
NON-CURRENT ASSETS		
Property, plant and equipment	13	4,190
Right-of-use assets	14	8,804
Investments in subsidiaries		5,516
Investment in an associate	15	2,904
Deferred tax assets	16	3,642
Total non-current assets		25,056
CURRENT ASSETS		
Trade receivables	17	43,650
Prepayments, deposits and other receivables	18	66,859
Financial assets at fair value through profit or loss	19	30,165
Cash and cash equivalents	20	43,030
Total current assets		183,704
CURRENT LIABILITIES		
Trade payables	21	40,684
Other payables and accruals	22	34,377
Borrowings	23	11,850
Lease liabilities	14	2,214
Income tax payable		1,979
Total current liabilities		91,104
NET CURRENT ASSETS		92,600
TOTAL ASSETS LESS CURRENT LIABILITIES		117,656
NON-CURRENT LIABILITIES		
Lease liabilities	14	7,276
Total non-current liabilities		7,276
Net assets		110,380
EQUITY		
Share capital	24	56,311
Reserves	25	54,069
Total equity		110,380

APPENDIX IB ACCOUNTANTS' REPORT OF SHENZHEN EDA GROUP

II NOTES TO THE SHENZHEN EDA HISTORICAL FINANCIAL INFORMATION

1. CORPORATE INFORMATION

Shenzhen EDA is a limited liability company incorporated in Chinese Mainland and is principally engaged in the provision of first-mile international freight services and last-mile fulfillment services, including overseas warehousing, other value-added services and deliveries for the cross-border e-commerce participants based in Chinese Mainland.

Since 24 December 2021, EDA Cloud Technology Holdings Limited (the predecessor of EDA Group Holdings Limited) has become the holding company of Shenzhen EDA along with its subsidiaries. The Shenzhen EDA Historical Financial Information incorporates the consolidated financial statements of Shenzhen EDA and its subsidiaries for the year ended 31 December 2021 to present the results and financial position of Shenzhen EDA Group.

Information about subsidiaries

Particulars of subsidiaries of Shenzhen EDA are as follows:

Name	Place and date of incorporation and place of operations	Registered capital	Percentage of equity interests attributable to Shenzhen EDA		Principal activities
			Direct	Indirect	
深圳市昊聯供應鏈管理有限公司 (前稱“深圳市昊聯科技有限公司”) Shenzhen Haolian Supply Chain Management Co., Ltd. [#] (Formerly as “Shenzhen Haolian Technology Co., Ltd.”) [#]	PRC/Chinese Mainland 1 September 2014	RMB5,000,000	100	—	Provision of IT services and Internet solutions
易達雲(香港)發展有限公司 EDA DEVELOPMENT (HK) LIMITED.	Hong Kong 18 November 2015	Hong Kong dollar (“HK\$”) 625,000	100	—	Provision of logistics and warehousing services
8987947 CANADA INC.	Canada 14 August 2014	Canadian dollar (“CAD”)100	—	100	Provision of logistics and warehousing services
EDA INTERNATIONAL, INC.	The United States 4 December 2013	United States Dollar (“US\$”) 1,000,000	—	100	Provision of logistics and warehousing services
EDA CLOUD INTERNATIONAL, INC.	The United States 25 January 2016	US\$100,000	—	100	Provision of logistics and warehousing services

APPENDIX IB ACCOUNTANTS' REPORT OF SHENZHEN EDA GROUP

Name	Place and date of incorporation and place of operations	Registered capital	Percentage of equity interests attributable to Shenzhen EDA		Principal activities
			Direct	Indirect	
EDA AU PTY LTD	Australia 3 December 2019	Australian dollar ("AUD") 100	—	100	Provision of logistics and warehousing services
EDA CLOUD UK LTD	The United Kingdom 21 June 2016	Great Britain pound ("GBP") 100	—	100	Provision of logistics and warehousing services

The English names of all group companies registered in the PRC represent the best efforts made by the directors of Shenzhen EDA to translate the Chinese names of these companies as they do not have official English names.

2. ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

The Shenzhen EDA Historical Financial Information has been prepared in accordance with HKFRSs (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the HKICPA. All HKFRSs effective for the accounting period commencing from 1 January 2023, together with the relevant transitional provisions, have been early adopted by Shenzhen EDA Group in the preparation of the Shenzhen EDA Historical Financial Information throughout the Predecessor Track Record Period.

The Shenzhen EDA Historical Financial Information has been prepared under the historical cost convention, except for certain financial assets which have been measured at fair value.

Basis of consolidation

The consolidated financial statements include the financial statements of Shenzhen EDA and its subsidiaries (collectively referred to as "**Shenzhen EDA Group**") for the year ended 31 December 2021. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by Shenzhen EDA. Control is achieved when Shenzhen EDA Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give Shenzhen EDA Group the current ability to direct the relevant activities of the investee).

Generally, there is a presumption that a majority of voting rights results in control. When Shenzhen EDA has less than a majority of the voting or similar rights of an investee, Shenzhen EDA Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) Shenzhen EDA Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as Shenzhen EDA, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which Shenzhen EDA Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of Shenzhen EDA Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of Shenzhen EDA Group are eliminated in full on consolidation.

Shenzhen EDA 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 described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If Shenzhen EDA Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, any non-controlling interest and the exchange fluctuation reserve; and recognises the fair value of any investment retained and any resulting surplus or deficit in profit or loss. Shenzhen EDA Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if Shenzhen EDA Group had directly disposed of the related assets or liabilities.

2.2 ISSUED BUT NOT YET EFFECTIVE HKFRSS

Shenzhen EDA Group has not applied the following revised HKFRSSs, that have been issued but are not yet effective, in the Shenzhen EDA Historical Financial Information.

Amendments to HKFRS 10 and HKAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ³
Amendments to HKFRS 16	<i>Lease Liability in a Sale and Leaseback</i> ¹
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current (the "2020 Amendments")</i> ^{1,4}
Amendments to HKAS 1	<i>Non-current Liabilities with Covenants (the "2022 Amendments")</i> ^{1,4}
Amendments to HKAS 7 and HKFRS 7	<i>Supplier Finance Arrangements</i> ¹
Amendments to HKAS 21	<i>Lack of Exchangeability</i> ²

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

² Effective for annual periods beginning on or after 1 January 2025

³ No mandatory effective date yet determined but available for adoption

⁴ As a consequence of the 2020 Amendments and 2022 Amendments, Hong Kong Interpretation 5 *Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised to align the corresponding wording with no change in conclusion

Shenzhen EDA Group is in the process of making an assessment of the impact of these revised HKFRSSs upon initial application. So far, Shenzhen EDA Group considers that, these revised HKFRSSs are unlikely to have a significant impact on Shenzhen EDA Group's results of operations and financial position.

2.3 MATERIAL ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by Shenzhen EDA. Control is achieved when Shenzhen EDA is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give Shenzhen EDA the current ability to direct the relevant activities of the investee).

APPENDIX IB ACCOUNTANTS' REPORT OF SHENZHEN EDA GROUP

When Shenzhen EDA has, directly or indirectly, less than a majority of the voting or similar rights of an investee, Shenzhen EDA considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (i) the contractual arrangement with the other vote holders of the investee;
- (ii) rights arising from other contractual arrangements; and
- (iii) Shenzhen EDA's voting rights and potential voting rights.

Shenzhen EDA's investment in subsidiaries presented in Shenzhen EDA's statement of financial position is stated at cost less any impairment losses.

Investments in associates

An associate is an entity in which Shenzhen EDA Group has a long term interest of generally not less than 20% of the equity voting rights and over which it has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

Shenzhen EDA/Shenzhen EDA Group's investments in associates are stated in the statement of financial position/consolidated statement of financial position at Shenzhen EDA/Shenzhen EDA Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

Shenzhen EDA Group's share of the post-acquisition results and other comprehensive income of associates is included in the consolidated statement of profit or loss and other comprehensive income. In addition, when there has been a change recognised directly in the equity of the associates, Shenzhen EDA Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between Shenzhen EDA Group and its associate are eliminated to the extent of Shenzhen EDA Group's investments in associates, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates is included as part of Shenzhen EDA Group's investments in associates.

Fair value measurement

Shenzhen EDA Group measures its financial assets at fair value through profit or loss at fair value at the end of the Predecessor Track Record Period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by Shenzhen EDA Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

Shenzhen EDA Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
- Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, Shenzhen EDA Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of the Predecessor Track Record Period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for non-financial asset is required (other than deferred tax assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs. In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of the Predecessor Track Record Period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises.

Related parties

A party is considered to be related to Shenzhen EDA Group if:

- (a) the party is a person or a close member of that person's family and that person
 - (i) has control or joint control over Shenzhen EDA Group;
 - (ii) has significant influence over Shenzhen EDA Group; or

(iii) is a member of the key management personnel of Shenzhen EDA Group or of a parent of Shenzhen EDA Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and Shenzhen EDA Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and Shenzhen EDA Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either Shenzhen EDA Group or an entity related to Shenzhen EDA Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to Shenzhen EDA Group or to the parent of Shenzhen EDA Group.

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, Shenzhen EDA Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold improvements	Over the remaining lease terms of the leased buildings
Plant and machinery	32%
Motor vehicles	19% to 32%
Furniture and office equipment	19% to 32%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Research and development expenses

All research expenses are charged to the statement of profit or loss as incurred.

Expenditure incurred on projects to develop new technologies is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Development expenditure which does not meet these criteria is expensed when incurred.

Leases

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

Group as a lessee

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

(a) Right-of-use assets

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

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

(b) Lease liabilities

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

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

(c) Short-term leases

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

Lease payments on short-term leases are recognised as an expense on a straight-line basis over the lease term.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (“FVOCI”), and fair value through profit or loss (“FVPL”).

The classification of financial assets at initial recognition depends on the financial asset’s contractual cash flow characteristics and Shenzhen EDA Group’s business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which Shenzhen EDA Group has applied the practical expedient of not adjusting the effect of a significant financing component, Shenzhen EDA Group initially measures a financial asset at its fair value plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which Shenzhen EDA Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 *Revenue from Contracts with Customers* in accordance with the policies set out for “Revenue recognition” below.

In order for a financial asset to be classified and measured at amortised cost or through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest (“SPPI”) on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

Shenzhen EDA Group’s business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

Purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in profit or loss.

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition as at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from Shenzhen EDA Group's consolidated statement of financial position)/Shenzhen EDA's statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- Shenzhen EDA Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a “pass-through” arrangement; and either (a) Shenzhen EDA Group has transferred substantially all the risks and rewards of the asset, or (b) Shenzhen EDA Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When Shenzhen EDA Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, Shenzhen EDA Group continues to recognise the transferred asset to the extent of Shenzhen EDA Group's continuing involvement. In that case, Shenzhen EDA Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that Shenzhen EDA Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that Shenzhen EDA Group could be required to repay.

Impairment of financial assets

Shenzhen EDA Group recognises an allowance for expected credit losses (“ECLs”) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that Shenzhen EDA Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, Shenzhen EDA Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, Shenzhen EDA 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 and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information. Shenzhen EDA Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

Shenzhen EDA Group considers a financial asset in default when contractual payments are 60 days past due based on the industry practice and the historical information, including Shenzhen EDA Group’s credit risk control practices and the historical recovery rate of financial assets. However, Shenzhen EDA Group may also consider a financial asset to be in default when internal or external information indicates that Shenzhen EDA Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by Shenzhen EDA Group.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

- Stage 1 — Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs
- Stage 2 — Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs
- Stage 3 — Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables that do not contain a significant financing component or when Shenzhen EDA Group applies the practical expedient of not adjusting the effect of a significant financing component, Shenzhen EDA Group applies the simplified approach in calculating ECLs. Under the simplified approach, Shenzhen EDA Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. Shenzhen EDA Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings, and payables, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, and payables, net of directly attributable transaction costs.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at amortised cost (trade and other payables, and borrowings)

After initial recognition, trade and other payables, and interest-bearing borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash on hand and at banks, and short-term highly liquid deposits with a maturity of generally within three months that are readily convertible into known amounts of cash, subject to an insignificant risk of changes in value and held for the purpose of meeting short-term cash commitments.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and at banks, and short-term deposits as defined above, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the Predecessor Track Record Period, taking into consideration interpretations and practices prevailing in the countries in which Shenzhen EDA Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the Predecessor Track Record Period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and
- in respect of taxable temporary differences associated with investments in subsidiaries and associates, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and
- in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of the Predecessor Track Record Period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of the Predecessor Track Record Period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the Predecessor Track Record Period.

Deferred tax assets and deferred tax liabilities are offset if and only if Shenzhen EDA Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Revenue recognition***Revenue from contracts with customers***

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

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

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between Shenzhen EDA Group and the customer at contract inception. When the contract contains a financing component which provides Shenzhen EDA Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

(i) First-mile services

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

(ii) Last-mile fulfillment services

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

For both types of services, the customers simultaneously receive and consume the benefits provided by Shenzhen EDA Group's performance as Shenzhen EDA Group performs.

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Contract liabilities

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

Employee benefits*Pension schemes*

In accordance with the relevant laws and regulations, Shenzhen EDA Group's employees participate in various defined contribution plans and state-managed retirement benefit plans in the countries in which Shenzhen EDA Group operates. Payments to these plans, where Shenzhen EDA Group's obligations under such plans are equivalent to a defined contribution plan, are recognised as an expense based on certain percentages of the salaries of these employees on a monthly basis when employees have rendered services entitling them to the contributions.

Housing benefits, medical insurances and other social insurances

PRC employees of Shenzhen EDA Group are entitled to participate in various government-supervised housing funds, medical insurances and other social insurance plans. Shenzhen EDA Group contributes to these funds based on certain percentages of the salaries of these employees on a monthly basis. Shenzhen EDA Group's liability in respect of these funds is limited to the contribution payable in each period. Contributions to the housing funds, medical insurances and other social insurances are expensed as incurred.

Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme")

Shenzhen EDA Group's employer contributions vest fully with the employees when contributed into the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries in accordance with the rules of the MPF Scheme.

Borrowing costs

Borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Dividends are recognised as a liability when they are approved by the shareholders in a general meeting.

Foreign currencies

These financial statements are presented in Renminbi, which is the functional currency of Shenzhen EDA. Each entity in Shenzhen EDA Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in Shenzhen EDA Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the Predecessor Track Record Period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which Shenzhen EDA Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, Shenzhen EDA Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain overseas subsidiaries are currencies other than the Renminbi. As at the end of the Predecessor Track Record Period, the assets and liabilities of these entities are translated into Renminbi at the exchange rates prevailing at the end of the Predecessor Track Record Period and their statements of profit or loss are translated into Renminbi at the exchange rates that approximate to those prevailing at the dates of the transactions.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve, except to the extent that the differences are attributable to non-controlling interests. On disposal of a foreign operation, the cumulative amount in the reserve relating to that particular foreign operation is recognised in profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Shenzhen EDA Historical Financial Information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgments

In the process of applying Shenzhen EDA Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the Shenzhen EDA Historical Financial Information:

Identifying performance obligations in provision of last-mile fulfillment services

Shenzhen EDA Group provides last-mile fulfillment services from the overseas port to the overseas destination designated by the end customers, which includes different steps such as overseas warehousing, other value-added services and deliveries. The orders are placed separately by the customers, which means such promises by Shenzhen EDA Group are separately identifiable. These services are requested by consumers as needed and they are not dependent on other services that are provided by Shenzhen EDA Group. These services do not significantly affect each other and, therefore, are not highly interdependent or highly interrelated, because Shenzhen EDA Group would need to fulfil its promise to these independent services separately. Consequently, these services which are included in last-mile fulfillment services are identified as separate performance obligations.

Deferred tax assets

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised. This requires significant judgement on the tax treatments of certain transactions and also assessment on the probability that adequate future taxable profits will be available for the deferred tax assets to be recovered.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the Predecessor Track Record Period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Provision for expected credit losses on trade receivables

Shenzhen EDA Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on groupings of various customers/debtors segments that have similar loss patterns (i.e. by service type and customer type).

The provision matrix is initially based on Shenzhen EDA Group's historical observed default rates. Shenzhen EDA Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions are expected to deteriorate over the next year which can lead to an increased number of defaults in the cross-border e-commerce sector, the historical default rates are adjusted. At the end of the Predecessor Track Record Period, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. Shenzhen EDA Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on Shenzhen EDA Group's trade receivables is disclosed in note 17 to the Shenzhen EDA Historical Financial Information.

Leases — estimating the incremental borrowing rate

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

4. OPERATING SEGMENT INFORMATION

Shenzhen EDA Group is principally engaged in the provision of first-mile international freight services and last-mile fulfillment services, including overseas warehousing, other value-added services and deliveries for the cross-border e-commerce participants based in Chinese Mainland.

HKFRS 8 Operating Segments requires operating segments to be identified on the basis of internal reporting about components of Shenzhen EDA Group that are regularly reviewed by the chief operating decision-maker in order to allocate resources to segments and to assess their performance. The information reported to the directors of Shenzhen EDA, who are the chief operating decision-makers, for the purpose of resource allocation and assessment of performance does not contain discrete operating segment financial information and the directors reviewed the financial results of Shenzhen EDA Group as a whole. Therefore, no further information about the operating segment is presented.

Geographical information

(a) Revenue from external customers

	Year ended 31 December 2021
	<i>RMB'000</i>
China	170,109
The United States	355,993
The United Kingdom.....	49,620
Canada	49,438
Germany	5,099
Australia	1,623
	<u>631,882</u>

The above revenue information is based on the location of the services rendered.

(b) Non-current assets

	Year ended 31 December 2021
	<i>RMB'000</i>
China	16,389
The United States	125,554
The United Kingdom.....	19,457
Canada	13,326
	<u>174,726</u>

The above non-current assets information is based on the locations of the assets and excludes deferred tax assets.

Information about major customers

For the year ended 31 December 2021, revenue from a single customer, including sales to a group of entities which are known to be under common control with that customer, contributed 12.1% to Shenzhen EDA Group's revenue.

5. REVENUE, OTHER INCOME AND GAINS

Revenue

An analysis of revenue is as follows:

	Year ended 31 December 2021
	<i>RMB'000</i>
Revenue from contracts with customers	631,882

(a) Disaggregated revenue information

	Year ended 31 December 2021
	<i>RMB'000</i>
Type of services	
First-mile international freight services	170,109
Last-mile fulfillment services	461,773
	<u>631,882</u>
Timing of revenue recognition	
Services transferred over time	<u>631,882</u>

The following table shows the amounts of revenue recognised in the Predecessor Track Record Period that were included in the contract liabilities at the beginning of the respective periods:

	Year ended 31 December 2021
	<i>RMB'000</i>
Revenue recognised that was included in contract liabilities at the beginning of the year:	
First-mile international freight services	1,825
Last-mile fulfillment services	3,746
	<u>5,571</u>

(b) Performance obligations

Information about Shenzhen EDA Group's performance obligations is summarised below:

For first-mile international freight services including provision of transportation from the designated locations in Chinese Mainland to the designated overseas locations, the performance obligation is satisfied over time and the completion progress of these services is therefore measured by the number of days from the date Shenzhen EDA Group receiving the goods from the customers to the report date over the estimated service period. Payment is generally due within 10 days from the date of billing, extending up to two months, or is settled on an advance receipt basis depending on the relationships with the customers.

For last-mile fulfillment services including the provision of one-stop logistic services from the overseas port to the overseas destination designated by the end customers, which includes different steps such as overseas warehousing, other value-added services and local deliveries, the performance obligation is satisfied over time as progress towards the days consumed over the estimated service period. Payment is generally due within 10 days from the date of billing, extending up to two months, or is settled on an advance receipt basis depending on the relationships with the customers.

Shenzhen EDA Group has elected the practical expedient for not to disclose the remaining performance obligations for these types of contracts because the performance obligation is part of a contract that has an original expected duration of one year or less.

Other income and gains

	Year ended 31 December 2021
	<i>RMB'000</i>
Interest income	693
Government grants	4,027
Fair value changes of financial assets at fair value through profit or loss	165
Gain on early termination of lease	859
Surcharges from customers for overdue balances.	676
Compensation	1,479
Others	184
	<u>8,083</u>

Government grants mainly represent funding received from government authorities to support the cross border e-commerce industry. There are no unfulfilled conditions or contingencies related to these grants.

6. FINANCE COSTS

An analysis of finance costs is as follows:

	Year ended 31 December 2021
	<i>RMB'000</i>
Interest expenses on borrowings	785
Interest expenses on lease liabilities	9,866
	<u>10,651</u>

7. PROFIT BEFORE TAX

		Year ended 31 December 2021
	<i>Notes</i>	<i>RMB'000</i>
Cost of provision of first-mile international freight services		163,829
Cost of provision of last-mile fulfillment services		361,198
Depreciation of property, plant and equipment	<i>13</i>	2,503
Depreciation of right-of-use assets	<i>14(c)</i>	31,811
Total depreciation and amortisation		<u>34,314</u>
Lease payments not included in the measurement of lease liabilities	<i>14(c)</i>	349
Auditors' remuneration		141
Employee benefit expenses* (excluding directors' and chief executive's remuneration (<i>note 8</i>)):		
Wages and salaries		77,645
Pension scheme contributions**		1,668
		<u>79,313</u>
Research and development expenses		17,956
Impairment losses on financial assets, net		5,480
Fair value changes of financial instruments at fair value through profit or loss		(165)
Foreign exchange differences, net***		<u>1,326</u>

* Amounts of RMB53,113,000 of employee benefit expenses were included in cost of provision of first-mile international freight services and last-mile fulfillment services during the year ended 31 December 2021.

** During the Predecessor Track Record Period, Shenzhen EDA Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years.

*** Included in "Other expenses" in the consolidated statement of profit or loss and other comprehensive income.

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

The directors of Shenzhen EDA during the Predecessor Track Record Period are as follows:

Mr. Liu Yong was appointed as an executive director of Shenzhen EDA on 16 January 2019.

Ms. Li Qin, Mr. Zhang Yingfa, Ms. Tang Jiajia and Mr. Liu Chao were appointed as executive directors of Shenzhen EDA on 28 February 2020.

Mr. Liu Chao resigned as an executive director of Shenzhen EDA on 1 September 2020.

Mr. Liu Mingsong was appointed as an executive director of Shenzhen EDA on 1 September 2020.

Directors' remuneration for the Predecessor Track Record Period is as follows:

	Year ended 31 December 2021
	<i>RMB'000</i>
Fees	—
Other emoluments:	
Salaries, allowances and benefits in kind	1,491
Pension scheme contributions	150
Performance related bonuses	1,100
	<u>2,741</u>

(a) Executive directors and the chief executive

Year ended 31 December 2021

	Salaries, allowances and benefits in kind	Pension scheme contributions	Performance related bonuses	Total remuneration
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Executive directors:				
Mr. Liu Yong	780	75	550	1,405
Ms. Li Qin	711	75	550	1,336
Mr. Zhang Yingfa	—	—	—	—
Ms. Tang Jiajia	—	—	—	—
Mr. Liu Mingsong	—	—	—	—
	<u>1,491</u>	<u>150</u>	<u>1,100</u>	<u>2,741</u>

APPENDIX IB ACCOUNTANTS' REPORT OF SHENZHEN EDA GROUP

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

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees for the year ended 31 December 2021 included 2 directors, details of whose remuneration are set out in note 8 above. Details of the remuneration for the year ended 31 December 2021 of the remaining 3 highest paid employees who are neither a director nor chief executive of Shenzhen EDA, are as follows:

	Year ended 31 December 2021
	<i>RMB'000</i>
Salaries, allowances and benefits in kind	2,122
Pension scheme contributions	98
Performance related bonuses	895
	<u>3,115</u>

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees
	2021
Nil to HK\$1,000,000	1
HK\$1,000,001 to HK\$1,500,000	2
	<u>3</u>

10. INCOME TAX

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

Hong Kong profits tax

Hong Kong profits tax has been provided at a rate of 16.5% on the estimated assessable profits arising in Hong Kong for the Predecessor Track Record Period. In 2021, one Hong Kong subsidiary of Shenzhen EDA Group is a qualifying entity under the two-tiered profits tax rates regime. The first HK\$2,000,000 of assessable profits of this subsidiary are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%.

PRC corporate income tax

Shenzhen EDA Group's income tax provision in respect of its operations in Chinese Mainland has been calculated at the statutory tax rate of 25% on the taxable profits for the Predecessor Track Record Period, based on the existing legislation, interpretations and practices in respect thereof.

Shenzhen EDA is qualified as High and New Technology Enterprises and is entitled to a preferential corporate income tax rate of 15% for the year ended 31 December 2021.

Income tax for other jurisdictions

During the Predecessor Track Record Period, income tax of other jurisdictions mainly arose from the United States, the United Kingdom, Canada and Australia.

Shenzhen EDA's subsidiaries incorporated in the United States were subject to the federal tax at a rate of 21% and the state tax at the rate ranging from 8.8% to 11.5% for the year ended 31 December 2021. In addition, the United Kingdom profits tax has been provided at a rate of 19%, Canada profits tax has been provided at a rate of 26.5% and Australia profits tax has been provided at a rate of 30% on the estimated assessable profits arising in the respective jurisdictions during the year ended 31 December 2021.

	Year ended 31 December 2021
	<i>RMB'000</i>
Current:	
Chinese Mainland	5,236
Hong Kong	181
The United States	328
The United Kingdom	162
Canada	220
	<u>6,127</u>
Deferred (<i>note 16</i>).	(929)
	<u><u>5,198</u></u>

A reconciliation of the tax expense applicable to profit/(loss) before tax at the statutory rate for the jurisdictions in which Shenzhen EDA and the majority of its subsidiaries are domiciled to the income tax expense at the effective income tax rate of the Predecessor Track Record Period and a reconciliation of the applicable rates (i.e., the statutory tax rates) to the effective rates of the Predecessor Track Record Period, are as follows:

2021

	Chinese Mainland		Hong Kong		The United States		The United Kingdom		Canada		Australia		Total	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Profit/(loss) before tax	36,642		8,818		3,463		921		1,778		(13)		51,609	
Tax at the statutory tax rates.	9,161	25.0	1,455	16.5	1,039	30.0	175	19.0	471	26.5	(4)	30.0	12,297	23.8
Lower tax rates for specific jurisdictions or enacted by local authority	(4,746)	(13.0)	(145)	(1.6)	—	—	—	—	—	—	—	—	(4,891)	(9.6)
Expenses not deductible for tax	196	0.5	18	0.2	—	—	—	—	—	—	—	—	214	0.4
Income not subject to tax	—	—	(55)	(0.7)	(184)	(5.3)	—	—	(24)	(1.4)	—	—	(263)	(0.4)
Tax incentive on eligible expenses	(2,159)	(5.8)	—	—	—	—	—	—	—	—	—	—	(2,159)	(4.1)
Tax charge at Shenzhen EDA Group's effective rate	2,452	6.7	1,273	14.4	855	24.7	175	19.0	447	25.1	(4)	30.0	5,198	10.1

APPENDIX IB ACCOUNTANTS' REPORT OF SHENZHEN EDA GROUP

The share of tax attributable to an associate for the year ended 31 December 2021 which is included in "Share of results of an associate" in the consolidated statement of profit or loss and other comprehensive income was nil.

11. DIVIDENDS

No dividends have been paid or declared by Shenzhen EDA since its date of incorporation.

12. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

Information about earnings per share is not presented as such information is not meaningful for the purpose of this report.

13. PROPERTY, PLANT AND EQUIPMENT

Shenzhen EDA

	Leasehold improvements	Motor vehicles	Furniture and office equipment	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
31 December 2021				
At 1 January 2021:				
Cost	119	9	1,423	1,551
Accumulated depreciation	(44)	(7)	(1,084)	(1,135)
Net carrying amount	<u>75</u>	<u>2</u>	<u>339</u>	<u>416</u>
At 1 January 2021, net of				
accumulated depreciation.	75	2	339	416
Additions.	2,677	1,604	575	4,856
Disposals.	—	(1)	(98)	(99)
Depreciation provided during the year	(516)	(246)	(221)	(983)
At 31 December 2021, net of accumulated depreciation	<u>2,236</u>	<u>1,359</u>	<u>595</u>	<u>4,190</u>
At 31 December 2021:				
Cost	2,796	1,609	959	5,364
Accumulated depreciation	(560)	(250)	(364)	(1,174)
Net carrying amount	<u>2,236</u>	<u>1,359</u>	<u>595</u>	<u>4,190</u>

APPENDIX IB ACCOUNTANTS' REPORT OF SHENZHEN EDA GROUP

Shenzhen EDA Group

	Leasehold improvements	Plant and machinery	Motor vehicles	Furniture and office equipment	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
31 December 2021					
At 1 January 2021:					
Cost	119	1,932	799	2,023	4,873
Accumulated depreciation	(44)	(600)	(195)	(1,499)	(2,338)
Net carrying amount	<u>75</u>	<u>1,332</u>	<u>604</u>	<u>524</u>	<u>2,535</u>
At 1 January 2021, net of					
accumulated depreciation	75	1,332	604	524	2,535
Additions	2,799	2,482	2,954	1,125	9,360
Disposals	—	—	(9)	(133)	(142)
Depreciation provided during the year (<i>note 7</i>)	(565)	(993)	(613)	(332)	(2,503)
Exchange realignment	(3)	(62)	(27)	(8)	(100)
At 31 December 2021, net of					
accumulated depreciation	<u>2,306</u>	<u>2,759</u>	<u>2,909</u>	<u>1,176</u>	<u>9,150</u>
At 31 December 2021:					
Cost	2,914	4,311	3,674	2,045	12,944
Accumulated depreciation	(608)	(1,552)	(765)	(869)	(3,794)
Net carrying amount	<u>2,306</u>	<u>2,759</u>	<u>2,909</u>	<u>1,176</u>	<u>9,150</u>

14. LEASES

Shenzhen EDA and Shenzhen EDA Group as a lessee

Shenzhen EDA has lease contracts for offices with lease terms of 2 years to 5 years. Shenzhen EDA Group has lease contracts for some warehouses and offices used in its operations. Leases of warehouses and offices generally have lease terms of 19 months to 10 years. Generally, Shenzhen EDA Group is restricted from assigning and subleasing the leased assets outside Shenzhen EDA Group.

APPENDIX IB ACCOUNTANTS' REPORT OF SHENZHEN EDA GROUP

(a) Right-of-use assets

The carrying amounts of right-of-use assets and the movement during the year ended 31 December 2021 are as follows:

Shenzhen EDA

	2021
	<i>RMB'000</i>
At beginning of year	1,117
Additions	11,246
Depreciation charge	(2,925)
Termination	(634)
At end of year	<u>8,804</u>

Shenzhen EDA Group

	2021
	<i>RMB'000</i>
At beginning of year	98,729
Additions	109,958
Depreciation charge	(31,811)
Termination	(10,437)
Exchange realignment	(4,267)
At end of year	<u>162,172</u>

(b) Lease liabilities

The carrying amount of lease liabilities and the movements during the year ended 31 December 2021 are as follows:

Shenzhen EDA

	2021
	<i>RMB'000</i>
At beginning of year	1,230
New leases	11,246
Accretion of interest recognised during the year	514
Payment	(2,794)
Termination	(706)
At end of year	<u>9,490</u>
Analysed into:	
Within one year	2,214
In the second year	2,101
In the third to fifth years, inclusive	<u>5,175</u>
	<u>9,490</u>

APPENDIX IB ACCOUNTANTS' REPORT OF SHENZHEN EDA GROUP

Shenzhen EDA Group

	2021
	<i>RMB'000</i>
At beginning of year	101,323
New leases	109,958
Accretion of interest recognised during the year (<i>note 6</i>)	9,866
Payment	(34,420)
Termination	(11,296)
Exchange realignment	(4,408)
At end of year	<u>171,023</u>
Analysed into:	
Within one year	27,586
In the second year	29,685
In the third to fifth years, inclusive	76,516
Beyond five years	37,236
	<u>171,023</u>

The maturity analysis of lease liabilities is disclosed in note 30 to the Shenzhen EDA Historical Financial Information.

(c) The amounts recognised in Shenzhen EDA Group's profit or loss in relation to leases are as follows:

		Year ended 31 December 2021
	<i>Notes</i>	<i>RMB'000</i>
Interest on lease liabilities	6	9,866
Depreciation charge of right-of-use assets	7	31,811
Expense relating to short-term leases	7	349
Gain on early termination of lease	5	(859)
Total amount recognised in Shenzhen EDA Group's profit or loss		<u>41,167</u>

APPENDIX IB ACCOUNTANTS' REPORT OF SHENZHEN EDA GROUP

(d) The total cash outflow for leases of Shenzhen EDA Group is disclosed in note 26 to the Shenzhen EDA Historical Financial Information.

15. INVESTMENT IN AN ASSOCIATE

Shenzhen EDA and Shenzhen EDA Group

	As at 31 December 2021
	<i>RMB'000</i>
Share of net assets	2,904

Particulars of the associate are as follows:

Name	Particulars of issued shares held	Place of incorporation/ registration and business	Percentage of ownership interest attributable to Shenzhen EDA/ Shenzhen EDA Group	Principal activity
Hangzhou Yuehui Venture Capital Partnership [#] ("Hangzhou Yuehui") ⁽¹⁾	Partnership shares	PRC/ Chinese Mainland	16.13	Capital investment

Notes:

(1) Hangzhou Yuehui was incorporated on 15 September 2021. Shenzhen EDA/Shenzhen EDA Group consider it has significant influence over Hangzhou Yuehui even though it owns less than 20% of the equity interests because Shenzhen EDA/Shenzhen EDA Group is the limited partner and has the voting power in Hangzhou Yuehui.

[#] The English name of this entity represents the best efforts made by the directors of Shenzhen EDA to translate the Chinese name as the entity does not have an official English name.

APPENDIX IB ACCOUNTANTS' REPORT OF SHENZHEN EDA GROUP

The following table illustrates the summarised financial information in respect of Hangzhou Yuehui, adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated statement of financial position of Shenzhen EDA Group and the statement of financial position of Shenzhen EDA:

Hangzhou Yuehui

	As at 31 December 2021
	<i>RMB'000</i>
Current assets	9,489
Non-current assets	9,000
Net assets	<u>18,489</u>
Reconciliation to Shenzhen EDA/Shenzhen EDA Group's interest in the associate:	
Proportion of Shenzhen EDA/Shenzhen EDA Group's ownership (<i>note</i>)	15.71%
Shenzhen EDA/Shenzhen EDA Group's share of net assets of the associate	<u>2,904</u>
	Year ended 31 December 2021
	<i>RMB'000</i>
Loss and total comprehensive expense for the year	<u>(611)</u>

Note:

According to the articles of association, the percentage of profit sharing is based on the proportion of capital contribution actually made to Hangzhou Yuehui.

16. DEFERRED TAX

The movements in deferred tax liabilities and assets during the Predecessor Track Record Period are as follows:

Deferred tax liabilities

Shenzhen EDA

	Right-of-use assets
	<i>RMB'000</i>
At 1 January 2021.....	168
Deferred tax charged to profit or loss during the year.....	1,153
At 31 December 2021.....	<u>1,321</u>

Shenzhen EDA Group

	Accelerated tax depreciation	Right-of-use assets	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2021.....	—	28,234	28,234
Deferred tax charged to profit or loss during the year.....	33	16,582	16,615
Exchange realignment.....	—	18	18
At 31 December 2021.....	<u>33</u>	<u>44,834</u>	<u>44,867</u>

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Deferred tax assets

Shenzhen EDA

	<u>Lease liabilities</u>	<u>Provision for impairment losses of financial assets</u>	<u>Total</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2021.....	184	2,707	2,891
Deferred tax credited to profit or loss during the year	<u>1,240</u>	<u>832</u>	<u>2,072</u>
At 31 December 2021	<u><u>1,424</u></u>	<u><u>3,539</u></u>	<u><u>4,963</u></u>

Shenzhen EDA Group

	<u>Lease liabilities</u>	<u>Loss available for offsetting against future taxable profit</u>	<u>Provision for impairment losses of financial assets</u>	<u>Total</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2021.....	28,962	1,673	3,068	33,703
Deferred tax credited/(charged) to profit or loss during the year.....	18,346	(1,545)	743	17,544
Exchange realignment	<u>(21)</u>	<u>(19)</u>	<u>—</u>	<u>(40)</u>
At 31 December 2021.....	<u><u>47,287</u></u>	<u><u>109</u></u>	<u><u>3,811</u></u>	<u><u>51,207</u></u>

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For presentation purposes, certain deferred tax assets and liabilities have been offset in Shenzhen EDA's statement of financial position and Shenzhen EDA Group's consolidated statement of financial position. The following is an analysis of the deferred tax balances of Shenzhen EDA and Shenzhen EDA Group for financial reporting purposes:

Shenzhen EDA

	As at 31 December 2021
	<i>RMB'000</i>
Net deferred tax assets recognised In the statement of financial position.....	<u>3,642</u>

Shenzhen EDA Group

	As at 31 December 2021
	<i>RMB'000</i>
Net deferred tax assets recognised in the consolidated statement of financial position.....	6,373
Net deferred tax liabilities recognised in the consolidated statement of financial position.....	<u>33</u>

17. TRADE RECEIVABLES**Shenzhen EDA**

	As at 31 December 2021
	<i>RMB'000</i>
Related parties.....	2,524
Third parties.....	<u>64,717</u>
	67,241
Impairment.....	<u>(23,591)</u>
	<u>43,650</u>

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Shenzhen EDA Group

	As at 31 December
	<i>RMB'000</i>
Related parties	2,524
Third parties	67,035
	69,559
Impairment	(25,353)
	<u>44,206</u>

Shenzhen EDA and Shenzhen EDA Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally 10 days from the day of billing, extending up to two months for major customers. Each customer has a maximum credit limit. Shenzhen EDA and Shenzhen EDA Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by management. Shenzhen EDA and Shenzhen EDA Group's trade receivables from third parties relate to a large number of diversified customers, there is no significant concentration of credit risk. Shenzhen EDA and Shenzhen EDA Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An ageing analysis of the trade receivable as at the end of the Predecessor Track Record Period, based on the invoice date and net of loss allowance, is as follows:

Shenzhen EDA

	As at 31 December 2021
	<i>RMB'000</i>
Within 3 months	43,079
3 to 6 months	398
Over 6 months	173
	<u>43,650</u>

Shenzhen EDA Group

	As at 31 December 2021
	<i>RMB'000</i>
Within 3 months	43,108
3 to 6 months	398
Over 6 months	700
	<u>44,206</u>

The movements in the loss allowance for impairment of trade receivables are as follows:

Shenzhen EDA

	As at 31 December 2021
	<i>RMB'000</i>
At beginning of year	18,046
Impairment losses	5,545
At end of year	<u>23,591</u>

Shenzhen EDA Group

	As at 31 December 2021
	<i>RMB'000</i>
At beginning of year	20,235
Impairment losses	5,480
Exchange realignment	(362)
At end of year	<u>25,353</u>

An impairment analysis is performed at each reporting date. Shenzhen EDA and Shenzhen EDA Group use a provision matrix to measure expected credit losses for trade receivables. The provision rates are based on groupings of various customer segments with similar loss patterns (i.e., by customer type and service type). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at

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the reporting date about past events, current conditions and forecasts of future economic conditions. Besides, for balances in relation to individual customers which bear specific credit risk depending on the repayment history, financial position and other external or internal information, management estimates the amounts recoverable by taking into account any credit enhancement held by Shenzhen EDA and Shenzhen EDA Group and recognises provision against the difference between the net remaining balance and the amount recoverable.

Set out below is the information about the credit risk exposure on the trade receivables using a provision matrix:

Shenzhen EDA

Group A

	Third parties			Related parties	Total
	Within 3 months	3 to 6 months	Over 6 months	Within 3 months	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	
As at 31 December 2021					
Expected credit loss rate	4.0%	57.4%	97.1%	4.0%	15.8%
Gross carrying amount	42,333	935	6,026	2,524	51,818
Expected credit losses	1,678	537	5,853	100	8,168

Group B

	Third parties			Related parties	Total
	Within 3 months	3 to 6 months	Over 6 months	Within 3 months	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	
As at 31 December 2021					
Expected credit loss rate	100.0%	100.0%	100.0%	—	100.0%
Gross carrying amount	668	413	14,342	—	15,423
Expected credit losses	668	413	14,342	—	15,423

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Shenzhen EDA Group

Group A

	Third parties			Related parties	
	Within 3 months	3 to 6 months	Over 6 months	Within 3 months	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
As at 31 December 2021					
Expected credit loss rate	4.0%	57.4%	91.6%	4.0%	18.3%
Gross carrying amount	42,364	935	8,313	2,524	54,136
Expected credit losses	1,680	537	7,613	100	9,930
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Group B

	Third parties			Related parties	
	Within 3 months	3 to 6 months	Over 6 months	Within 3 months	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
As at 31 December 2021					
Expected credit loss rate	100.0%	100.0%	100.0%	—	100.0%
Gross carrying amount	668	413	14,342	—	15,423
Expected credit losses	668	413	14,342	—	15,423
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

18. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Shenzhen EDA

	<i>Notes</i>	As at 31 December 2021
		<i>RMB'000</i>
Prepayments		39,033
Deposits		735
Advances to employees		1,131
Loans to directors and employees	<i>(i)</i>	4,700
Amounts due from subsidiaries	<i>(ii)</i>	20,544
Payment on behalf of customers for custom duties		595
Other receivables		121
		<u> </u>
		<u>66,859</u>

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Shenzhen EDA Group

	<i>Notes</i>	As at 31 December 2021
		<i>RMB'000</i>
Prepayments		50,475
Deposits		10,065
Advances to employees		1,168
Loans to directors and employees	<i>(i)</i>	5,200
Loan receivables	<i>(iii)</i>	2,391
Value-added tax recoverable		4,997
Payment on behalf of customers for custom duties		595
Other receivables		663
		<u>75,554</u>
Portion classified as non-current		(500)
		<u><u>75,054</u></u>

Notes:

- (i) The loans to directors and employees are unsecured, interest-free and had maturity of three months and two years, respectively.
- (ii) Amounts due from subsidiaries are unsecured, interest-free and repayable on demand.
- (iii) The loan receivables are unsecured, interest-free and had maturity of six months.
- (iv) As at 31 December 2021, the outstanding balances of Shenzhen EDA Group with related parties included in the balances of prepayment and other receivables amounted of RMB270,000, represented the rental deposit of warehouse leasing in the overseas, which were trade in nature. The remaining outstanding balances with related parties included in the balances of prepayment and other receivables as at the end of 31 December 2021 were non-trade in nature and further details of which are set out in note 27 to Shenzhen EDA Historical Financial Information.

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19. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS**Shenzhen EDA and Shenzhen EDA Group**

	As at 31 December 2021
	<i>RMB'000</i>
Wealth management products	30,165

Shenzhen EDA Group's wealth management products at 31 December 2021 were issued by banks in Chinese Mainland. They are classified as financial assets at fair value through profit or loss as their contractual cash flows do not qualify for solely payments of principal and interest.

20. CASH AND CASH EQUIVALENTS**Shenzhen EDA**

	As at 31 December 2021
	<i>RMB'000</i>
Cash and bank balances	33,030
Time deposit	10,000
Cash and cash equivalents	43,030
Denominated in:	
RMB (<i>note</i>)	42,983
US\$	46
EURO	1
	43,030

Shenzhen EDA Group

	As at 31 December 2021
	<i>RMB'000</i>
Cash and bank balances	44,549
Time deposit	10,000
Cash and cash equivalents	<u>54,549</u>
Denominated in:	
RMB (<i>note</i>)	45,638
US\$.	7,405
HK\$	409
EURO	1
GBP	538
AUD	95
CAD	463
	<u>54,549</u>

Note: The RMB is not freely convertible into other currencies, however, under Chinese Mainland's Foreign Exchange Control Regulations and Administration of Settlement and Sale and Payment of Foreign Exchange Regulations, Shenzhen EDA and Shenzhen EDA Group are permitted to exchange RMB for other currencies through banks authorized to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Time deposit is made for a period of three years and earn interest at the respective time deposit rates. However, Shenzhen EDA can withdraw the time deposit in a period less than the pre-determined period of three years and such time deposit then earns interest at floating rates based on daily bank deposit rates. Therefore, management considers that such time deposit is held for short term cash commitment. The bank balances and time deposit are deposited with creditworthy banks with no recent history of default.

APPENDIX IB ACCOUNTANTS' REPORT OF SHENZHEN EDA GROUP

21. TRADE PAYABLES**Shenzhen EDA**

	As at 31 December 2021
	<i>RMB'000</i>
Third parties	40,684

Shenzhen EDA Group

	As at 31 December 2021
	<i>RMB'000</i>
Related parties (<i>note 27</i>)	539
Third parties	83,393
	<u>83,932</u>

An ageing analysis of the trade payables at the end of the Predecessor Track Record Period, based on the invoice date, is as follows:

Shenzhen EDA

	As at 31 December 2021
	<i>RMB'000</i>
Within 1 year	40,354
Over 2 years	330
	<u>40,684</u>

Shenzhen EDA Group

	As at 31 December 2021
	<i>RMB'000</i>
Within 1 year	83,226
1 to 2 years	307
Over 2 years	399
	<u>83,932</u>

Trade payables are unsecured, interest-free and normally settled on terms of 30 to 60 days.

22. OTHER PAYABLES AND ACCRUALS

Shenzhen EDA

	<i>Notes</i>	As at 31 December 2021
		<i>RMB'000</i>
Contract liabilities	(i)	10,377
Payroll and welfare payables		9,131
Other tax payables		223
Amounts due to subsidiaries	(ii)	13,859
Accruals		209
Other payables	(iii)	578
		<u>34,377</u>

APPENDIX IB ACCOUNTANTS' REPORT OF SHENZHEN EDA GROUP

Shenzhen EDA Group

	<i>Notes</i>	As at 31 December 2021
		<i>RMB'000</i>
Contract liabilities	(i)	10,393
Payroll and welfare payables		9,884
Other tax payables		245
Accruals		271
Other payables	(iii)	2,460
		23,253

Notes:

- (i) Contract liabilities include short-term advances received to render first-mile international freight services and last-mile fulfillment services. As at 1 January 2021, contract liabilities of Shenzhen EDA and Shenzhen EDA Group were amounted to RMB6,237,000 and RMB6,653,000, respectively. The increase in contract liabilities as at 31 December 2021 were mainly due to the business development and the increase in customer base.
- (ii) Amounts due to subsidiaries are unsecured, interest-free and repayable on demand.
- (iii) Other payables and accruals are unsecured, interest-free and repayable on demand.
- (iv) As at 31 December 2021, all the outstanding balances of Shenzhen EDA Group with related parties included in the balances of other payables and accruals were non-trade in nature and further details of which are set out in note 27 to Shenzhen EDA Historical Financial Information.

23. BORROWINGS

Shenzhen EDA

	31 December 2021		
	<i>Effective interest rate (%)</i>	<i>Maturity</i>	<i>RMB'000</i>
Current			
Bank loans-unsecured	3.85%-5.8%	2022	11,850
			11,850

APPENDIX IB ACCOUNTANTS' REPORT OF SHENZHEN EDA GROUP

	As at 31 December 2021
	<i>RMB'000</i>
Analysed into:	
Within one year or on demand	11,850

Shenzhen EDA Group

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

	As at 31 December 2021
	<i>RMB'000</i>
Analysed into:	
Within one year or on demand	18,049
In the second year	100
In the third to fifth years, inclusive	191
	18,340

Notes:

- (a) Shenzhen EDA Group's overdraft facilities amounting to RMB12,654,000, of which RMB5,899,000 had been utilised as at 31 December 2021.

APPENDIX IB ACCOUNTANTS' REPORT OF SHENZHEN EDA GROUP

- (b) Certain of Shenzhen EDA and Shenzhen EDA Group's bank loans are guaranteed by:
- (i) a personal guarantee provided by a shareholder of Shenzhen EDA and his spouse;
 - (ii) a personal guarantee provided by the legal representative of a subsidiary of Shenzhen EDA; and
 - (iii) a guarantee provided by third-party financing guarantee corporations.
- (c) Shenzhen EDA's borrowings are denominated in:

	As at 31 December 2021
	<i>RMB'000</i>
RMB.	11,850

Shenzhen EDA Group's borrowings are denominated in:

	As at 31 December 2021
	<i>RMB'000</i>
RMB.	11,850
HK\$.	5,758
CAD.	732
	18,340

- (d) Shenzhen EDA Group's other borrowings are shareholder's loans and loans from the legal representative of a Shenzhen EDA's subsidiary and third parties. The shareholder's loans are unsecured, had an interest rate of 10% per annum and are repayable on demand. The loans from the legal representative of a Shenzhen EDA's subsidiary are unsecured, had an interest rate ranging from 8% to 9% per annum, and are repayable on demand. The loans from third parties are unsecured, had an interest rate of 10% per annum and maturity of ten months.

24. SHARE CAPITAL

A summary of movements in Shenzhen EDA's share capital and share premium is as follows:

	Share capital	Share premium
	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2021.	6,316	26,184
Capital injection (<i>note (a)</i>)	49,995	—
At 31 December 2021	56,311	26,184

Notes:

- (a) On 28 February 2021, Global Logistics Services Limited injected capital of RMB49,995,000 to Shenzhen EDA and obtained 88.78% equity interest of Shenzhen EDA. The registered capital of Shenzhen EDA was increased to RMB56,311,000.

25. RESERVES

The amounts of Shenzhen EDA Group's reserves and the movements therein for the Predecessor Track Record Period are presented in the consolidated statement of changes in equity.

(a) Share premium

The share premium account represents the amount paid by shareholders for capital injection in excess of its nominal value.

(b) Capital reserve

The capital reserve of Shenzhen EDA Group represents the capital contributions from the then equity holders of Shenzhen EDA Group's subsidiaries, after elimination of investments in subsidiaries.

(c) Statutory surplus reserve

In accordance with the PRC Company Law and the articles of association of Shenzhen EDA Group companies established in the PRC, these companies are required to appropriate 10% of their net profit after tax, as determined under the Chinese Accounting Standards, to the statutory surplus reserve until the reserve balance reaches 50% of their registered capital. Subject to certain restrictions set out in the relevant PRC regulations and in the articles of association of Shenzhen EDA Group companies, the statutory surplus reserve may be used either to offset losses, or to be converted to increase the share capital of Shenzhen EDA Group companies provided that the balance after such conversion is not less than 25% of the registered capital of them. The reserve cannot be used for purposes other than those for which it is created and is not distributable as cash dividends.

(d) Exchange fluctuation reserve

The exchange fluctuation reserve comprises all foreign exchange differences arising from the translation of the financial statements of companies whose functional currency is not RMB. The reserve is dealt with in accordance with the accounting policy set out in note 2.4 to the Shenzhen EDA Historical Financial Information.

APPENDIX IB ACCOUNTANTS' REPORT OF SHENZHEN EDA GROUP

(e) A summary of statement of changes in equity of Shenzhen EDA is as follows:

	Share capital	Share premium	Statutory reserve	Capital reserve	Accumulated losses	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2021.	6,316	26,184	—	34,050	(42,901)	23,649
Profit for the year and total comprehensive income for the year	—	—	—	—	36,736	36,736
Appropriation of retained profits . .	—	—	1,488	—	(1,488)	—
Capital injection	49,995	—	—	—	—	49,995
At 31 December 2021	<u>56,311</u>	<u>26,184</u>	<u>1,488</u>	<u>34,050</u>	<u>(7,653)</u>	<u>110,380</u>

26. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year ended 31 December 2021, Shenzhen EDA Group had non-cash additions to right-of-use assets and lease liabilities of RMB109,958,000, in respect of lease arrangements for warehouses and offices.

During the year ended 31 December 2021, Shenzhen EDA Group had non-cash reduction to right-of-use assets of RMB10,437,000 and lease liabilities of RMB11,296,000, in respect of early termination of a lease contract.

(b) Changes in liabilities arising from financing activities

Year ended 31 December 2021

	Interest payables included in other payables and accruals	Interest-bearing borrowings	Lease liabilities
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2021.	287	20,723	101,323
New leases	—	—	109,958
Interest expenses	785	—	9,866
Changes from financing cash flows	(494)	(8,254)	(34,420)
Other non-cash movements	—	—	(11,296)
Foreign exchange movement	—	(28)	(4,408)
At 31 December 2021	<u>578</u>	<u>12,441</u>	<u>171,023</u>

APPENDIX IB ACCOUNTANTS' REPORT OF SHENZHEN EDA GROUP

(c) Total cash outflow for leases

The total cash outflow for leases included in the consolidated statement of cash flows is as follows:

	Year ended 31 December 2021
	<i>RMB'000</i>
Within operating activities.	349
Within financing activities.	34,420
	34,769

27. RELATED PARTY TRANSACTIONS

(a) Name and relationship of related parties

Name	Relationship with Shenzhen EDA Group
Liu Yong	Director of Shenzhen EDA
Li Qin	Director of Shenzhen EDA
Flextrade Holdings Limited	Fellow subsidiary of Shenzhen EDA*
Sea Lark Technology Co., Ltd.	Fellow subsidiary of Shenzhen EDA*
Guangzhou LS DiDi Technology Co., Ltd.	Fellow subsidiary of Shenzhen EDA*
Xparcel Technology Co., Ltd.	Fellow subsidiary of Shenzhen EDA*
Lesso Mall Development (Auburn) Pty Ltd	Fellow subsidiary of Shenzhen EDA*
Lesso Mall Development (Long Island), Inc.	Fellow subsidiary of Shenzhen EDA*
Sea Lark Solution Limited	Fellow subsidiary of Shenzhen EDA*
Lesso Home Logistic Services L.L.C	Fellow subsidiary of Shenzhen EDA*
Xparcel Solution Limited	Fellow subsidiary of Shenzhen EDA*
Lesso Building Material Trading (Sydney) Pty Ltd	Fellow subsidiary of Shenzhen EDA*
Shenzhen Qianhai Lesso Commercial Factoring Co., Ltd.	Fellow subsidiary of Shenzhen EDA*
LS DiDi Network Technology Limited	Intermediate holding company of Shenzhen EDA*

* On 24 December 2021, Lesso Group, the ultimate holding company of Shenzhen EDA, completed the acquisition of Shenzhen EDA and these companies which are controlled by Lesso Group became the intermediate holding company and fellow subsidiaries of Shenzhen EDA since that date.

APPENDIX IB ACCOUNTANTS' REPORT OF SHENZHEN EDA GROUP

(b) Transactions with related parties

Shenzhen EDA Group had the following material transactions with related parties during the Predecessor Track Record Period:

	<i>Notes</i>	Year ended 31 December 2021
		<i>RMB'000</i>
Loan to a director	<i>(i)</i>	500
Repayment of advance payment from a director	<i>(ii)</i>	305
Interest expenses for shareholder's loans	<i>(iii)</i>	245
Repayment to shareholder's loans and interests		<u>15,294</u>

Notes:

- (i) Shenzhen EDA Group entered into a loan agreement of CAD100,000 with Mr. Liu Yong. The loan was unsecured, interest-free and had maturity of two years.
- (ii) The advance payment to Ms. Li Qin is for daily business expenses anticipated to be incurred for Shenzhen EDA Group

The details of loans to directors, including advances to a director, are as follows:

	At 1 January 2021	Maximum amount outstanding during the year	At 31 December 2021
		<i>RMB'000</i>	<i>RMB'000</i>
Liu Yong	—	500	500
Li Qin	928	928	623
	<u>928</u>	<u>1,428</u>	<u>1,123</u>

- (iii) The loans from a shareholder are unsecured, with an effective interest rate of 10% per annum, and are repayable on demand.

The prices for the above transactions were determined in accordance with the terms mutually agreed by the contract parties.

(c) Outstanding balances with related parties

Shenzhen EDA

	<i>Notes</i>	31 December 2021
		<i>RMB'000</i>
Trade receivables	<i>(i)</i>	2,424
Prepayments and other receivables	<i>(i)</i>	21,277
Other payables	<i>(ii)</i>	<u>14,437</u>

Shenzhen EDA Group

	<i>Notes</i>	As at 31 December 2021
		<i>RMB'000</i>
Trade receivables	<i>(i)</i>	2,424
Prepayments and other receivables	<i>(i)</i>	1,813
Trade payables	<i>(ii)</i>	539
Other payables	<i>(ii)</i>	<u>578</u>

Notes:

- (i) The credit term for trade receivables are the same as those for independent third parties, which is set out in note 17 to the Shenzhen EDA Historical Financial Information. The detail information of credit terms for other receivables is set out in note 18 to the Shenzhen EDA Historical Financial Information.
- (ii) Save as disclosed in notes 21 and 22 to the Shenzhen EDA Historical Financial Information, these balances are unsecured, interest-free and normally settled on terms same as independent third parties.
- (iii) As at 31 December 2021, the outstanding balances with related parties included in the balances of trade receivables and trade payables are all trade in nature, and the outstanding balances with related parties included in the balances of prepayment and other receivables amounted of RMB270,000 represent the deposit of leasing warehouse in overseas, which are also trade in nature. The remaining outstanding balances with related parties are non-trade in nature. All the outstanding non-trade balances have been subsequently settled.

APPENDIX IB ACCOUNTANTS' REPORT OF SHENZHEN EDA GROUP

(d) As at 31 December 2021, Shenzhen EDA Group's bank loans of RMB9,200,000 were guaranteed by a personal guarantee by Mr. Liu Yong, as required under the scheme.

(e) Compensation of key management personnel of Shenzhen EDA Group

	Year ended 31 December 2021
	<i>RMB'000</i>
Salaries, allowances and benefits in kind	1,653
Pension scheme contributions	157
Performance related bonuses	1,180
	2,990

28. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the Predecessor Track Record Period are as follows:

Financial assets

Shenzhen EDA

	<i>Notes</i>	As at 31 December 2021
		<i>RMB'000</i>
Financial assets at amortised cost		
Trade receivables	17	43,650
Financial assets included in prepayments, deposits and other receivables	18	27,826
Cash and cash equivalents	20	43,030
		114,506
Financial assets at fair value through profit or loss		
Wealth management products	19	30,165
		144,671

APPENDIX IB ACCOUNTANTS' REPORT OF SHENZHEN EDA GROUP

Shenzhen EDA Group

	<i>Notes</i>	As at 31 December 2021
		<i>RMB'000</i>
Financial assets at amortised cost		
Trade receivables	<i>17</i>	44,206
Financial assets included in prepayments, deposits and other receivables.	<i>18</i>	20,082
Cash and cash equivalents.	<i>20</i>	54,549
		<u>118,837</u>
Financial assets at fair value through profit or loss		
Wealth management products	<i>19</i>	30,165
		<u>149,002</u>

Financial liabilities

Shenzhen EDA

	<i>Notes</i>	As at 31 December 2021
		<i>RMB'000</i>
Financial liabilities at amortised cost		
Trade payables	<i>21</i>	40,684
Financial liabilities included in other payables and accruals	<i>22</i>	14,646
Lease liabilities.	<i>14</i>	9,490
Borrowings	<i>23</i>	11,850
		<u>76,670</u>

Shenzhen EDA Group

	<i>Notes</i>	As at 31 December 2021
		<i>RMB'000</i>
Financial liabilities at amortised cost		
Trade payables	21	83,932
Financial liabilities included in other payables and accruals	22	2,731
Lease liabilities	14	171,023
Borrowings	23	18,340
		<u>276,026</u>

29. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of Shenzhen EDA and Shenzhen EDA Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

Shenzhen EDA and Shenzhen EDA Group

	<u>Carrying amounts</u>	<u>Fair values</u>
	31 December 2021	31 December 2021
	<i>RMB'000</i>	<i>RMB'000</i>
Financial assets		
Wealth management products	30,165	30,165

Management has assessed that the fair values of cash and cash equivalents, trade receivables, trade payables, financial assets included in prepayments, deposits and other receivables, and financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short term maturities of these instruments.

Shenzhen EDA Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the chief financial officer. At the end of the Predecessor Track Record Period, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer.

APPENDIX IB ACCOUNTANTS' REPORT OF SHENZHEN EDA GROUP

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of interest-bearing borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The changes in fair value as a result of Shenzhen EDA Group's own non-performance risk for interest-bearing borrowings as at 31 December 2021 were assessed to be insignificant. The carrying amounts of interest-bearing borrowings approximate to their fair values.

The fair values of wealth management products issued by banks in Chinese Mainland have been estimated by using a discounted cash flow valuation model based on the market interest rates of instruments with similar terms and risks.

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of Shenzhen EDA and Shenzhen EDA Group's financial instruments:

*Assets measured at fair value:***Shenzhen EDA and Shenzhen EDA Group****As at 31 December 2021**

	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Wealth management products	<u>—</u>	<u>30,165</u>	<u>—</u>	<u>30,165</u>

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Shenzhen EDA Group's principal financial instruments comprise cash and cash equivalents, trade and other receivables, financial assets at fair value through profit or loss, trade and other payables, and borrowings, which arise directly from its operations. The main purpose of these financial instruments is to raise finance for Shenzhen EDA Group's operations.

APPENDIX IB ACCOUNTANTS' REPORT OF SHENZHEN EDA GROUP

The main risks arising from Shenzhen EDA Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. Generally, Shenzhen EDA Group introduces conservative strategies on its risk management. To keep Shenzhen EDA Group's exposure to these risks at a minimum, Shenzhen EDA Group has not used any derivatives and other instruments for hedging purposes. Shenzhen EDA Group does not hold or issue derivative financial instruments for trading purposes. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below:

(a) Interest rate risk

In respect of the floating interest rate instruments, Shenzhen EDA Group is subject to the cash flow interest rate risk, while for the fixed interest rate instruments, Shenzhen EDA Group is subject to interest rate risk. Shenzhen EDA Group currently does not have an interest rate hedging policy to mitigate interest rate risk; nevertheless, the management monitors interest rate exposure and will consider hedging significant interest rate risk should the need arise.

The following table demonstrates the sensitivity to a reasonably possible change in interest rate, with all other variables held constant, of Shenzhen EDA Group's profit before tax by assuming the floating rate borrowings outstanding at the end of the Predecessor Track Record Period were outstanding for the whole year.

	<u>Increase/ (decrease) in basis points</u>	<u>Increase/ (decrease) in profit before tax</u>
		<i>RMB'000</i>
Year ended 31 December 2021	50	(29)
Year ended 31 December 2021	(50)	29

(b) Foreign currency risk

Shenzhen EDA Group's main businesses are located in Chinese Mainland and most of the transactions are conducted in RMB. Most of Shenzhen EDA Group's assets and liabilities are denominated in RMB, except for certain cash and cash equivalents, trade and other receivables, right-of-use assets, lease liabilities and borrowings denominated in US\$, GBP and CAD. Shenzhen EDA Group has not hedged its foreign exchange rate risk; nevertheless, the management monitors foreign exchange rate exposure and will consider hedging significant foreign currency risk should the need arise.

APPENDIX IB ACCOUNTANTS' REPORT OF SHENZHEN EDA GROUP

The following table demonstrates the sensitivity at the end of the Predecessor Track Record Period to a reasonably possible change in the RMB against the relevant currencies, with all other variables held constant, of Shenzhen EDA Group's profit before tax (due to changes in the translated value of monetary assets and loans).

	<u>Increase/ (decrease) in exchange rate</u>	<u>Increase/ (decrease) in profit before tax</u>
	%	RMB'000
2021		
If the RMB weakens against the US\$	5	(6,190)
If the RMB strengthens against the US\$	(5)	6,190
If the RMB weakens against the GBP	5	(873)
If the RMB strengthens against the GBP	(5)	873
If the RMB weakens against the CAD	5	(731)
If the RMB strengthens against the CAD	(5)	731

(c) Credit risk

Shenzhen EDA Group is exposed to credit risk in relation to its trade receivables, financial assets included in prepayments, deposits and other receivables and cash and cash equivalents.

Shenzhen EDA Group expects that there is no significant credit risk associated with cash and cash equivalents since they are substantially deposited at state-owned banks and other medium or large-sized listed banks in Chinese Mainland. Management does not expect that there will be any significant losses from non-performance by these banks.

Shenzhen EDA Group expects that the credit risk associated with other receivables from related parties is considered to be low, since related parties have strong financial capacity and commitment to meet contractual cash flow obligation in the near term.

Concentrations of credit risk are managed by analysis by customer/counterparty. There are no significant concentrations of credit risk for trade receivables and other receivables from third parties as the customer bases of Shenzhen EDA Group's trade receivables and other receivables from third parties are widely dispersed. In addition, receivable balances are monitored on an ongoing basis.

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Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on Shenzhen EDA Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December 2021. The amounts presented are gross carrying amounts for financial assets.

Shenzhen EDA

As at 31 December 2021

	12-month ECLs		Lifetime ECLs		
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables*	—	—	—	67,241	67,241
Financial assets included in prepayments, deposits and other receivables					
— Normal**	27,826	—	—	—	27,826
Cash and cash equivalents					
— Not yet past due	43,030	—	—	—	43,030
	70,856	—	—	67,241	138,097

Shenzhen EDA Group

As at 31 December 2021

	12-month ECLs		Lifetime ECLs		
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables*	—	—	—	69,559	69,559
Financial assets included in prepayments, deposits and other receivables					
— Normal**	20,082	—	—	—	20,082
Cash and cash equivalents					
— Not yet past due	54,549	—	—	—	54,549
	74,631	—	—	69,559	144,190

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* For trade receivables to which Shenzhen EDA Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 17 to the Shenzhen EDA Historical Financial Information.

** The credit quality of the financial assets included in prepayments, deposits and other receivables is considered to be “normal” when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be “doubtful”.

(d) Liquidity risk

Liquidity risk is the risk that Shenzhen EDA Group will encounter difficulties in meeting financial obligations due to shortage of funds. Shenzhen EDA Group's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. Shenzhen EDA Group's objective is to maintain a balance between continuity of funding to finance its working capital needs as well as capital expenditure.

The tables below analyse the maturity profile of Shenzhen EDA and Shenzhen EDA Group's financial liabilities as at the end of the Predecessor Track Record Period, which is based on contractual undiscounted payments.

Shenzhen EDA

31 December 2021

	On demand	Less than 1 year	1 to 5 years	Over 5 year	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables	—	40,684	—	—	40,684
Financial liabilities included in other payables and accruals	14,646	—	—	—	14,646
Lease liabilities	—	2,613	7,655	—	10,268
Borrowings	—	12,172	—	—	12,172
	<u>14,646</u>	<u>55,469</u>	<u>7,655</u>	<u>—</u>	<u>77,770</u>

Shenzhen EDA Group

31 December 2021

	<u>On demand</u>	<u>Less than 1 year</u>	<u>1 to 5 years</u>	<u>Over 5 years</u>	<u>Total</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables	—	83,932	—	—	83,932
Financial liabilities included in other payables and accruals	2,731	—	—	—	2,731
Lease liabilities	—	37,347	127,574	42,382	207,303
Borrowings	5,899	12,488	333	—	18,720
	<u>8,630</u>	<u>133,767</u>	<u>127,907</u>	<u>42,382</u>	<u>312,686</u>

(e) Capital management

Shenzhen EDA's primary objectives for managing capital are to safeguard Shenzhen EDA Group's ability to continue as a going concern and to maintain healthy capital ratio in order to support its business and maximise shareholders' value.

Shenzhen EDA regards equity attributable to owners of the parent as capital and manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, Shenzhen EDA may adjust the dividend payment to shareholders or return capital to shareholders. No change was made in the objectives, policies or processes for managing capital during the Predecessor Track Record Period.

APPENDIX IB ACCOUNTANTS' REPORT OF SHENZHEN EDA GROUP

Shenzhen EDA monitors capital using the gearing ratio of Shenzhen EDA Group, which is total debt divided by total equity attributable to owners. The gearing ratios at the end of the Predecessor Track Record Period are as follows:

Shenzhen EDA Group

	<i>Note</i>	<u>As at 31 December 2021</u>
		<i>RMB'000</i>
Borrowings	23	<u>18,340</u>
Equity attributable to owners of the parent		<u>85,530</u>
Gearing ratio		<u>21.4%</u>

31. EVENTS AFTER THE PREDECESSOR TRACK RECORD PERIOD

On 21 June 2023, Hangzhou Yuehui was subsequently disposed by Shenzhen EDA Group to a related party at a consideration of RMB12,000,000.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following information does not form part of the Accountants' Report from Ernst & Young, Certified Public Accountants, Hong Kong, the Company's reporting accountants, as set out in Appendix IA and Appendix IB to this prospectus, and is included for information purposes only. The unaudited pro forma financial information should be read in conjunction with the "Financial Information" section in this prospectus and the Accountants' Reports set out in Appendix IA and Appendix IB to this prospectus.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted consolidated net tangible assets of the Group prepared in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with reference to Accounting Guideline 7 *Preparation of Pro Forma Financial Information for inclusion in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants is to illustrate the effect of the Global Offering on the consolidated net tangible assets of the Group attributable to owners of the Company as at 31 December 2023 as if the Global Offering had taken place on that date.

The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group has been prepared for illustrative purposes only and because of its hypothetical nature, it may not provide a true picture of the consolidated net tangible assets attributable to owners of the Company had the Global Offering been completed as at 31 December 2023 or at any future date.

	Consolidated net tangible assets attributable to the equity shareholders of the Company as at 31 December 2023	Estimated net proceeds from the Global Offering	Unaudited pro forma adjusted consolidated net tangible assets attributable to the equity shareholders of the Company	Unaudited pro forma adjusted consolidated net tangible assets per Share	
	<i>RMB'000</i> <i>(Note 1)</i>	<i>RMB'000</i> <i>(Note 2)</i>	<i>RMB'000</i>	<i>RMB</i> <i>(Note 3)</i>	<i>HK\$</i> <i>(Note 4)</i>
Based on an Offer Price of HK\$2.28 per Share. .	188,961	174,632	363,593	0.83	0.91
Based on an Offer Price of HK\$2.67 per Share. .	188,961	207,500	396,461	0.90	0.99
Based on an Offer Price of HK\$3.06 per Share. .	188,961	240,367	429,328	0.98	1.08

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

Notes:

- (1) The consolidated net tangible assets of the Group attributable to equity holders of the Company as at 31 December 2023 was equal to the audited net assets attributable to owners of the Company as at 31 December 2023 of RMB324,044,000 after deducting of intangible assets of RMB135,083,000 as of 31 December 2023 set out in the Accountants' Report in Appendix IA to this prospectus, respectively.
- (2) The estimated net proceeds from the Global Offering are based on the Offer Price of HK\$2.28, HK\$2.67 or HK\$3.06 per Share, after deduction of the underwriting fees and other related expenses payable by the Company (excluding the listing expenses that had been charged to the profit and loss account of the Group during the Track Record Period) and do not take into account any share which may be sold and offered upon exercise of the Over-allotment Option.
- (3) The unaudited pro forma adjusted consolidated net tangible assets per Share is arrived at after adjustments referred to in the preceding paragraphs and on the basis that 439,940,000 Share are in issue assuming the Global Offering has been completed on 31 December 2023.
- (4) The unaudited pro forma adjusted consolidated net tangible assets per Share are converted into Hong Kong dollars at an exchange rate of RMB0.90867 to HK\$1.00 as at 10 May 2024.
- (5) No adjustment has been made to reflect any trading result or other transactions of the Group entered into subsequent to 31 December 2023.

**B. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE
COMPILATION OF PRO FORMA FINANCIAL INFORMATION**

The following is the text of a report received from our reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong, prepared for the purpose of incorporation in this prospectus, in respect of the pro forma financial information of the Group.



Ernst & Young
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To the Directors of EDA Group Holdings Limited

We have completed our assurance engagement to report on the compilation of pro forma financial information of EDA Group Holdings Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) by the directors of the Company (the “Directors”) for illustrative purposes only. The pro forma financial information consists of the pro forma consolidated net tangible assets as at 31 December 2023, and related notes as set out on pages II-1 and II-2 of the prospectus dated 20 May 2024 issued by the Company (the “Pro Forma Financial Information”). The applicable criteria on the basis of which the Directors have compiled the Pro Forma Financial Information are described on pages II-1 and II-2 to the prospectus.

The Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the Global Offering of shares of the Company on the Group’s financial position as at 31 December 2023 as if the transaction had taken place at 31 December 2023. As part of this process, information about the Group’s financial position has been extracted by the Directors from the Group’s financial statements for the period ended 31 December 2023, on which an accountants’ report has been published.

Directors’ responsibility for the Pro Forma Financial Information

The Directors are responsible for compiling the Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with reference to Accounting Guideline 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* (“AG 7”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

Our independence and quality management

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Management 1 *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements* which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting accountants' responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus* issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro Forma Financial Information.

The purpose of the Pro Forma Financial Information included in the prospectus is solely to illustrate the impact of the Global Offering of shares of the Company on unadjusted financial information of the Group as if the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the transaction would have been as presented.

A reasonable assurance engagement to report on whether the Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

- the Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the transaction in respect of which the Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Pro Forma 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:

- (a) the Pro Forma Financial Information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purpose of the Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Certified Public Accountants

Hong Kong

20 May 2024

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN COMPANIES ACT

Set out below is a summary of certain provisions of the constitution of our Company and certain aspects of the company laws of the Cayman Islands.

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on 17 September 2020 under the Companies Act. Our Company's constitutional documents consist of the Memorandum of Association and the Articles of Association.

1. MEMORANDUM OF ASSOCIATION

The Memorandum provides, *inter alia*, that the liability of the members of our Company is limited, that the objects for which our Company is established are unrestricted (and therefore include acting as an investment holding company) and that our Company shall have full power and authority to carry out any object not prohibited by the Companies Act or any other law of the Cayman Islands.

2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on May 14, 2024 and will become effective on the Listing Date. A summary of certain provisions of the Articles is set out below.

2.1 Shares

(a) Classes of Shares

The share capital of our Company consists of a single class of ordinary shares.

(b) Variation of Rights of Existing Shares or Classes of Shares

If at any time the share capital of our Company is divided into different classes of Shares, all or any of the rights attached to any class of Shares for the time being issued (unless otherwise provided by the terms of issue of the Shares of that class) may, whether or not our Company is being wound up, be varied with the consent in writing of the holders of at least three-fourths of the issued Shares of that class, or with the approval of a resolution passed by at least three-fourths of the votes cast by the holders of the Shares of that class present and voting in person or by proxy at a separate meeting of such holders. The provisions of the Articles relating to general meetings shall apply *mutatis mutandis* to every such separate meeting, except that the necessary quorum shall be two persons together holding (or, in the case of a member being a corporation, by its duly authorized representative), or representing by proxy, at least one-third of the issued Shares of that class.

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN COMPANIES ACT

Every holder of Shares of the class shall be entitled on a poll to one vote for every such Share held by him, and any holder of Shares of the class present in person or by proxy may demand a poll.

For the purposes of a separate class meeting, the Board may treat two or more classes of Shares as forming one class of Shares if the Board considers that such classes of Shares would be affected in the same way by the proposals under consideration, but in any other case shall treat them as separate classes of Shares.

Any rights conferred upon the holders of Shares of any class shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of the Shares of that class, be deemed to be varied by the creation or issue of further Shares ranking *pari passu* therewith.

(c) Alteration of Capital

Our Company may by ordinary resolution:

- (i) increase its share capital by the creation of new Shares of such amount and with such rights, priorities and privileges attached to such Shares as it may determine;
- (ii) consolidate and divide all or any of its share capital into Shares of a larger amount than its existing Shares. On any consolidation of fully paid Shares and division into Shares of a larger amount, the Board may settle any difficulty which may arise as it thinks expedient and, in particular (but without prejudice to the generality of the foregoing), may as between the holders of Shares to be consolidated determine which particular Shares are to be consolidated into a consolidated Share, and if it shall happen that any person shall become entitled to fractions of a consolidated Share or Shares, such fractions may be sold by some person appointed by the Board for that purpose and the person so appointed may transfer the Shares so sold to the purchaser(s) thereof and the validity of such transfer shall not be questioned, and the net proceeds of such sale (after deduction of the expenses of such sale) may either be distributed among the persons who would otherwise be entitled to a fraction or fractions of a consolidated Share or Shares rateably in accordance with their rights and interests or may be paid to our Company for our Company's benefit;
- (iii) sub-divide its Shares or any of them into Shares of an amount smaller than that fixed by the Memorandum; and

**APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY
AND CAYMAN COMPANIES ACT**

- (iv) cancel any Shares which, as at the date of passing of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the Shares so canceled.

Our Company may by special resolution reduce its share capital or any undistributable reserve, subject to the provisions of the Companies Act.

(d) Transfer of Shares

Subject to the terms of the Articles, any member of our Company may transfer all or any of his Shares by an instrument of transfer. If the Shares in question were issued in conjunction with rights, options, warrants or units issued pursuant to the Articles on terms that one cannot be transferred without the other, the Board shall refuse to register the transfer of any such Share without evidence satisfactory to it of the like transfer of such right, option, warrant or unit.

Subject to the Articles and the requirements of the Stock Exchange, all transfers of Shares shall be effected by an instrument of transfer in the usual or common form or in such other form as the Board may approve and may be under hand or, if the transferor or transferee is a recognized clearing house or its nominee(s), under hand or by machine imprinted signature, or by such other manner of execution as the Board may approve from time to time.

Execution of the instrument of transfer shall be by or on behalf of the transferor and the transferee, provided that the Board may dispense with the execution of the instrument of transfer by the transferor or transferee or accept mechanically executed transfers. The transferor shall be deemed to remain the holder of a Share until the name of the transferee is entered in the register of members of our Company in respect of that Share.

Subject to the provisions of the Companies Act, if the Board considers it necessary or appropriate, our Company may establish and maintain a branch register or registers of members at such location or locations within or outside the Cayman Islands as the Board thinks fit. The Board may, in its absolute discretion, at any time transfer any Share on the principal register to any branch register or any Share on any branch register to the principal register or any other branch register.

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN COMPANIES ACT

The Board may, in its absolute discretion, decline to register a transfer of any Share (not being a fully paid Share) to a person of whom it does not approve or on which our Company has a lien, or a transfer of any Share issued under any share option scheme upon which a restriction on transfer subsists or a transfer of any Share to more than four joint holders. It may also decline to recognize any instrument of transfer if the proposed transfer does not comply with the Articles or any requirements of the Listing Rules.

The Board may decline to recognize any instrument of transfer unless a certain fee, up to such maximum sum as the Stock Exchange may determine to be payable, is paid to our Company, the instrument of transfer is properly stamped (if applicable), is in respect of only one class of Share and is lodged at the relevant registration office or the place at which the principal register is located accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require is provided to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The register of members may, subject to the Listing Rules and the relevant section of the Companies Ordinance, be closed at such time or for such period not exceeding in the whole 30 days in each year as the Board may determine (or such longer period as the members of our Company may by ordinary resolution determine, provided that such period shall not be extended beyond 60 days in any year).

Fully paid Shares shall be free from any restriction on transfer (except when permitted by the Stock Exchange) and shall also be free from all liens.

(e) Redemption of Shares

Subject to the provisions of the Companies Act, the Listing Rules and any rights conferred on the holders of any Shares or attaching to any class of Shares, our Company may issue Shares that are to be redeemed or are liable to be redeemed at the option of the members or our Company. The redemption of such Shares shall be effected in such manner and upon such other terms as our Company may by special resolution determine before the issue of such Shares.

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN COMPANIES ACT

(f) Power of our Company to Purchase its own Shares

Subject to the Companies Act, or any other law or so far as not prohibited by any law and subject to any rights conferred on the holders of any class of Shares, our Company shall have the power to purchase or otherwise acquire all or any of its own Shares (which includes redeemable Shares), provided that the manner and terms of purchase have first been authorized by ordinary resolution and that any such purchase shall only be made in accordance with the relevant code, rules or regulations issued from time to time by the Stock Exchange and/or the Securities and Futures Commission of Hong Kong from time to time in force.

(g) Power of any Subsidiary of our Company to own Shares in our Company

There are no provisions in the Articles relating to the ownership of Shares in our Company by a subsidiary.

(h) Calls on Shares and Forfeiture of Shares

Subject to the terms of allotment and issue of any Shares (if any), the Board may, from time to time, make such calls as it thinks fit upon the members in respect of any monies unpaid on the Shares held by them (whether in respect of par value or share premium). A member who is the subject of the call shall (subject to receiving at least 14 clear days' notice specifying the time or times for payment) pay to our Company at the time or times so specified the amount called on his Shares. A call may be made payable either in one sum or by installments, and shall be deemed to have been made at the time when the resolution of the Board authorizing such call was passed. The joint holders of a Share shall be severally as well as jointly liable for the payment of all calls and installments due in respect of such Share.

If a call remains unpaid after it has become due and payable, the member from whom the sum is due shall pay interest on the unpaid amount at such rate as the Board shall determine (together with any expenses incurred by our Company as a result of such non-payment) from the day it became due and payable until it is paid, but the Board may waive payment of such interest or expenses in whole or in part.

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN COMPANIES ACT

If a member fails to pay any call or instalment of a call after it has become due and payable, the Board may, for so long as any part of the call or instalment remains unpaid, give to such member not less than 14 clear days' notice requiring payment of the unpaid amount together with any interest which may have accrued and which may still accrue up to the date of payment (together with any expenses incurred by our Company as a result of such non-payment). The notice shall specify a further day on or before which the payment required by the notice is to be made. The notice shall also state that, in the event of non-payment at or before the appointed time, the Shares in respect of which the call was made will be liable to be forfeited.

If such notice is not complied with, any Share in respect of which the notice was given may, before the payment required by the notice has been made, be forfeited by a resolution of the Board. Such forfeiture shall include all dividends, other distributions and other monies payable in respect of the forfeited Share and not paid before the forfeiture.

A person whose Shares have been forfeited shall cease to be a member in respect of the forfeited Shares, shall surrender to our Company for cancellation the certificate(s) for the Shares forfeited and shall remain liable to pay to our Company all monies which, as at the date of forfeiture, were payable by him to our Company in respect of the Shares together with (if the Board shall in its discretion so require) interest thereon from the date of forfeiture until the date of payment as the Board may determine and any expenses incurred by our Company as a result of such non-payment.

2.2 Directors

(a) Appointment, Retirement and Removal

Our Company may by ordinary resolution of the members elect any person to be a Director. The Board may also appoint any person to be a Director at any time, either to fill a casual vacancy or as an additional Director subject to any maximum number fixed by the members in general meeting or the Articles. Any Director so appointed shall hold office only until the first annual general meeting of our Company after his appointment and shall then be eligible for re-election at such meeting. Any Director so appointed by the Board shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at an annual general meeting.

There is no shareholding qualification for Directors nor is there any specified age limit for Directors.

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN COMPANIES ACT

The members may by ordinary resolution remove any Director (including a managing or executive Director) before the expiration of his term of office, notwithstanding anything in the Articles or any agreement between our Company and such Director, and may by ordinary resolution elect another person in his stead. Nothing shall be taken as depriving a Director so removed of any compensation or damages payable to such Director in respect of the termination of his appointment as Director or of any other appointment or office as a result of the termination of his appointment as Director.

The office of a Director shall be vacated if:

- (i) the Director gives notice in writing to our Company that he resigns from his office as Director;
- (ii) the Director is absent, without being represented by proxy or an alternate Director appointed by him, for a continuous period of 12 months without special leave of absence from the Board, and the Board passes a resolution that he has by reason of such absence vacated his office;
- (iii) the Director becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;
- (iv) the Director dies or an order is made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs and the Board resolves that his office be vacated;
- (v) the Director is prohibited from being or ceases to be a Director by operation of law;
- (vi) the Director has been required by the Stock Exchange to cease to be a Director or no longer qualifies to be a Director pursuant to the Listing Rules; or
- (vii) the Director is removed from office by notice in writing served upon him signed by not less than three-fourths in number (or, if that is not a round number, the nearest lower round number) of the Directors (including himself) then in office.

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN COMPANIES ACT

At each annual general meeting, one-third of the Directors for the time being shall retire from office by rotation. If the number of Directors is not a multiple of three, then the number nearest to but not less than one-third shall be the number of retiring Directors, provided that every Director shall be subject to retirement by rotation at least once every three years. The Directors to retire at each annual general meeting shall be those who have been in office longest since their last re-election or appointment and, as between persons who became or were last re-elected Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot.

(b) Power to Allot and Issue Shares and other Securities

Subject to the provisions of the Companies Act, the Memorandum and Articles and, where applicable, the Listing Rules, and without prejudice to any rights or restrictions for the time being attached to any Shares, the Board may allot, issue, grant options over or otherwise dispose of Shares with or without preferred, deferred or other rights or restrictions, whether with regard to dividend, voting, return of capital or otherwise, to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, provided that no Shares shall be issued at a discount to their par value.

Our Company may issue rights, options, warrants or convertible securities or securities of a similar nature conferring the right upon the holders thereof to subscribe for, purchase or receive any class of Shares or other securities in our Company on such terms as the Board may from time to time determine.

Neither our Company nor the Board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of Shares, to make, or make available, any such allotment, offer, option or Shares to members or others whose registered addresses are in any particular territory or territories where, in the absence of a registration statement or other special formalities, this is or may, in the opinion of the Board, be unlawful or impracticable. However, no member affected as a result of the foregoing shall be, or be deemed to be, a separate class of members for any purpose whatsoever.

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN COMPANIES ACT

(c) Power to Dispose of the Assets of our Company or any of its Subsidiaries

Subject to the provisions of the Companies Act, the Memorandum and Articles and any directions given by special resolution of our Company, the Board may exercise all powers and do all acts and things which may be exercised or done by our Company to dispose of the assets of our Company or any of its subsidiaries. No alteration to the Memorandum or Articles and no direction given by special resolution of our Company shall invalidate any prior act of the Board which would have been valid if such alteration or direction had not been made or given.

(d) Borrowing Powers

The Board may exercise all the powers of our Company to raise or borrow money, secure the payment of any sum or sums of money for the purposes of our Company, mortgage or charge all or any part of its undertaking, property and uncalled capital of our Company, and, subject to the Companies Act, issue debentures, debenture stock, bonds and other securities, whether outright or as collateral security for any debt, liability or obligation of our Company or of any third party.

(e) Remuneration

A Director shall be entitled to receive such sums as shall from time to time be determined by the Board or our Company in general meetings. The Directors shall also be entitled to be repaid all expenses reasonably incurred by them in connection with attendance at meetings of the Board or committees of the Board, or general meetings of our Company or separate meetings of the holders of any class of Shares or debentures of our Company, or otherwise in connection with the business of our Company and the discharge of their duties as Directors, and/or to receive fixed allowances in respect thereof as may be determined by the Board.

The Board or our Company in general meetings may also approve additional remuneration to any Director for any services which in the opinion of the Board or our Company in general meetings go beyond such Director's ordinary routine work as a Director.

(f) Compensation or Payments for Loss of Office

There are no provisions in the Articles relating to compensation or payment for loss of office.

**APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY
AND CAYMAN COMPANIES ACT**

(g) Loans to Directors

There are no provisions in the Articles relating to making of loans to Directors.

(h) Disclosure of Interest in Contracts with our Company or any of its Subsidiaries

With the exception of the office of auditor of our Company, a Director may hold any other office or place of profit with our Company in conjunction with his office of Director for such period and upon such terms as the Board may determine, and may be paid such extra remuneration for that other office or place of profit, in whatever form, in addition to any remuneration provided for by or pursuant to the Articles. A Director may be or become a director, officer or member of any other company in which our Company may be interested, and shall not be liable to account to our Company or the members for any remuneration or other benefits received by him as a director, officer or member of such other company.

No person shall be disqualified from the office of Director or alternate Director or prevented by such office from contracting with our Company, nor shall any such contract or any other contract or transaction entered into by or on behalf of our Company in which any Director or alternate Director is in any way interested be or be liable to be avoided, nor shall any Director or alternate Director so contracting or being so interested be liable to account to our Company for any profit realized by or arising in connection with any such contract or transaction by reason of such Director or alternate Director holding such office or of the fiduciary relationship established by it, provided that the nature of interest of any Director or alternate Director in any such contract or transaction shall be disclosed by such Director or alternate Director at or prior to the consideration and vote thereon.

A Director shall not vote on (or be counted in the quorum in relation to) any resolution of the Board in respect of any contract or arrangement or other proposal in which he or any of his close associate(s) has a material interest, and if he shall do so his vote shall not be counted and he shall not be counted in the quorum for such resolution. This prohibition shall not apply to any of the following matters:

- (i) the giving of any security or indemnity to the Director or his close associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of our Company or any of its subsidiaries;

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- (ii) the giving of any security or indemnity to a third party in respect of a debt or obligation of our Company or any of its subsidiaries for which the Director or his close associate(s) has/have himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (iii) any proposal concerning an offer of Shares, debentures or other securities of or by our Company or any other company which our Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub- underwriting of the offer;
- (iv) any proposal or arrangement concerning the benefit of employees of our Company or any of its subsidiaries, including the adoption, modification or operation of (A) any employees' share scheme or any share incentive or share option scheme under which the Director or his close associate(s) may benefit or (B) any pension fund or retirement, death or disability benefits scheme which relates to the Director, his close associates and employees of our Company or any of its subsidiaries and does not provide in respect of any Director or his close associate(s) any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and
- (v) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of Shares, debentures or other securities of our Company by virtue only of his/their interest in those Shares, debentures or other securities.

2.3 Proceedings of the Board

The Board may meet anywhere in the world for the despatch of business and may adjourn and otherwise regulate its meetings as it thinks fit. Unless otherwise determined, two Directors shall be a quorum. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

2.4 Alterations to the Constitutional Documents and our Company's Name

The Memorandum and Articles may only be altered or amended, and the name of our Company may only be changed, by special resolution of our Company.

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2.5 Meetings of Members

(a) Special and Ordinary resolutions

A special resolution must be passed by a majority of not less than two-thirds (other than in relation to any resolution approving changes to our Company's constitutional documents or a voluntary winding up of our Company, in which case a special resolution must be passed by a majority of not less than three-fourths) of the voting rights held by such members as, being entitled so to do, vote in person or by proxy or, in the case of any members which is a corporation, by its duly authorized representative(s) or by proxy, at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given. A special resolution may also be approved in writing by all the members entitled to vote at a general meeting in one or more instruments each signed by one or more of such members.

An ordinary resolution, in contrast, is a resolution passed by a simple majority of the voting rights held by such members as, being entitled to do so, vote in person or by proxy or, in the case of any member which is a corporation, by its duly authorized representative(s) or by proxy, at a general meeting. An ordinary resolution may also be approved in writing by all the members entitled to vote at a general meeting in one or more instruments each signed by one or more of such members.

The provisions of special resolutions and ordinary resolutions shall apply *mutatis mutandis* to any resolutions passed by the holders of any class of shares.

(b) Voting Rights and Right to Demand a Poll

Subject to any rights, restrictions or privileges as to voting for the time being attached to any class or classes of Shares, at any general meeting: (a) on a poll every member present in person (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy shall have one vote for every Share and (b) on a show of hands every member who is present in person (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy shall have one vote.

In the case of joint holders, the vote of the senior holder who tenders a vote, whether in person or by proxy shall be accepted to the exclusion of the votes of the other joint holders, and seniority shall be determined by the order in which the names of the holders stand in the register of members of our Company.

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No person shall be counted in a quorum or be entitled to vote at any general meeting unless he is registered as a member on the record date for such meeting, nor unless all calls or other monies then payable by him in respect of the Relevant Shares have been paid.

At any general meeting a resolution put to the vote of the meeting shall be decided by way of poll save that the chairman of the meeting may, pursuant to the Listing Rules, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands.

Any corporation or other non-natural person which is a member of our Company may in accordance with its constitutional documents, or in the absence of such provision by resolution of its directors or other governing body or by power of attorney, authorize such person as it thinks fit to act as its representative at any meeting of our Company or of any class of members, and the person so authorized shall be entitled to exercise the same powers as the corporation or other non-natural person could exercise as if it were a natural person member of our Company.

If a recognized clearing house or its nominee(s) is a member of our Company, it may appoint proxies or authorize such person or persons as it thinks fit to act as its representative(s), who enjoy rights equivalent to the rights of other members, at any meeting of our Company (including but not limited to general meetings and creditors meetings) or at any meeting of any class of members of our Company, provided that if more than one person is so authorized, the authorization shall specify the number and class of Shares in respect of which each such person is so authorized. A person so authorized shall be entitled to exercise the same rights and powers on behalf of the recognized clearing house or its nominee(s) as if such person were a natural person member of our Company, including the right to speak and vote individually on a show of hands or on a poll.

All members of our Company (including a member which is a recognized clearing house (or its nominee(s))) shall have the right to (i) speak at a general meeting and (ii) and vote at a general meeting except where a member is required by the Listing Rules to abstain from voting to approve the matter under consideration. Where any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

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(c) Annual General Meetings and Extraordinary General Meetings

Our Company must hold a general meeting as its annual general meeting in each financial year. Such meeting shall be specified as such in the notices calling it, and must be held within six months after the end of our Company's financial year. A meeting of the members or any class thereof may be held by telephone, tele-conferencing or other electronic means, provided that all participants are able to communicate contemporaneously with one another, and participation in a meeting in such manner shall constitute presence at such meetings.

The Board may convene an extraordinary general meeting whenever it thinks fit. In addition, one or more members holding, as at the date of deposit of the requisition, in aggregate not less than one-tenth of the voting rights (on a one vote per Share basis) in the share capital of our Company may make a requisition to convene an extraordinary general meeting and/or add resolutions to the agenda of a meeting. Such requisition, which must state the objects and the resolutions to be added to the agenda of the meeting and must be signed by the requisitionists, shall be deposited at the principal place of business of our Company in Hong Kong or, in the event our Company ceases to have such a principal place of business, the registered office of our Company. If the Board does not within 21 days from the date of deposit of such requisition duly proceed to convene a general meeting to be held within the following 21 days, the requisitionists or any of them representing more than one-half of the total voting rights of all the requisitionists may themselves convene a general meeting, but any such meeting so convened shall be held no later than the day falling three months after the expiration of the said 21-day period. A general meeting convened by requisitionists shall be convened in the same manner as nearly as possible as that in which general meetings are to be convened by the Board, and all reasonable expenses incurred by the requisitionists shall be reimbursed to the requisitionists by our Company.

(d) Notices of Meetings and Business to be Conducted

An annual general meeting of our Company shall be called by at least 21 days' notice in writing, and any other general meeting of our Company shall be called by at least 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the date, time, place and agenda of the meeting, the particulars of the resolution(s) to be considered at the meeting and the general nature of the business to be considered at the meeting.

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Except where otherwise expressly stated, any notice or document (including a share certificate) to be given or issued under the Articles shall be in writing, and may be served by our Company on any member personally, by post to such member's registered address, (to the extent permitted by the Listing Rules and all applicable laws and regulations) by electronic means or (in the case of a notice) by advertisement published in the manner prescribed under the Listing Rules.

Notwithstanding that a meeting of our Company is called by shorter notice than as specified above, if permitted by the Listing Rules, such meeting may be deemed to have been duly called if it is so agreed:

- (i) in the case of an annual general meeting, by all members of our Company entitled to attend and vote thereat; and
- (ii) in the case of an extraordinary general meeting, by a majority in number of the members having a right to attend and vote at the meeting holding not less than 95% of the total voting rights held by such members.

If, after the notice of a general meeting has been sent but before the meeting is held, or after the adjournment of a general meeting but before the adjourned meeting is held (whether or not notice of the adjourned meeting is required), the Board in its absolute discretion consider that it is impractical or unreasonable for any reason to hold a general meeting on the date or at the time and place specified in the notice calling such meeting, it may change or postpone the meeting to another date, time and place.

The Board also has the power to provide in every notice calling a general meeting that in the event of a gale warning, a black rainstorm warning or extreme conditions is/are in force at any time on the day of the general meeting (unless such warning is canceled at least a minimum period of time prior to the general meeting as the Board may specify in the relevant notice), the meeting shall be postponed without further notice to be reconvened on a later date.

Where a general meeting is postponed:

- (A) our Company shall endeavor to cause a notice of such postponement, which shall set out the reason for the postponement in accordance with the Listing Rules, to be placed on our Company's website and published on the Stock Exchange's website as soon as practicable, provided that failure to place or publish such notice shall

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not affect the automatic postponement of a general meeting due to a gale warning, a black rainstorm warning or extreme conditions being in force on the day of the general meeting;

- (B) the Board shall fix the date, time and place for the reconvened meeting and at least seven clear days' notice shall be given for the reconvened meeting. Such notice shall specify the date, time and place at which the postponed meeting will be reconvened and the date and time by which proxies shall be submitted in order to be valid at such reconvened meeting (provided that any proxy submitted for the original meeting shall continue to be valid for the reconvened meeting unless revoked or replaced by a new proxy); and
- (C) only the business set out in the notice of the original meeting shall be considered at the reconvened meeting, and notice given for the reconvened meeting does not need to specify the business to be considered at the reconvened meeting, nor shall any accompanying documents be required to be recirculated. Where any new business is to be considered at such reconvened meeting, our Company shall give a fresh notice for such reconvened meeting in accordance with the Articles.

(e) Quorum for Meetings and Separate Class Meetings

No business shall be considered at any general meeting unless a quorum is present when the meeting proceeds to business, and continues to be present until the conclusion of the meeting.

The quorum for a general meeting shall be two members present in person (or in the case of a member being a corporation, by its duly authorized representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to approve the variation of class rights, the necessary quorum shall be two persons holding or representing by proxy not less than one-third of the issued Shares of that class.

(f) Proxies

Any member of our Company (including a member which is a recognized clearing house (or its nominee(s))) entitled to attend and vote at a meeting of our Company is entitled to appoint another person (being a natural person) as his proxy to attend and vote in his place. A member who is the holder of two or more Shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of our Company or at a class meeting. A proxy need not be a member of our Company and shall be entitled to exercise the

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same powers on behalf of a member who is a natural person and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise as if it were a natural person member present in person at any general meeting. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy.

The instrument appointing a proxy shall be in writing and executed under the hand of the appointor or of his attorney duly authorized in writing, or if the appointor is a corporation or other non-natural person, either under its seal or under the hand of a duly authorized representative.

The Board shall, in the notice convening any meeting or adjourned meeting, or in an instrument of proxy sent out by our Company, specify the manner by which the instrument appointing a proxy shall be deposited and the place and time (being no later than the time appointed for the commencement of the meeting or adjourned meeting to which the instrument of proxy relates) at which such instrument shall be deposited.

Every instrument of proxy, whether for a specified meeting or otherwise, shall be in such form that complies with the Listing Rules as the Board may from time to time approve. Any form issued to a member for appointing a proxy to attend and vote at a general meeting at which any business is to be considered shall be such as to enable the member, according to his intentions, to instruct the proxy to vote in favour of or against (or, in default of instructions, to exercise the discretion of the proxy in respect of) each resolution dealing with any such business.

2.6 Accounts and Audit

The Board shall cause to be kept such books of account as are necessary to give a true and fair view of the state of our Company's affairs and to explain its transactions in accordance with the Companies Act.

The books of accounts of our Company shall be kept at the principal place of business of our Company in Hong Kong or, subject to the provisions of the Companies Act, at such other place or places as the Board thinks fit and shall always be open to inspection by any Director. No member (not being a Director) or other person shall have any right to inspect any account, book or document of our Company except as conferred by the Companies Act or ordered by a court of competent jurisdiction or as authorized by the Board or our Company in general meeting.

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The Board shall cause to be prepared and laid before our Company at every annual general meeting a profit and loss account for the period since the preceding account, together with a balance sheet as at the date to which the profit and loss account is made up, a Directors' report with respect to the profit or loss of our Company for the period covered by the profit and loss account and the state of our Company's affairs as at the end of such period, an auditors' report on such accounts and such other reports and accounts as may be required by law and the Listing Rules.

The members shall at each annual general meeting appoint auditor(s) to hold office by ordinary resolution of the members until the conclusion of the next annual general meeting on such terms and with such duties as may be agreed with the Board. The auditors' remuneration shall be fixed by the members at the annual general meeting at which they are appointed by ordinary resolution of the members or in any other manner as specified in such ordinary resolution. The members may, at any general meeting convened and held in accordance with the Articles, remove the auditors by ordinary resolution at any time before the expiration of the term of office and shall, by ordinary resolution, at that meeting appoint new auditors in their place for the remainder of the term.

The accounts of our Company shall be prepared and audited based on the generally accepted accounting principles of Hong Kong, the International Accounting Standards or such other standards as may be permitted by the Stock Exchange.

2.7 Dividends and other Methods of Distribution

Subject to the Companies Act and the Articles, our Company may by ordinary resolution resolve to declare dividends and other distributions on Shares in issue in any currency and authorize payment of the dividends or distributions out of the funds of our Company lawfully available therefor, provided that (i) no dividends shall exceed the amount recommended by the Board, and (ii) no dividends or distributions shall be paid except out of the realized or unrealized profits of our Company, out of the share premium account or as otherwise permitted by law.

The Board may from time to time pay to the members of our Company such interim dividends as appear to the Board to be justified by the financial conditions and the profits of our Company. In addition, the Board may from time to time declare and pay special dividends on Shares of such amounts and on such dates as it thinks fit.

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Except as otherwise provided by the rights attached to any Shares, all dividends and other distributions shall be paid according to the amounts paid up on the Shares that a member holds during the period in respect of which the dividends and distributions are paid. No amount paid up on a Share in advance of calls shall for this purpose be treated as paid up on the Share.

The Board may deduct from any dividends or other distributions payable to any member of our Company all sums of money (if any) then payable by him to our Company on account of calls or otherwise. The Board may retain any dividends or distributions payable on or in respect of a Share upon which our Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists.

No dividends or other distributions payable by our Company on or in respect of any Share shall carry interest against our Company.

Where the Board or our Company in general meeting has resolved that a dividend should be paid or declared, the Board may further resolve:

- (a) that such dividend be satisfied in whole or in part in the form of an allotment of Shares credited as fully paid on the basis that the Shares so allotted shall be of the same class as the class already held by the allottee, provided that the members entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or
- (b) that the members entitled to such dividend will be entitled to elect to receive an allotment of Shares credited as fully paid in lieu of the whole or such part of the dividend as the Board may think fit on the basis that the Shares so allotted shall be of the same class as the class already held by the allottee.

Upon the recommendation of the Board, our Company may by ordinary resolution resolve in respect of any one particular dividend of our Company determine that notwithstanding the foregoing, a dividend may be satisfied wholly in the form of an allotment of Shares credited as fully paid without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividends, distributions or other monies payable in cash in respect of Shares may be paid by wire transfer to the holder of such Shares or by cheque or warrant sent by post to the registered address of such holder, or in the case of joint holders, to the registered address of the holder who is first named on the register of members of our Company, or to such person and to such address

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as the holder or joint holders may in writing direct. Any one of two or more joint holders may give effectual receipts for any dividends, distributions or other monies payable in respect of the Shares held by them as joint holders.

Whenever the Board or our Company in general meeting has resolved that a dividend be paid or declared, the Board may further resolve that such dividend be satisfied in whole or in part by the distribution of specific assets of any kind.

Any dividends or other distributions which remain unclaimed for six years from the date on which such dividends or distributions become payable shall be forfeited and shall revert to our Company.

2.8 Inspection of Corporate Records

For so long as any part of the share capital of our Company is listed on the Stock Exchange, any member may inspect any register of members of our Company maintained in Hong Kong (except when the register of members is closed in accordance with the Companies Ordinance) without charge and require the provision to him of copies or extracts of such register in all respects as if our Company were incorporated under and were subject to the Companies Ordinance.

2.9 Rights of Minorities in relation to Fraud or Oppression

There are no provisions in the Articles concerning the rights of minority members in relation to fraud or oppression. However, certain remedies may be available to members of our Company under the Cayman Islands laws, as summarized in paragraph 3.6 below.

2.10 Procedures on Liquidation

Subject to the Companies Act, the members of our Company may by special resolution resolve to wind up our Company voluntarily or by the court.

Subject to any rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of Shares:

- (a) if the assets available for distribution among the members of our Company are more than sufficient to repay the whole of our Company's paid up capital at the commencement of the winding up, the surplus shall be distributed *pari passu* among such members in proportion to the amount paid up on the Shares held by them at the commencement of the winding up; and

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- (b) if the assets available for distribution among the members of our Company are insufficient to repay the whole of our Company's paid up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or ought to be paid up, on the Shares held by them at the commencement of the winding up.

If our Company is wound up (whether the liquidation is voluntary or compelled by the court), the liquidator may, with the approval of a special resolution and any other approval required by the Companies Act, divide among the members in kind the whole or any part of the assets of our Company, whether the assets consist of property of one kind or different kinds, and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be so divided and may determine how such division shall be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like approval, vest any part of the assets in trustees upon such trusts for the benefit of the members as the liquidator thinks fit, provided that no member shall be compelled to accept any shares or other property upon which there is a liability.

3. COMPANY LAWS OF THE CAYMAN ISLANDS

Our Company was incorporated in the Cayman Islands as an exempted company on 17 September 2020 subject to the Companies Act. Certain provisions of the company laws of the Cayman Islands are set out below but this section does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of the company laws of the Cayman Islands, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

3.1 Company Operations

An exempted company such as our Company must conduct its operations mainly outside the Cayman Islands. An exempted company is also required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorized share capital.

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3.2 Share Capital

Under the Companies Act, a Cayman Islands company may issue ordinary, preference or redeemable shares or any combination thereof. Where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premium on those shares shall be transferred to an account, to be called the share premium account. At the option of a company, these provisions may not apply to premium on shares of that company allotted pursuant to any arrangements in consideration of the acquisition or cancelation of shares in any other company and issued at a premium. The share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation, the following:

- (a) paying distributions or dividends to members;
- (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares;
- (c) any manner provided in section 37 of the Companies Act;
- (d) writing-off the preliminary expenses of the company; and
- (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

Notwithstanding the foregoing, no distribution or dividend may be paid to members out of the share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

Subject to confirmation by the court, a company limited by shares or a company limited by guarantee and having a share capital may, if authorized to do so by its articles of association, by special resolution reduce its share capital in any way.

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3.3 Financial Assistance to Purchase Shares of a Company or its Holding Company

There are no statutory prohibitions in the Cayman Islands on the granting of financial assistance by a company to another person for the purchase of, or subscription for, its own, its holding company's or a subsidiary's shares. Therefore, a company may provide financial assistance provided the directors of the company, when proposing to grant such financial assistance, discharge their duties of care and act in good faith, for a proper purpose and in the interests of the company. Such assistance should be on an arm's-length basis.

3.4 Purchase of Shares and Warrants by a Company and its Subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorized by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a member and, for the avoidance of doubt, it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorized to do so by its articles of association, purchase its own shares, including any redeemable shares; an ordinary resolution of the company approving the manner and terms of the purchase will be required if the articles of association do not authorize the manner and terms of such purchase. A company may not redeem or purchase its shares unless they are fully paid. Furthermore, a company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. In addition, a payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless, immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares that have been purchased or redeemed by a company or surrendered to the company shall not be treated as canceled but shall be classified as treasury shares if held in compliance with the requirements of section 37A(1) of the Companies Act. Any such shares shall continue to be classified as treasury shares until such shares are either canceled or transferred pursuant to the Companies Act.

A Cayman Islands company may be able to purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. Thus there is no requirement under the Cayman Islands laws that a company's memorandum or articles of association contain a specific provision enabling such purchases. The directors of a company may under the general power contained in its memorandum of association be able to buy, sell and deal in personal property of all kinds.

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A subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

3.5 Dividends and Distributions

Subject to a solvency test, as prescribed in the Companies Act, and the provisions, if any, of the company's memorandum and articles of association, a company may pay dividends and distributions out of its share premium account. In addition, based upon English case law which is likely to be persuasive in the Cayman Islands, dividends may be paid out of profits.

For so long as a company holds treasury shares, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made, in respect of a treasury share.

3.6 Protection of Minorities and Shareholders' Suits

It can be expected that the Cayman Islands courts will ordinarily follow English case law precedents (particularly the rule in the case of *Foss vs. Harbottle* and the exceptions to that rule) which permit a minority member to commence a representative action against or derivative actions in the name of the company to challenge acts which are ultra vires, illegal, fraudulent (and performed by those in control of the Company) against the minority, or represent an irregularity in the passing of a resolution which requires a qualified (or special) majority which has not been obtained.

Where a company (not being a bank) is one which has a share capital divided into shares, the court may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine the affairs of the company and, at the direction of the court, to report on such affairs. In addition, any member of a company may petition the court, which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

In general, claims against a company by its members must be based on the general laws of contract or tort applicable in the Cayman Islands or be based on potential violation of their individual rights as members as established by a company's memorandum and articles of association.

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3.7 Disposal of Assets

There are no specific restrictions on the power of directors to dispose of assets of a company, however, the directors are expected to exercise certain duties of care, diligence and skill to the standard that a reasonably prudent person would exercise in comparable circumstances, in addition to fiduciary duties to act in good faith, for proper purpose and in the best interests of the company under English common law (which the Cayman Islands courts will ordinarily follow).

3.8 Accounting and Auditing Requirements

A company must cause proper records of accounts to be kept with respect to: (i) all sums of money received and expended by it; (ii) all sales and purchases of goods by it; and (iii) its assets and liabilities.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

If a company keeps its books of account at any place other than at its registered office or any other place within the Cayman Islands, it shall, upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Act (2021 Revision) of the Cayman Islands, make available, in electronic form or any other medium, at its registered office copies of its books of account, or any part or parts thereof, as are specified in such order or notice.

3.9 Exchange Control

There are no exchange control regulations or currency restrictions in effect in the Cayman Islands.

3.10 Taxation

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to our Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments.

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3.11 Stamp Duty on Transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

3.12 Loans to Directors

There is no express provision prohibiting the making of loans by a company to any of its directors. However, the company's articles of association may provide for the prohibition of such loans under specific circumstances.

3.13 Inspection of Corporate Records

The members of a company have no general right to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

3.14 Register of Members

A Cayman Islands exempted company may maintain its principal register of members and any branch registers in any country or territory, whether within or outside the Cayman Islands, as the company may determine from time to time. There is no requirement for an exempted company to make any returns of members to the Registrar of Companies in the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of member, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Act (2021 Revision) of the Cayman Islands.

3.15 Register of Directors and Officers

Pursuant to the Companies Act, our Company is required to maintain at its registered office a register of directors, alternate directors and officers. The Registrar of Companies shall make available the list of the names of the current directors of our Company (and, where applicable, the current alternate directors of our Company) for inspection by any person upon payment of a fee by such person. A copy of the register of directors and officers must be filed with the Registrar of Companies in the Cayman Islands, and any change must be notified to the Registrar of Companies within 30 days of any change in such directors or officers, including a change of the name of such directors or officers.

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN COMPANIES ACT

3.16 Winding up

A Cayman Islands company may be wound up by: (i) an order of the court; (ii) voluntarily by its members; or (iii) under the supervision of the court.

The court has authority to order winding up in a number of specified circumstances including where, in the opinion of the court, it is just and equitable that such company be so wound up.

A voluntary winding up of a company (other than a limited duration company, for which specific rules apply) occurs where the company resolves by special resolution that it be wound up voluntarily or where the company in general meeting resolves that it be wound up voluntarily because it is unable to pay its debt as they fall due. In the case of a voluntary winding up, the company is obliged to cease to carry on its business from the commencement of its winding up except so far as it may be beneficial for its winding up. Upon appointment of a voluntary liquidator, all the powers of the directors cease, except so far as the company in general meeting or the liquidator sanctions their continuance.

In the case of a members' voluntary winding up of a company, one or more liquidators are appointed for the purpose of winding up the affairs of the company and distributing its assets.

As soon as the affairs of a company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and the property of the company disposed of, and call a general meeting of the company for the purposes of laying before it the account and giving an explanation of that account.

When a resolution has been passed by a company to wind up voluntarily, the liquidator or any contributory or creditor may apply to the court for an order for the continuation of the winding up under the supervision of the court, on the grounds that: (i) the company is or is likely to become insolvent; or (ii) the supervision of the court will facilitate a more effective, economic or expeditious liquidation of the company in the interests of the contributories and creditors. A supervision order takes effect for all purposes as if it was an order that the company be wound up by the court except that a commenced voluntary winding up and the prior actions of the voluntary liquidator shall be valid and binding upon the company and its official liquidator.

For the purpose of conducting the proceedings in winding up a company and assisting the court, one or more persons may be appointed to be called an official liquidator(s). The court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more than one person is appointed to such office, the court shall declare whether any act required or authorized to be done by the official liquidator is to be done by all or any one or more

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of such persons. The court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the court.

3.17 Mergers and consolidations

The Companies Act permits mergers and consolidations between Cayman Islands companies and between Cayman Islands companies and non-Cayman Islands companies. For these purposes, (a) “merger” means the merging of two or more constituent companies and the vesting of their undertaking, property and liabilities in one of such companies as the surviving company, and (b) “consolidation” means the combination of two or more constituent companies into a consolidated company and the vesting of the undertaking, property and liabilities of such companies to the consolidated company. In order to effect such a merger or consolidation, the directors of each constituent company must approve a written plan of merger or consolidation, which must then be authorized by (a) a special resolution of each constituent company and (b) such other authorization, if any, as may be specified in such constituent company’s articles of association. The written plan of merger or consolidation must be filed with the Registrar of Companies of the Cayman Islands together with a declaration as to the solvency of the consolidated or surviving company, a list of the assets and liabilities of each constituent company and an undertaking that a copy of the certificate of merger or consolidation will be given to the members and creditors of each constituent company and that notification of the merger or consolidation will be published in the Cayman Islands Gazette. Dissenting members have the right to be paid the fair value of their shares (which, if not agreed between the parties, will be determined by the Cayman Islands court) if they follow the required procedures, subject to certain exceptions. Court approval is not required for a merger or consolidation which is effected in compliance with these statutory procedures.

3.18 Mergers and Consolidations involving a Foreign Company

Where the merger or consolidation involves a foreign company, the procedure is similar, save that with respect to the foreign company, the directors of the Cayman Islands exempted company are required to make a declaration to the effect that, having made due enquiry, they are of the opinion that the requirements set out below have been met: (i) that the merger or consolidation is permitted or not prohibited by the constitutional documents of the foreign company and by the laws of the jurisdiction in which the foreign company is incorporated, and that those laws and any requirements of those constitutional documents have been or will be complied with; (ii) that no petition or other similar proceeding has been filed and remains outstanding or order made or resolution adopted to wind up or liquidate the foreign company in any jurisdictions; (iii) that no receiver, trustee, administrator or other similar person has been appointed in any jurisdiction and is acting in respect of the foreign company, its affairs or its property or any part thereof; (iv) that no

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scheme, order, compromise or other similar arrangement has been entered into or made in any jurisdiction whereby the rights of creditors of the foreign company are and continue to be suspended or restricted.

Where the surviving company is the Cayman Islands exempted company, the directors of the Cayman Islands exempted company are further required to make a declaration to the effect that, having made due enquiry, they are of the opinion that the requirements set out below have been met: (i) that the foreign company is able to pay its debts as they fall due and that the merger or consolidated is bona fide and not intended to defraud unsecured creditors of the foreign company; (ii) that in respect of the transfer of any security interest granted by the foreign company to the surviving or consolidated company (a) consent or approval to the transfer has been obtained, released or waived; (b) the transfer is permitted by and has been approved in accordance with the constitutional documents of the foreign company; and (c) the laws of the jurisdiction of the foreign company with respect to the transfer have been or will be complied with; (iii) that the foreign company will, upon the merger or consolidation becoming effective, cease to be incorporated, registered or exist under the laws of the relevant foreign jurisdiction; and (iv) that there is no other reason why it would be against the public interest to permit the merger or consolidation.

3.19 Reconstructions and Amalgamations

Reconstructions and amalgamations may be approved by (i) 75% in value of the members or class of members or (ii) a majority in number representing 75% in value of the creditors or class of creditors, in each case depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the Grand Court of the Cayman Islands. Whilst a dissenting member has the right to express to the court his view that the transaction for which approval is being sought would not provide the members with a fair value for their shares, it can be expected that the court would approve the transaction if it is satisfied that (i) the company is not proposing to act illegally or beyond the scope of our corporate authority and the statutory provisions as to majority vote have been complied with, (ii) the members have been fairly represented at the meeting in question, (iii) the transaction is such as a businessman would reasonable approve and (iv) the transaction is not one that would more properly be sanctioned under some other provisions of the Companies Act or that would amount to a “fraud on the minority”.

If the transaction is approved, no dissenting member would have any rights comparable to the appraisal rights (namely the right to receive payment in cash for the judicially determined value of his shares), which may be available to dissenting members of corporations in other jurisdictions.

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3.20 Takeovers

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may, at any time within two months after the expiration of that four-month period, by notice require the dissenting members to transfer their shares on the terms of the offer. A dissenting member may apply to the Cayman Islands courts within one month of the notice objecting to the transfer. The burden is on the dissenting member to show that the court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority members.

3.21 Indemnification

The Cayman Islands laws do not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, save to the extent any such provision may be held by the court to be contrary to public policy, for example, where a provision purports to provide indemnification against the consequences of committing a crime.

3.22 Economic Substance

The Cayman Islands enacted the International Tax Co-operation (Economic Substance) Act (2024 Revision) together with the Guidance Notes published by the Cayman Islands Tax Information Authority from time to time. Our Company is required to comply with the economic substance requirements from 1 July 2019 and make an annual report in the Cayman Islands as to whether or not it is carrying on any relevant activities and if it is, it must satisfy an economic substance test.

4. GENERAL

Harney Westwood & Riegels, our Company's legal adviser on Cayman Islands laws, has sent to our Company a letter of advice summarizing the aspects of the Companies Act set out in section 3 above. This letter, together with copies of the Companies Act, the Memorandum and the Articles, is on display on the websites of the Stock Exchange and our Company as referred to in the paragraph headed "Documents on display" in Appendix V. Any person wishing to have a detailed summary of the Companies Act or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR COMPANY AND OUR SUBSIDIARIES**1. Incorporation**

Our Company was incorporated in the Cayman Islands under the Cayman Companies Act, as an exempted company with limited liability on 17 September 2020. Our Company has established a place of business in Hong Kong at Unit 03, 12/F, Tower 2 South Seas Centre, 75 Mody Road, Kowloon, Hong Kong and was registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance on 6 January 2021. Mr. Cheung Man Yu has been appointed as the authorized representative of our Company for the acceptance of service of process in Hong Kong. The address for service of process is Unit 03, 12/F, Tower 2 South Seas Centre, 75 Mody Road, Kowloon, Hong Kong.

As our Company was incorporated in the Cayman Islands, it operates subject to the Cayman Companies Act and its constitution comprises the Memorandum and Articles of Association. A summary of the Memorandum and Articles of Association and relevant aspects of the Cayman Companies Act is set forth in Appendix III to this prospectus.

2. Changes in the share capital of our Company

As of the date of our incorporation, our Company had an authorized share capital of US\$50,000 divided into 5,000,000 Shares of US\$0.01 each.

The following alterations in the share capital of our Company have taken place since its date of incorporation up to the date of this prospectus:

- (a) on the date of incorporation, one Share, credited as fully paid, was allotted and issued to the initial subscriber, which was transferred to Samanea on the same day;
- (b) on the date of incorporation, 99,999 Shares, credited as fully paid, was allotted and issued to Samanea;
- (c) on 24 December 2021, 8,240 Shares, credited as fully paid, was allotted and issued to Zhang Yunqing;
- (d) on 24 December 2021, 101,530 Shares, credited as fully paid, was allotted and issued to EDA Shine International Limited;
- (e) on 24 December 2021, 18,440 Shares, credited as fully paid, was allotted and issued to LS DiDi Network Technology Limited; and

- (f) on May 14, 2024, the authorized share capital of our Company was increased from US\$50,000 divided into 5,000,000 Shares to US\$10,000,000 divided into 1,000,000,000 Shares by the creation of additional 995,000,000 Shares, which rank *pari passu* in all respects with the Shares in issue.

Save as in this Appendix and in the section headed “History and Corporate Structure” in this prospectus, there has been no alteration in the share capital of our Company since its incorporation.

3. Resolutions in writing of all our Shareholders passed on May 14, 2024

Pursuant to the written resolutions passed by our Shareholders on May 14, 2024, it was resolved, among others:

- (a) our Company approved and adopted the Memorandum and Articles of Association, which will come into effect upon the listing of our Shares on the Stock Exchange;
- (b) conditional on (i) the Listing Committee of the Stock Exchange granting the approval for the listing of, and permission to deal in, the Shares in issue and Shares to be issued, (ii) the Offer Price being determined, and (iii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and the Underwriting Agreements not being terminated in accordance with their terms or otherwise:
- (i) the Global Offering and the Over-Allotment Option were approved and our Directors were authorized to effect the same and to allot and issue the Offer Shares pursuant to the Global Offering and the Over-Allotment Option;
- (ii) the grant of the Over-Allotment Option by our Company to the International Underwriters, exercisable by the Sole Global Coordinator, pursuant to which the Sole Global Coordinator (on behalf of the International Underwriters) may require our Company to allot and issue up to an aggregate of additional 14,643,000 Shares to cover, among others, the over-allocation in the International Placing was approved;
- (iii) the proposed Listing was approved and our Directors were authorized to implement the Listing;

- (iv) the rules and principal terms of the Pre-IPO Share Option Scheme and Post-IPO Share Option Scheme which are set out in “— D. Pre-IPO Share Option Scheme” and “— E. Post-IPO Share Option Scheme” in this Appendix, were approved and adopted by our Company, and our Directors and/or Remuneration Committee were authorized, at their absolute discretion, to grant options to subscribe for Shares thereunder and to allot, issue and deal with Shares issued pursuant to the exercise of any options which may be granted under the Pre-IPO Share Option Scheme and Post-IPO Share Option Scheme; and
 - (v) the rules and principal terms of the Pre-IPO RSU Plan and Post-IPO RSU Plan which are set out in “— F. Pre-IPO RSU Plan” and “— G. Post-IPO RSU Plan” in this Appendix, were approved and adopted by our Company, and our Directors and/or Remuneration Committee were authorized, at their absolute discretion, to grant awards thereunder and to allot, issue and deal with Shares issued pursuant to the exercise of any awards which may be granted under the Pre-IPO RSU Plan and Post-IPO RSU Plan;
- (c) conditional upon the share premium account of our Company being credited as a result of the Global Offering, our Directors were authorized to capitalize an amount of US\$3,420,867.90 standing to the credit of the share premium account of our Company by applying such sum in paying in full at par 342,086,790 Shares for allotment and issue to holders of Shares whose names appear on the register of members of our Company on the date of passing of this resolution (as nearly as possible without involving fractions so that no fraction of a Share shall be allotted and issued) in accordance to their then existing holdings in our Company and so that the Shares to be allotted and issued pursuant to this resolution should rank *pari passu* in all respects with the then existing issued Shares and our Directors were authorized to give effect to such capitalization;
- (d) a general unconditional mandate was granted to our Directors to, *inter alia*, allot, issue and deal with Shares, securities convertible into Shares (the “**Convertible Securities**”) or options, warrants or similar rights to subscribe for any Shares or such convertible securities (the “**Options and Warrants**”) and to make or grant offers, agreements or options which might require such Shares, the Convertible Securities or the Options and Warrants to be allotted and issued or dealt with at any time subject to the requirement that the aggregate nominal value of the Shares or the underlying Shares relating to the Convertible Securities or the Options and Warrants so allotted and issued or agreed conditionally or unconditionally to be allotted and issued, shall not exceed the sum of 20% of the aggregate nominal value of the share capital of our Company in issue immediately following the completion of the Global Offering.

This mandate does not cover Shares to be allotted, issued or dealt with under a rights issue or scrip dividend scheme or similar arrangements or a specific authority granted by our Shareholders. Such mandate will remain in effect until:

- (i) the conclusion of our next annual general meeting; or
- (ii) the expiration of the period within which the next annual general meeting of our Company is required to be held under any applicable laws or the Memorandum and Articles of Association; or
- (iii) it is varied or revoked by an ordinary resolution of our Shareholders at a general meeting,

whichever is the earliest;

- (e) a general unconditional mandate was given to our Directors to exercise all powers of our Company to repurchase Shares with an aggregate nominal value not exceeding 10% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Global Offering.

This mandate only relates to repurchase made on the Stock Exchange or on any other stock exchange on which the Shares may be listed (and which is recognized by the SFC and the Stock Exchange for this purpose) and which are in accordance with all applicable laws and regulations. Such mandate will remain in effect until:

- (i) the conclusion of our next annual general meeting; or
- (ii) the expiration of the period within which the next annual general meeting of our Company is required to be held under any applicable laws or the Memorandum and Articles of Association; or
- (iii) it is varied or revoked by an ordinary resolution of our Shareholders at a general meeting,

whichever is the earliest; and

- (f) the general unconditional mandate as mentioned in paragraph (d) above was extended by the addition to the aggregate nominal value of the Shares which may be allotted and issued or agreed to be allotted and issued by our Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the Shares purchased by our Company pursuant to the mandate to repurchase Shares referred to in paragraph (e) above (up to 10% of the aggregate nominal value of the Shares in issue immediately following the completion of the Global Offering).

4. Corporate reorganization

The companies comprising our Group did not undergo reorganization in preparation for the Listing.

5. Changes in the share capital of our subsidiaries

A summary of the corporate information and the particulars of our subsidiaries are set out in the Accountants' Report in Appendix I to this prospectus.

There has been no alteration in the share capital or the registered capital of any of our Subsidiaries within the two years immediately preceding the date of this prospectus save and except the following:-

- (i) On 24 December 2021, LS DiDi Network Technology Limited (領尚嗒嗒網絡科技有限公司) transferred all the shares in EDA CLOUD Company Limited to the Company.

6. Repurchase of Shares by our Company

The following paragraphs include, among others, certain information required by the Stock Exchange to be included in this prospectus concerning the repurchase of our own securities. Our Directors confirm that neither the explanatory statement of the Repurchase Mandate (as defined below) nor the proposed share repurchase has any unusual features.

(a) Provisions of the Listing Rules

The Listing Rules permit companies whose primary listings are on the Main Board of the Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions, the most important of which are summarized below:

(i) Shareholders' approval

All proposed repurchases of securities on the Stock Exchange by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of Shareholders, either by way of general mandate or by specific approval of a particular transaction.

*(Note: Pursuant to the resolutions in writing of all our Shareholders passed on May 14, 2024, a general unconditional mandate (the “**Repurchase Mandate**”) was granted to our Directors authorizing the repurchase by our Company on the Stock Exchange, or on any other stock exchange on which the securities of our Company may be listed and which is recognized by the SFC and the Stock Exchange for this purpose, of Shares with an aggregate nominal value not exceeding 10% of the aggregate nominal amount of the share capital of our Company in issue and to be issued immediately following the completion of the Global Offering, at any time until the conclusion of the next annual general meeting of our Company, the expiration of the period within which the next annual general meeting of our Company is required by any applicable law or the Memorandum and Articles of Association to be held or when such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting, whichever is the earliest.)*

(ii) Source of funds

Repurchases must be funded out of funds legally available for the purpose in accordance with the Memorandum and Articles of Association and the laws of the Cayman Islands. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange as amended from time to time.

(iii) Trading Restrictions

The total number of shares which a listed company may repurchase on the Stock Exchange is the number of shares representing up to a maximum of 10% of the aggregate nominal value of the company's shares in issue on the date the Repurchase Mandate is granted. A listed company may not issue or announce a proposed issue of new securities for a period of 30 days immediately following a repurchase (other than an issue of securities pursuant to an exercise of warrants, share options or similar instruments requiring the company to issue securities which were outstanding

prior to such repurchase) without the prior approval of the Stock Exchange. In addition, a listed company is prohibited from repurchasing its shares on the Stock Exchange if the purchase price is 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on the Stock Exchange.

The Listing Rules also prohibit a listed company from repurchasing its securities on the Stock Exchange if the repurchase would result in the number of listed securities which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Stock Exchange.

A listed company is required to procure that the broker appointed by it to effect a repurchase of securities disclose to the Stock Exchange such information with respect to the repurchase made on behalf of the listed company as the Stock Exchange may require.

(iv) Status of Repurchased Securities

A listed company may not make any repurchase of securities after inside information has come to its knowledge until the information has been made publicly available. In particular, during the period of one month immediately preceding the earlier of (a) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of a listed company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules) and (b) the deadline for a listed company to announce its results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules) and ending on the date of the results announcement, the listed company may not repurchase its securities on the Stock Exchange other than in exceptional circumstances.

(v) Reporting Requirements

Certain information relating to repurchases of securities on the Stock Exchange or otherwise must be reported to the Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the following Business Day. In addition, a listed company's annual report is required to disclose details regarding repurchases of securities made during the year reviewed, including a monthly analysis of the number of securities repurchased, the purchase price per share or the highest and lowest price paid for all such purchases, where relevant, and the aggregate prices paid.

(vi) Core Connected Persons

A listed company is prohibited from knowingly repurchasing securities on the Stock Exchange from a “core connected person,” that is, a director, chief executive or substantial shareholder of the company or any of its subsidiaries or their respective close associates and a core connected person is prohibited from knowingly selling his securities to the company, on the Stock Exchange.

(b) Reasons for repurchases

Our Directors believe that it is in the best interests of our Company and Shareholders for our Directors to receive the general authority from our Shareholders to repurchase Shares in the market. Repurchases of Shares will only be made when our Directors believe that such repurchases will be in the interest of our Company and our Shareholders. Such repurchases may, depending on market conditions, funding arrangements and other circumstances at the time, lead to an enhancement of the net value of our Company and its assets and/or its earnings per Share.

(c) Funding of repurchases

In repurchasing securities, our Company may only apply funds legally available for such purpose in accordance with the Memorandum and Articles of Association and the applicable laws of the Cayman Islands.

Any payment for the repurchase of Shares will be drawn from the profits or share premium of our Company or from the proceeds of a fresh issue of shares made for the purpose of the repurchase or, if authorized by the Memorandum and Articles of Association and subject to the Companies Act of the Cayman Islands, out of capital and, in the case of any premium payable on the purchase, out of the profits of our Company or from sums standing to the credit of the share premium account of our Company or, if authorized by the Memorandum and Articles of Association and subject to the Companies Act of the Cayman Islands, out of capital.

Our Directors do not propose to exercise the Repurchase Mandate to such an extent as would, under the circumstances, have a material adverse effect in the opinion of our Directors on the working capital requirements of our Company or its gearing levels. However, there might be a material adverse impact on the working capital or gearing position of our Company as compared with the position disclosed in this prospectus in the event that the Repurchase Mandate is exercised in full.

(d) Share capital

Exercise in full of the Repurchase Mandate, on the basis of 439,940,000 Shares in issue immediately after the listing of the Shares, could accordingly result in up to 43,994,000 Shares being repurchased by our Company during the period until:

- (i) the conclusion of the next annual general meeting of our Company;
- (ii) the expiration of the period within which the next annual general meeting of our Company is required by any applicable law or the Memorandum and Articles of Association to be held; or
- (iii) the date on which the Repurchase Mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting,

whichever occurs first.

(e) General

None of our Directors or, to the best of their knowledge, having made all reasonable enquiries, any of their respective close associates, has any present intention to sell any Shares to our Company or our subsidiaries.

Our Directors confirm that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws of the Cayman Islands.

If as a result of a securities repurchase pursuant to the Repurchase Mandate, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purpose of the Hong Kong Code on Takeovers and Mergers (the "**Code**"). Accordingly, a Shareholder, or a group of Shareholders acting in concert, depending on the level of the increase of our Shareholders' interest, could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Code as a result. Save as aforesaid, our Directors are not aware of any consequences which may arise under the Code if the Repurchase Mandate is exercised.

Any repurchase of Shares which results in the number of Shares held by the public being reduced to less than 25% of our Shares then in issue could only be implemented with the approval of the Stock Exchange to waive the Listing Rules requirements regarding the public shareholding referred to above. It is believed that a waiver of this provision would not normally be given other than in exceptional circumstances.

No core connected person of our Company has notified our Company that he/she or it has a present intention to sell Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of material contracts

The following contracts (not being contracts entered into in the ordinary course of our business) have been entered into by us within the two years preceding the date of this prospectus and are or may be material:

- (1) the Deed of Non-competition;
- (2) the Deed of Indemnity;
- (3) the cornerstone investment agreement (基石投資協議) dated May 14, 2024 entered into by our Company, CPIC Investment Management (H.K.) Company Limited and CMB International Capital Limited, details of which are included in the section headed “Cornerstone Investors” in this prospectus;
- (4) the cornerstone investment agreement (基石投資協議) dated May 14, 2024 entered into by our Company, The Reynold Lemkins Group (Asia) Limited and CMB International Capital Limited, details of which are included in the section headed “Cornerstone Investors” in this prospectus;
- (5) the Hong Kong Underwriting Agreement; and
- (6) the lock-up deed dated May 17, 2024 entered into by our Company, CMB International Capital Limited, ABCI Capital Limited, ABCI Securities Company Limited, BOCI Asia Limited, CEB International Capital Corporation Limited, China Galaxy International Securities (Hong Kong) Co., Limited, Quam Securities Limited, Eddid Securities and



Futures Limited, Futu Securities International (Hong Kong) Limited, Tiger Brokers (HK) Global Limited, Patrons Securities Limited, Ruibang Securities Limited and Mr. Zhang Yunqing.















2. Intellectual property rights of our Group

Trademarks

(1) Trademarks for which registration has been granted

As of the Latest Practicable Date, we were the registered owner of and had the right to use the following trademarks which we consider to be or may be material to our business:

No.	Trademark	Place of Registration	Registration number	Registered Owner	Class	Registration date	Expiry date
1.	V4ship	PRC	64990475	Shenzhen EDA	35	21 November 2022	20 November 2032
2.	E3air	PRC	64989905	Shenzhen EDA	39	21 November 2022	20 November 2032
3.		PRC	62583322	Shenzhen EDA	39	7 October 2022	6 October 2032
4.		PRC	57776734	Shenzhen EDA	42	7 June 2022	6 June 2032
5.	EDAYUN	PRC	57772095	Shenzhen EDA	39	21 January 2022	20 January 2032
6.		PRC	57771760	Shenzhen EDA	35	28 May 2022	27 May 2032
7.		PRC	57776378	Shenzhen EDA	39	14 February 2023	13 February 2033
8.		PRC	18123547	Shenzhen EDA	38	28 November 2016	27 November 2026
9.		PRC	17759529	Shenzhen EDA	42	28 December 2016	27 December 2026

No.	Trademark	Place of Registration	Registration number	Registered Owner	Class	Registration date	Expiry date
10.		PRC	40026043	Shenzhen EDA	39	7 September 2021	6 September 2031
11.	E3channel	PRC	65007535	Shenzhen EDA	39	28 January 2023	27 January 2033
12.	E3deliver	PRC	64998868	Shenzhen EDA	39	7 April 2023	6 April 2033
13.		U.S.	5348680	Shenzhen EDA	42	5 December 2017	5 December 2027
14.		European Union	015795636	Shenzhen EDA	39, 42	19 December 2016	9 April 2026
15.		Canada	TMA1019527	Shenzhen EDA	36, 39, 42	16 April 2019	16 April 2034
16.		Hong Kong	306245226	Our Company	35, 39, 42	17 May 2023	16 May 2033
							
17.		Hong Kong	306245235	Our Company	35, 39, 42	17 May 2023	16 May 2033
							
18.		Hong Kong	306245244	Our Company	35, 39, 42	17 May 2023	16 May 2033
							
							
19.		Hong Kong	306245217	Our Company	35, 39, 42	17 May 2023	16 May 2033
							
							
20.	链捷易	PRC	74044609	Our Company	35	7 April 2024	6 April 2034

No.	Trademark	Place of Registration	Registration number	Registered Owner	Class	Registration date	Expiry date
21.	链捷易	PRC	74043156	Our Company	39	7 April 2024	6 April 2034
22.	链捷易	PRC	74031334	Our Company	42	7 April 2024	6 April 2034

(2) *Classification of goods and services for trademarks*

The table below sets out the classification of goods for trademarks in Hong Kong and the PRC (the detailed classification in relation to the relevant trademarks depends on the details set out in the relevant trademark certificates and may differ from the list below):

Class Number	Goods and Services
35	Advertising; business management, organization and administration; office functions.
38	Telecommunications services.
39	Transport; packaging and storage of goods; travel arrangement.
42	Scientific and technological services and research and design relating thereto; industrial analysis, industrial research and industrial design services; quality control and authentication services; design and development of computer hardware and software.

Patents

As of the Latest Practicable Date, we have registered the following patents which are material in relation to our Group's business:

	Patent	Name of Registered Proprietor	Class of Patent	Patent Number	Date of application	Date of registration
1.	Cloud platform-based e-commerce product information management method and system (一種基於雲平台的電子商務商品信息管理方法及系統)	Shenzhen EDA	Invention patent	2019110448873	30 October 2019	18 August 2020
2.	Intelligent packaging material recommendation of for multiple packages Method and computer-readable storage medium (多包裹智能推薦包材的方法及計算機可讀存儲介質)	Shenzhen EDA	Invention patent	2018108903866	7 August 2018	18 December 2020
3.	Inventory management method, device, and computer-readable storage medium (庫存管理方法、設備及計算機可讀存儲介質)	Shenzhen EDA	Invention patent	2018103863237	26 April 2018	6 August 2021
4.	Automatic transition of order status method and system (一種訂單狀態自動躍遷方法及系統)	Shenzhen EDA	Invention patent	2017112273319	29 November 2017	13 July 2021
5.	Intelligent order display method and system (一種訂單操作項智能過濾顯示方法及系統)	Shenzhen EDA	Invention patent	2017112291745	29 November 2017	18 February 2022
6.	Order status presentation method and system (一種訂單狀態呈現方法及系統)	Shenzhen EDA	Invention patent	2017111972551	25 November 2017	9 February 2021
7.	A portable printer (一種便攜式打印機)	Shenzhen EDA	Utility model	2019223813480	26 December 2019	20 October 2020

Copyrights

As of the Latest Practicable Date, we have registered the following copyrights which are material in relation to our Group's business:

No.	Copyright	Registered owner	Registration number	Place of Registration	Registration Date
1.	EDA Cloud Intelligent Analysis Report System V1.0 (易達雲智能分析報表系統 V1.0)	Shenzhen EDA	2022SR1468937	PRC	4 November 2022
2.	EDA Cloud Unusual Order Monitoring and Alerting System V1.0 (易達雲異常訂單監控告警系統V1.0)	Shenzhen EDA	2022SR1468939	PRC	4 November 2022
3.	EDA Cloud Intelligent Trajectory Analysis System V1.0 (易達雲智能軌跡分析系統V1.0)	Shenzhen EDA	2022SR1469014	PRC	4 November 2022
4.	EDA Cloud Data Cleansing System V1.0 (易達雲資料清洗系統V1.0)	Shenzhen EDA	2022SR1468938	PRC	4 November 2022
5.	EDA Cloud Order Inquiry Management System Software V1.0 (易達雲查單管理系統軟體V1.0)	Shenzhen EDA	2019SR0920485	PRC	4 September 2019
6.	EDA Cloud Production Order Management System Software V1.0 (易達雲工單管理系統軟體V1.0)	Shenzhen EDA	2019SR0920470	PRC	4 September 2019
7.	EDA Cloud Customer Relationship Management Software V1.0 (易達雲客戶關係管理系統軟體V1.0)	Shenzhen EDA	2019SR0888061	PRC	27 August 2019

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No.	Copyright	Registered owner	Registration number	Place of Registration	Registration Date
8.	EDA Cloud Material Management Software V1.0 (易達雲物料管理系統軟體 V1.0)	Shenzhen EDA	2019SR0888412	PRC	27 August 2019
9.	EDA Cloud Express Management System Software V1.0 (易達雲快線管理系統軟體V1.0)	Shenzhen EDA	2019SR0859771	PRC	19 August 2019
10.	EDA Cloud Logistics Tracking Management System Software V1.0 (易達雲物流跟蹤管理系統軟體V1.0)	Shenzhen EDA	2019SR0855586	PRC	19 August 2019
11.	EDA Cloud Cross-border E-Commerce Line and Overseas Warehouse Order One-stop Management System Software V1.0 (易達雲跨境電商專線及海外倉訂單一站式管理系統軟體V1.0)	Shenzhen EDA	2019SR0654458	PRC	25 June 2019
12.	EDA Cloud Value-added Service System Software V1.0 (易達雲增值服務系統軟體V1.0)	Shenzhen EDA	2017SR229987	PRC	3 June 2017
13.	EDA Cloud Order Management System Software V1.0 (易達雲訂單管理系統軟體V1.0)	Shenzhen EDA	2017SR228802	PRC	3 June 2017
14.	EDA Cloud Inventory Tracking System Software V1.0 (易達雲庫存管理系統軟體V1.0)	Shenzhen EDA	2017SR229984	PRC	3 June 2017

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No.	Copyright	Registered owner	Registration number	Place of Registration	Registration Date
15.	EDA Cloud FBA Replenishment Management System Software V1.0 (易達雲FBA 補貨管理系統軟體V1.0)	Shenzhen EDA	2017SR222249	PRC	1 June 2017
16.	EDA Cloud Return Management Software V1.0 (易達雲退貨管理系統軟體 V1.0)	Shenzhen EDA	2017SR222552	PRC	1 June 2017
17.	EDA Cloud Product Management Software V1.0 (易達雲產品管理系統軟體 V1.0)	Shenzhen EDA	2017SR221997	PRC	1 June 2017
18.	EDA Cloud Financial Management System Software V1.0 (易達雲財務 管理系統軟體V1.0)	Shenzhen EDA	2017SR224057	PRC	1 June 2017
19.	Omniselling Cross-border E-Commerce One-stop IT Cloud System V4.0 (Omniselling跨境電商一站 式IT雲系統V4.0)	Shenzhen EDA	2016SR089942	PRC	28 April 2016
20.	EDA Business Approval Workflow Engine SystemV1.0 (易達雲業務審 批工作流程引擎系統V1.0)	Shenzhen EDA	2023SR1792409	PRC	28 December 2023
21.	EDA Customer Marketing Center SAAS System V1.0 (易達雲客戶營銷中心 SAAS系統V1.0)	Shenzhen EDA	2023SR1798647	PRC	28 December 2023

No.	Copyright	Registered owner	Registration number	Place of Registration	Registration Date
22.	EDA Cross-Border E-commerce Logistics SAAS Management System V1.0 (易達雲跨境電商物流 SAAS管理系統V1.0)	Shenzhen EDA	2024SR0512489	PRC	16 April 2024
23.	EDA Message Center SAAS Management Optimization System V1.0 (易達雲消息 中心SAAS管理優化系統 V1.0)	Shenzhen EDA	2024SR0512129	PRC	16 April 2024

Domain Names

As of the Latest Practicable Date, we have registered the following domain names which are material in relation to our Group's business:

No.	Domain Name	Registrant	Date of Registration	Expiry Date
1.	edayun.com	Shenzhen EDA	5 May 2012	5 May 2027
2.	omniselling.com.cn	Shenzhen EDA	23 July 2013	23 July 2025
3.	edatom.com	Shenzhen EDA	9 July 2013	9 July 2026
4.	edayun.cn	Shenzhen EDA	30 March 2014	30 March 2025
5.	ge-yun.com	Shenzhen Yunge Technology Co., Ltd. (深圳市雲舸科技有限 公司)	20 March 2024	20 March 2025

C. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Disclosure of interests

(a) *Disclosure of interest — interests and short positions of our Directors and the chief executive of our Company in the Shares, underlying Shares and debentures of our Company and its associated corporations*

Immediately following the completion of the Global Offering (but without taking into account the exercise of the Over-Allotment Option and taking no account of any Shares that may be issued pursuant to the exercise of options which were granted under the Pre-IPO Share Option Scheme and Post-IPO Share Option Scheme, and vesting of RSUs granted under the Pre-IPO RSU Plan and Post-IPO RSU Plan), the interest or short position of our Directors or chief executives of our Company in the Shares, underlying shares and debentures of our Company or its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to our Company and the Stock Exchange, once the Shares are listed, will be as follows:

Interests in the Shares of our Company

Name of Director/Chief Executive	Nature of interest	Number of Shares	Approximate percentage of interest in the total share capital of our Company ⁽¹⁾
Mr. Liu Yong	Founder of a discretionary trust ⁽¹⁾⁽²⁾	152,295,000	34.6%
	Beneficial interest	15,414,000 ⁽³⁾	3.5%
Mr. Zuo Manlun	Interest in a controlled corporation; interests held jointly with another person ⁽³⁾⁽⁶⁾	177,660,000	40.4%

Name of Director/Chief Executive	Nature of interest	Number of Shares	Approximate percentage of interest in the total share capital of our Company ⁽¹⁾
Mr. Luo Jianfeng	Interest in a controlled corporation; interests held jointly with another person ⁽⁴⁾⁽⁶⁾	177,660,000	40.4%
Mr. Cheung Man Yu . .	Interest in a controlled corporation; interests held jointly with another person ⁽⁵⁾⁽⁶⁾	177,660,000	40.4%
	Beneficial interest	3,314,000 ⁽⁷⁾	0.8%
Ms. Li Qin	Beneficial interest	13,198,000 ⁽⁸⁾	3.0%

Notes:

- (1) The calculation is based on the total number of 439,940,000 Shares in issue immediately following completion of the Global Offering and the Capitalization Issue (without taking into account any Shares which may be allotted and issued upon the exercise of the Over-Allotment Option, any Shares to be issued upon the exercise of any options granted under the Pre-IPO Share Option Scheme and Post-IPO Share Option Scheme, and vesting of RSUs granted under the Pre-IPO RSU Plan and Post-IPO RSU Plan).
- (2) EDA Shine International Limited is owned as to 1.0% by Edaurora Holdings Limited and as to 99.0% by Skyline Investment International Limited. Skyline Investment International Limited is wholly owned by Sovereign Fiduciaries (Hong Kong) Limited, which is the trustee of the Liu Yong Trust, of which the settlor is Mr. Liu Yong and the beneficiaries are Mr. Liu Yong and Edaurora Holdings Limited. Edaurora Holdings Limited is wholly owned by Mr. Liu Yong, our executive Director, the chairman of our Board and a Controlling Shareholder of our Group. Sovereign Fiduciaries (Hong Kong) Limited is a professional trust company and an Independent Third Party of our Group. By virtue of the SFO, each of Sovereign Fiduciaries (Hong Kong) Limited, Skyline Investment International, Edaurora Holdings Limited and Mr. Liu Yong is deemed to be interested in the Shares in which EDA Shine International Limited is interested.
- (3) Mr. Liu Yong is granted share options under the Pre-IPO Share Option Scheme to subscribe for 9,248,000 Shares and RSUs under the Pre-IPO RSU Plan to subscribe for 6,166,000 Shares, which are conditional upon, among others, the commencement of dealings in our Shares on the Stock Exchange. Please refer to the subsection headed “D. Pre-IPO Share Option Scheme” and “F. Pre-IPO RSU Plan” of this Appendix for details.

Zhan Hua Limited is a company incorporated in the BVI and is wholly owned by Mr. Zuo Manlun, our Non-executive Director. By virtue of the SFO, Mr. Zuo Manlun is deemed to be interested in the Shares in which Zhan Hua Limited is interested.

- (4) Dawnhill Group Limited is a company incorporated in the BVI and is wholly owned by Mr. Luo Jianfeng, our Non-executive Director. By virtue of the SFO, Mr. Luo Jianfeng is deemed to be interested in the Shares in which Dawnhill Group Limited is interested.
- (5) LittleBear Investment Limited is a company incorporated in the BVI and is wholly owned by Mr. Cheung Man Yu, our executive Director. By virtue of the SFO, Mr. Cheung Man Yu is deemed to be interested in the Shares in which LittleBear Investment Limited is interested.
- (6) Each of Mr. Zuo Manlun, Mr. Luo Jianfeng and Mr. Cheung Man Yu (i) entered into an acting-in-concert agreement with Samanea in December 2021 in respect of their interests in our Company; and (ii) is deemed to be interested in the Shares that Samanea is interested in as a result of being a party acting-in-concert with Samanea.
- (7) Mr. Cheung Man Yu is granted share options under the Pre-IPO Share Option Scheme to subscribe for 1,989,000 Shares and RSUs under the Pre-IPO RSU Plan to subscribe for 1,325,000 Shares, which are conditional upon, among others, the commencement of dealings in our Shares on the Stock Exchange. Please refer to the subsection headed “D. Pre-IPO Share Option Scheme” and “F. Pre-IPO RSU Plan” of this Appendix for details.
- (8) Ms. Li Qin is granted share options under the Pre-IPO Share Option Scheme to subscribe for 7,919,000 Shares and RSUs under the Pre-IPO RSU Plan to subscribe for 5,279,000 Shares, which are conditional upon, among others, the commencement of dealings in our Shares on the Stock Exchange. Please refer to the subsection headed “D. Pre-IPO Share Option Scheme” and “F. Pre-IPO RSU Plan” of this Appendix for details.

(b) Disclosure of interest — interests and short positions discloseable under Divisions 2 and 3 of the Part XV of the SFO

Save as disclosed in “Substantial Shareholders” of this prospectus, our Directors are not aware of any other person who will, immediately following the completion of the Global Offering, have an interest or short position in the Shares or underlying shares which are required to be disclosed to our Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying the rights to vote in all circumstances at the general meetings of our Company.

As of the Latest Practicable Date, our Directors were not aware of any persons who would, immediately following the completion of the Capitalization Issue and Global Offering, in 10% or more of the nominal of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group (other than our Company) or had option in respect of such capital.

2. Particulars of service contracts and letters of appointment

Each of Mr. Liu Yong, Ms. Li Qin and Mr. Cheung Man Yu, being our executive Directors, has entered into a service contract with our Company on May 14, 2024. Each service contract is for an initial term of three years commencing from the Listing Date. The service contracts may be renewed in accordance with our Memorandum and Articles of Association and the applicable laws, rules and regulations.

Each of Mr. Luo Jianfeng, Mr. Zuo Manlun, Mr. Ng Cheuk Him, Mr. Wong Ping Yee Natalis and Mr. Chan Kwok Cheung Kevin, being our Non-executive Directors or Independent Non-executive Directors, has entered into a letter of appointment with our Company on May 14, 2024. Each letter of appointment is for an initial term of three years commencing from the Listing Date. The letters of appointment may be renewed in accordance with our Memorandum and Articles of Association and the applicable laws, rules and regulations.

3. Directors' remuneration

The aggregate amounts of remuneration (including fees, salaries, contributions to pension schemes, housing allowances and other allowances and benefits in kind and discretionary bonuses) paid to Directors of Shenzhen EDA Group for FY2021 was RMB2.7 million and our Directors for each of FY2022 and FY2023 were RMB2.6 million and RMB3.9 million, respectively.

None of our Directors has waived or agreed to waive any emoluments for each of the three financial years immediately preceding the issue of this prospectus.

Save as disclosed above, no other payments have been made or are payable in respect of FY2021, FY2022 and FY2023, by any member of our Group to any of our Directors.

During the Track Record Period, no remuneration was paid by us to, or receivable by, our Directors or the five highest paid individuals as an inducement to join or upon joining our Company. No compensation was paid by us to, or receivable by, our Directors, former Directors, or the five highest-paid individuals for each of the Track Record Period for the loss of any office in connection with the management of the affairs of any members of our Group.

It is estimated that remuneration equivalent to approximately RMB6.0 million in aggregate will be paid to the Directors (inclusive of benefits in kind but exclusive of any discretionary bonuses) by our Company for FY2024, based on the arrangements currently in force.

4. Personal Guarantees

Save as disclosed in this prospectus, our Directors have not provided personal guarantees in favor of lenders in connection with banking facilities granted or to be granted to any member of our Group.

5. Agency fees or commissions received

Save as disclosed in this prospectus, no commissions, discounts, brokerages or other special terms were granted within the two years preceding the date of this prospectus in connection with the issue or sale of any capital of any member of our Group.

6. Disclaimers

Save as disclosed in the sections headed “Directors and Senior Management”, “Financial Information”, “Substantial Shareholders” and “Statutory and General Information — C. Further Information about our Directors and Substantial Shareholders” in Appendix IV to this prospectus:

- (a) none of our Directors or the chief executive of our Company has any interest or short position in the Shares, underlying shares or debentures of our Company or any of its associated corporation (within the meaning of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers once the Shares are listed;
- (b) none of our Directors or any of the experts referred to under “H. Other Information — 8. Qualification of Experts” in this appendix has any direct or indirect interest in the promotion of our Company, or in any assets which have within the two years immediately preceding the date of this prospectus been acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;
- (c) none of our Directors is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group;

- (d) none of our Directors has any existing or proposed service contracts with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation));
- (e) taking no account of any Shares which may be taken up under the Global Offering, so far as is known to our Directors or chief executive of our Company, no person (not being a Director or chief executive of our Company) who will, immediately following the completion of the Global Offering, have an interest or short position in the Shares or underlying shares of our Company which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of SFO or be interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group; and
- (f) so far as is known to our Directors, none of our Directors, their respective close associates (as defined under the Listing Rules) or our Shareholders who are interested in more than 5% of the issued share capital of our Company has any interest in the five largest customers or the five largest suppliers of our Group.

D. PRE-IPO SHARE OPTION SCHEME

The following is a summary of the principal terms of the Pre-IPO Share Option Scheme adopted pursuant to the written resolutions of the Shareholders passed on May 14, 2024 and the written resolutions of the Directors passed on May 14, 2024 (the “**Adoption Date**”). The terms of our Pre-IPO Share Option Scheme are not subject to the provisions of Chapter 17 of the Listing Rules as our Pre-IPO Share Option Scheme will not involve the grant of options by us to subscribe for Shares once we have become a listed issuer.

1. Purpose of the Pre-IPO Share Option Scheme

The purpose of the Pre-IPO Share Option Scheme is to provide an incentive for Eligible Participants (as defined below) and to reward their performance with rights which permit a Grantee (as defined below) to subscribe for Shares in our Company in accordance with terms of the Pre-IPO Share Option Scheme (the “**Options**,” each an “**Option**”) and to own our Company in proportion with their contribution to our Company and/or any of its subsidiaries.

2. Participants of the Pre-IPO Share Option Scheme and the basis of determining the eligibility of the participants

The Board of our Company may, at any time before the Listing Date, subject to and in accordance with the provisions of the Pre-IPO Share Option Scheme and the Listing Rules, at its discretion grant Options to any full-time employees, consultants, executives or officers (including executive, Non-executive and Independent Non-executive Directors) of our Company or any of its subsidiaries who, in the absolute discretion of the Board has contributed or will contribute to our Group (collectively “**Eligible Participants**”).

3. Offer and Grant of Option

An offer shall be made to an Eligible Participant (when offered grant of an Option or Options in accordance with rules of the Pre-IPO Share Option Scheme, the “**Grantee**”) by an offer document (the “**Offer Document**”) which states such information and in such form as our Board may from time to time determine, requiring the participant to undertake to hold the Option on the terms on which it is to be granted and to be bound by the provisions of the Pre-IPO Share Option Scheme.

The Pre-IPO Share Option Scheme is conditional upon, among others, (i) the Listing Committee granting the listing of, and permission to deal in, the Shares to be issued pursuant to the exercise of any options which may be granted under the Pre-IPO Share Option Scheme; and (ii) the commencement of dealings in our Shares on the Stock Exchange.

4. Maximum Number of Shares

The total number of Shares subject to the Pre-IPO Share Option Scheme is 31,212,000, representing approximately 7.09% of the issued share capital of our Company immediately upon the completion of the Global Offering assuming the Over-Allotment Option is not exercised, and excluding any Shares which may be issued upon the exercise of the options granted or to be granted under the Pre-IPO Share Option Scheme and Post-IPO Share Option Scheme or the vesting of RSUs granted under the Pre-IPO RSU Plan and Post-IPO RSU Plan.

The total number of Shares subject to the Pre-IPO Share Option Scheme may be adjusted upon the occurrence of any alteration in the capital structure of our Company as provided in paragraph 9 below.

5. Exercise Price

The exercise price in relation to each Option offered to an Eligible Participant shall, subject to adjustments referred to in paragraph 9, be determined by the Board in its sole discretion (the “**Exercise Price**”). However, in no circumstances shall the Exercise Price be less than the par value of the Shares as amended as a result of any sub-division, consolidation, reclassification or reconstruction of the share capital of our Company from time to time.

6. Rights are Personal to the Grantee

An Option and an offer to grant an Option shall be personal to the Grantee (as defined below) and shall not be transferable or assignable, and no Grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favor of any third party over or in relation to any Option held by him or any offer relating to the grant of an Option made to him or attempt to do so (save that the Grantee may nominate a nominee in whose name the Shares issued pursuant to the Pre-IPO Share Option Scheme may be registered). Any breach of the foregoing shall entitle our Company to cancel any outstanding Options or any part thereof granted to such Grantee.

7. Exercise of Options and Duration of the Pre-IPO Share Option Scheme

Subject to the following vesting dates, any Option granted under the Pre-IPO Share Option Scheme to any Grantee who is not a Director may be exercisable at any time prior to the expiry of two (2) months from the acceptance date of the grant: (i) 25% of the total number of Shares under the Options granted to such Grantee can be exercised from the Listing Date; (ii) 25% of the total number of Shares under the Options granted to such Grantee can be exercised from the date immediately after the first anniversary of the Listing Date; (iii) 25% of the total number of Shares under the Options granted to such Grantee can be exercised from the date immediately after the second anniversary of the Listing Date; and (iv) 25% of the total number of Shares under the Options granted to such Grantee can be exercised from the date immediately after the third anniversary of the Listing Date.

Subject to the following vesting date, any Option granted under the Pre-IPO Share Option Scheme to any Grantee who is a Director may be exercisable at any time prior to the expiry of two (2) years from the acceptance date of the grant: 100% of the total number of Shares under the Options granted to such Grantee can be exercised from 180 days after the Listing Date.

8. Ranking of Shares

The Shares to be allotted upon the exercise of an Option shall be subject to all the provisions of the Articles and shall rank *pari passu* in all respects with and shall have the same voting, dividend, transfer and other rights, including those arising from liquidation of our Company as attached to the fully paid Shares in issue on the date of issue and rights in respect of any dividend or other distributions paid or made on or after the date of issue. Shares issued on the exercise of an Option shall not rank for any rights attaching to Shares by reference to a record date preceding the date of allotment.

9. Effect of Alterations to Capital

In the event of any capitalization issue, rights issue, open offer (if there is a price dilutive element), sub-division or consolidation of shares, or reduction of capital of our Company in accordance with applicable laws and regulatory requirements, corresponding alterations (if any) shall be made (except on an issue of securities of our Company as consideration in a transaction which shall not be regarded as a circumstance requiring alteration or adjustment) in:

- (a) the number of Shares subject to any outstanding Options;
- (b) the Exercise Price; and/or
- (c) the number of Shares subject to the Pre-IPO Share Option Scheme,

as the auditors of our Company, shall at the request of our Company or any Grantee, certify in writing either generally or as regards any particular Grantee, to be in their opinion fair and reasonable, provided that any such alterations shall be made on the basis that a Grantee shall have as near as possible the same proportion of the equity capital of our Company as that to which he was entitled to subscribe had he exercised all the Options held by him immediately before such adjustments and the aggregate Exercise Price payable by a Grantee on the full exercise of any Option shall remain as nearly as possible the same as (but shall not be greater than) it was before such event. The capacity of the auditors in this paragraph is that of experts but not arbitrators and their certificate shall, in the absence of manifest error, be final and conclusive and binding on our Company and the Grantees.

10. Lapse of Option

Unless otherwise provided in the respective Grantee's Offer Document, an Option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of:

- (a) the expiry date relevant to that Option;
- (b) the expiry of any of the periods referred to in paragraph 7;
- (c) the date of commencement of the winding up of our Company (as determined in accordance with the Companies Act);
- (d) the date on which the Grantee ceases to be an Eligible Participant by reason of his resignation or dismissal, or by reason of the termination of his relationship with our Company and/or any of its subsidiaries on any one or more of the grounds that he has been guilty of serious misconduct or has been convicted of any criminal offense involving his integrity or honesty or in relation to an employee or consultant of our Company and/or any of its subsidiaries (if so determined by the Board) on any other ground on which an employer would be entitled to unilaterally terminate his employment or service at common law or pursuant to any applicable laws or under the Grantee's service contract with our Company or the relevant subsidiary. A resolution of the Board or the board of directors of the relevant subsidiary to the effect that the relationship of the Grantee has or has not been terminated on one or more of the grounds specified in this paragraph shall be conclusive;
- (e) the date that is thirty (30) days after the date on which the Grantee is terminated by our Company and/or any of its subsidiaries on a ground other than those set forth in sub-paragraph 10(d);
- (f) the date on which the Board shall exercise our Company's right to cancel the Option at any time after the Grantee commits a breach of paragraph 6 or the Options are canceled in accordance with paragraph 12; and
- (g) the occurrence of such event or expiry of such period as may have been specifically provided for in the Offer Document.

11. Alteration of the Pre-IPO Share Option Scheme

The terms and conditions, and the regulations for the administration and operation of the Pre-IPO Share Option Scheme may be altered in any respect by resolution of the Board except that:

- (a) any alteration to the advantage of the Grantees or the Eligible Participants (as the case may be), including without limitation, the definitions of “**Eligible Participant**,” “**Expiry Date**,” “**Grantee**” and “**Option Period**” contained in the Pre-IPO Share Option Scheme; or
- (b) any material alteration to the terms and conditions of the Pre-IPO Share Option Scheme or any change to the terms of Options granted (except any alterations which take effect automatically under the terms of the Pre-IPO Share Option Scheme), or any change to the authority of the Board in respect of alteration of the Pre-IPO Share Option Scheme,

must be made with the prior approval of the Shareholders of our Company in general meeting at which any persons to whom or for whose benefit the Shares may be issued under the Pre-IPO Share Option Scheme shall abstain from voting provided that no alteration shall operate to affect adversely the terms of issue of any Option granted or agreed to be granted prior to such alteration or to reduce the proportion of the equity capital to which any person was entitled pursuant to such Option prior to alteration except with:

- (i) the consent in writing of Grantees holding in aggregate Options which if exercised in full on the date immediately preceding that on which such consent is obtained would entitle them to the issue of three-fourths in nominal value of all Shares which would fall to be issued upon the exercise of all Options outstanding on that date; or
- (ii) the sanction of a special resolution.

Written notice of any alterations made in accordance with the above paragraph shall be given to all Grantees.

12. Cancellation of Options

Any cancellation of Options granted but not exercised must be approved in writing by the Grantees of the relevant Options. Where our Company cancels Options and offers new Options to the same Grantee, the offer of such new Options may only be made with available Options to the extent not yet granted (excluding the canceled Options) within the limit referred to in paragraph 4 above.

13. Termination of the Pre-IPO Share Option Scheme

Our Company may by ordinary resolution in general meeting or the Board at any time terminate the operation of the Pre-IPO Share Option Scheme, and in such event, no further option shall be offered or granted. The provisions of the Pre-IPO Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any Option granted prior to the termination or otherwise as may be required in accordance with the provisions of the Pre-IPO Share Option Scheme. Options granted prior to such termination but not yet exercised at the time of termination shall continue to be valid and exercisable in accordance with the Pre-IPO Share Option Scheme.

Outstanding Options

As of the date of this prospectus, options to subscribe for an aggregate of 31,212,000 Shares, representing approximately 7.09% of the issued share capital of our Company upon completion of the Global Offering (assuming the Over-Allotment Option is not exercised, and excluding all Shares which may be issued upon the exercise of the options granted or to be granted under the Pre-IPO Share Option Scheme and Post-IPO Share Option Scheme and upon vesting of RSUs granted under the Pre-IPO RSU Plan and Post-IPO RSU Plan), or approximately 6.62% of the enlarged issued share capital of our Company upon full exercise of all the outstanding options granted under the Pre-IPO Share Option Scheme on completion of the Global Offering (assuming the Over-Allotment Option is not exercised, and without taking into account any Shares to be issued pursuant to exercise of options granted under the Post-IPO Share Option Scheme, and vesting of RSUs granted under the Pre-IPO RSU Plan and Post-IPO RSU Plan), at an exercise price representing approximately 67% discount to the mid-point of the indicative Offer Price Range of HK\$2.28 and HK\$3.06, had been conditionally granted by our Company to three Directors, one member of the senior management and 28 other Grantees under the Pre-IPO Share Option Scheme.

As such, assuming full exercise of the outstanding Options granted under the Pre-IPO Share Option Scheme (assuming the Over-Allotment Option is not exercised, and without taking into account any Shares to be issued upon the exercise of options granted or to be granted under the Pre-IPO Share Option Scheme and Post-IPO Share Option Scheme, and upon vesting of RSUs granted under the Pre-IPO RSU Plan and Post-IPO RSU Plan), the shareholding of our Shareholders immediately following the Listing will be diluted by approximately 7.09%. If the Options granted under the Pre-IPO Share Option Scheme are exercised, there would be a dilutive effect on the earnings per Share of our Company. For example, assuming, among others, all Options for the 31,212,000 Shares that may be granted under the Pre-IPO Share Option Scheme were granted and exercised on 1 January 2024, our earnings per Share would decrease from

RMB0.158 to RMB0.147, a dilutive effect of RMB0.011 per Share. Please see the table below for an explanation of the above illustrated example, however, as the Options are exercisable over a five-year period, any such dilutive effect on earnings per Share will be staggered over several years.

Profit attributable to the equity holders of our

Company for FY2023 RMB69,403,000

Basic earnings per share for FY2023 RMB0.158^{Note 1}

Diluted earnings per share for FY2023 RMB0.147^{Note 2}

Notes:

1. The calculation of the basic earnings per share for FY2023 is based on the profit attributable to the equity holders of our Company for FY2023 and 439,940,000 Shares being issued assuming the Global Offering were completed on 1 January 2024 (assuming the Over-Allotment Option was not exercised and without taking into account any Shares to be issued pursuant to exercise of share options granted under the Pre-IPO Share Option Scheme and Post-IPO Share Option Scheme, and vesting of RSUs granted under the Pre-IPO RSU Plan and Post-IPO RSU Plan).
2. The calculation of the diluted earnings per share for FY2023 is based on the profit attributable to the equity holders of our Company for FY2023 and 439,940,000 Shares being issued, assuming the Global Offering were completed on 1 January 2024 (assuming the Over-Allotment Option was not exercised and without taking into account of any Shares to be issued pursuant to exercise of share options granted under the Post-IPO Share Option Scheme, and vesting of RSUs granted under the Pre-IPO RSU Plan and Post-IPO RSU Plan) and the Options for 31,212,000 Shares under the Pre-IPO Share Option Scheme are all granted and exercised on 1 January 2024, without taking into account of the related expense recognized in profit or loss for these share options.

Details of the Grantees under the Pre-IPO Share Option Scheme

(a) Directors

Three of our Directors has been granted Options under the Pre-IPO Share Option Scheme to subscribe for a total of 19,154,000 Shares, representing approximately 4.35% of the issued share capital of our Company upon completion of the Global Offering (assuming the Over-Allotment Option is not exercised, and without taking into account any Shares to be issued upon the exercise of options granted under the Pre-IPO Share Option Scheme and Post-IPO Share Option Scheme, and any Shares to be issued upon vesting of RSUs granted under the Pre-IPO RSU Plan and the Post-IPO RSU Plan).

Below is the relevant information regarding our Directors who are Grantees under the Pre-IPO Share Option Scheme:

Name of Grantee	Position held with our		Exercise Price	Number of Shares under the Options Granted	Date of Grant	Approximate Percentage of Shareholding Immediately after Completion of the Global Offering
	Group	Address				
Liu Yong (劉勇) ⁽³⁾	Chairman of the Board and executive Director	2B, Building 2, Shanhai Cuilu, Liwan Road, Nanshan District, Shenzhen City, Guangdong Province, PRC	Lower of (i) 33% of the Offer Price and (ii) 33% of the closing price of the shares one business day immediately preceding the date of exercise	9,248,000	May 14, 2024	2.10%
Li Qin (李勤) ⁽³⁾	Executive Director and chief executive officer	Room 2803, Building A, Yulongyuan, No. 3058, Nanxin Road, Nanshan District, Shenzhen City, Guangdong Province, PRC	Lower of (i) 33% of the Offer Price and (ii) 33% of the closing price of the shares one business day immediately preceding the date of exercise	7,919,000	May 14, 2024	1.80%
Cheung Man Yu (張文宇) ⁽³⁾	Executive Director, chief financial officer and company secretary	RM 10, 31/F, Lung Sing House, Kam Lung Court, Ma On Shan, NT, Hong Kong	Lower of (i) 33% of the Offer Price and (ii) 33% of the closing price of the shares one business day immediately preceding the date of exercise	1,989,000	May 14, 2024	0.45%
				19,156,000		4.35%

Notes:

- The nominal value of Shares is subject to amendments as a result of any sub-division, consolidation, reclassification or reconstruction of the share capital of our Company from time to time. As of the date of grant, the nominal value of each Share was US\$0.01.

2. The above table assumes 439,940,000 Shares are issued and outstanding as of completion of the Global Offering, assuming the Over-Allotment Option is not exercised, and without taking into account any Shares to be issued upon the exercise of options granted under the Pre-IPO Share Option Scheme and Post-IPO Share Option Scheme, and any Shares to be issued upon vesting of RSUs granted the Pre-IPO RSU Plan and the Post-IPO RSU Plan.
3. A connected person under the Listing Rules.

(b) *Senior Management*

One member of our senior management have been granted Options under the Pre-IPO Share Option Scheme to subscribe for a total of 1,256,000 Shares, representing approximately 0.29% of the issued share capital of our Company upon completion of the Global Offering (assuming the Over-Allotment Option is not exercised, and without taking into account any Shares to be issued upon the exercise of options granted under the Pre-IPO Share Option Scheme and Post-IPO Share Option Scheme, and any Shares to be issued upon vesting of RSUs granted under the Pre-IPO RSU Plan and the Post-IPO RSU Plan).

Below is the member of our senior management who is a Grantee under the Pre-IPO Share Option Scheme:

Name of Grantee	Position held with our Group	Address	Exercise Price	Number of Shares under the Options Granted	Date of Grant	Approximate Percentage of Shareholding Immediately after Completion of the Global Offering
Li Hongjun (黎紅軍)	Chief technology officer	No. 80, Section 2, Furong Middle Road, Furong District, Changsha City	33% of the Offer Price upon the first vesting period; thereafter, 33% of the closing price of the shares one business day immediately preceding the date of exercise	1,256,000	May 14, 2024	0.29%
				<u>1,256,000</u>		<u>0.29%</u>

Notes:

1. The nominal value of Shares is subject to amendments as a result of any sub-division, consolidation, reclassification or reconstruction of the share capital of our Company from time to time. As of the date of grant, the nominal value of each Share was US\$0.01.

2. The above table assumes 439,940,000 Shares are issued and outstanding as of completion of the Global Offering, assuming the Over-Allotment Option is not exercised, and without taking into account any Shares to be issued upon the exercise of options granted under the Pre-IPO Share Option Scheme and Post-IPO Share Option Scheme, and any Shares to be issued upon vesting of RSUs granted the Pre-IPO RSU Plan and the Post-IPO RSU Plan.

(c) *Other Grantees*

Among the Grantees, other than the three Directors and one member of our senior management, 28 other Grantees (none of which are connected persons of our Group) have been granted Options under the Pre-IPO Share Option Scheme to subscribe for a total of 10,800,000 Shares, representing approximately 2.45% of the issued share capital of our Company upon completion of the Global Offering assuming the Over-Allotment Option is not exercised, and without taking into account any Shares to be issued upon the exercise of options granted under the Pre-IPO Share Option Scheme and Post-IPO Share Option Scheme, and vesting of RSUs granted under the Pre-IPO RSU Plan and Post-IPO RSU Plan.

The table below shows the details of the other Grantees:

Name of Grantee	Position held with our Group	Address	Exercise Price	Number of Shares under the Options Granted	Date of Grant	Approximate Percentage of Shareholding Immediately after Completion of the Global Offering
Quan Zhenxiang (全貞祥) . . .	R&D personnel	Room 110, No. 492, Xinsa Road, Shajing, Baoan District, Shenzhen City, Guangdong Province	33% of the Offer Price upon the first vesting period; thereafter, 33% of the closing price of the shares one business day immediately preceding the date of exercise	471,000	May 14, 2024	0.11%
Tao Nanhong (陶南洪) . . .	R&D personnel	No. 11, National Day Group 5, Mengchong Village, Sanbao Town, Lingxi City, Guangxi	33% of the Offer Price upon the first vesting period; thereafter, 33% of the closing price of the shares one business day immediately preceding the date of exercise	377,000	May 14, 2024	0.09%

Name of Grantee	Position held with our		Exercise Price	Number of Shares under the Options Granted	Date of Grant	Approximate Percentage of Shareholding Immediately after Completion of the Global Offering
	Group	Address				
Lin Xuotong (林學童) . . .	R&D personnel	No. 3688, Nantai Avenue, Nanshan District, Shenzhen City, Guangdong Province	33% of the Offer Price upon the first vesting period; thereafter, 33% of the closing price of the shares one business day immediately preceding the date of exercise	377,000	May 14, 2024	0.09%
Huang Wei (黃瑋)	R&D personnel	No. 8, Xiapi, Laogang Village, Luotang Township, Wan'an County, Ji'an City, Jiangxi Province	33% of the Offer Price upon the first vesting period; thereafter, 33% of the closing price of the shares one business day immediately preceding the date of exercise	94,000	May 14, 2024	0.02%
Xu Bisheng (徐必勝) . . .	R&D personnel	Room 1702, Unit 2, Building 2, Phase 1, Jiahua Link Plaza, No. 635 Jihua Road, Bantian, Longgang District, Shenzhen	33% of the Offer Price upon the first vesting period; thereafter, 33% of the closing price of the shares one business day immediately preceding the date of exercise	1,382,000	May 14, 2024	0.31%
He Zhihuan (何志環) . . .	Finance officer	Room 41-504, Taoyuan Village, Nanshan District, Shenzhen City, Guangdong Province	33% of the Offer Price upon the first vesting period; thereafter, 33% of the closing price of the shares one business day immediately preceding the date of exercise	942,000	May 14, 2024	0.21%

Name of Grantee	Position held with our		Exercise Price	Number of Shares under the Options Granted	Date of Grant	Approximate Percentage of Shareholding Immediately after Completion of the Global Offering
	Group	Address				
Deng Nanliu (鄧南柳) . . .	Finance officer	Room 601, Unit H, Building 2, Danguiyuan, District 2, Four Seasons Flower City, No. 85 Wuhe Avenue South, Longgang District, Shenzhen City, Guangdong Province	33% of the Offer Price upon the first vesting period; thereafter, 33% of the closing price of the shares one business day immediately preceding the date of exercise	471,000	May 14, 2024	0.11%
Chen Dongxia (陳東霞) . . .	Finance officer	No. 28, Meibin Street, Jingxi, Baiyun District, Guangzhou City, Guangdong Province	33% of the Offer Price upon the first vesting period; thereafter, 33% of the closing price of the shares one business day immediately preceding the date of exercise	62,000	May 14, 2024	0.01%
Peng Zhen (彭珍)	Human resources officer	36K, Building 6, Yujing Huacheng Garden, Binhe Avenue, Futian District, Shenzhen City, Guangdong Province	33% of the Offer Price upon the first vesting period; thereafter, 33% of the closing price of the shares one business day immediately preceding the date of exercise	314,000	May 14, 2024	0.07%
Chen Anqi (陳安琪) . . .	Human resources officer	No. 1, Group 5 Tukuyuan, Wangfuyuan Village, Chencelou Town, Huangzhou District, Huanggang City, Hubei Province	33% of the Offer Price upon the first vesting period; thereafter, 33% of the closing price of the shares one business day immediately preceding the date of exercise	157,000	May 14, 2024	0.04%

Name of Grantee	Position held with our		Exercise Price	Number of Shares under the Options Granted	Date of Grant	Approximate Percentage of Shareholding Immediately after Completion of the Global Offering
	Group	Address				
Zhang Min (章敏)	Administration officer	Room 302, Unit 2, Building 1, No. 114 Jiefang South Road, Yaojiang Town, Guangchang County, Fuzhou City, Jiangxi Province	33% of the Offer Price upon the first vesting period; thereafter, 33% of the closing price of the shares one business day immediately preceding the date of exercise	157,000	May 14, 2024	0.04%
Lu Rong (陸蓉)	Sales	Room 1302, No. 20, Lane 2003, Xincun Road, Putuo District, Shanghai	33% of the Offer Price upon the first vesting period; thereafter, 33% of the closing price of the shares one business day immediately preceding the date of exercise	1,508,000	May 14, 2024	0.34%
Deng Yanfang (鄧艷芳) . . .	Sales	Room 10C, Building 3, Building 1, Hongchang Garden, No. 174 Ziyou Road, Baoan District, Shenzhen City, Guangdong Province	33% of the Offer Price upon the first vesting period; thereafter, 33% of the closing price of the shares one business day immediately preceding the date of exercise	1,131,000	May 14, 2024	0.26%
Wu Peng (吳鵬)	Sales	Room 110, No. 1155 Nanshan Avenue, Nanshan District, Shenzhen City, Guangdong Province	33% of the Offer Price upon the first vesting period; thereafter, 33% of the closing price of the shares one business day immediately preceding the date of exercise	251,000	May 14, 2024	0.06%

Name of Grantee	Position held with our		Exercise Price	Number of Shares under the Options Granted	Date of Grant	Approximate Percentage of Shareholding Immediately after Completion of the Global Offering
	Group	Address				
Chen Yun (陳贇)	Sales	No. 77, Alley A, Lane 418, Meizhou Road, Yangpu District, Shanghai	33% of the Offer Price upon the first vesting period; thereafter, 33% of the closing price of the shares one business day immediately preceding the date of exercise	251,000	May 14, 2024	0.06%
Xu Qiaohua (徐橋華)	Sales	No. 200, Sanzhong Street, Maojiagang Town, Gonggan County, Hubei Province	33% of the Offer Price upon the first vesting period; thereafter, 33% of the closing price of the shares one business day immediately preceding the date of exercise	251,000	May 14, 2024	0.06%
Hu Tengchao (胡騰超)	Last-mile officer	Room 303, Building B, No. 128 Baomin 1st Road, Bao'an District, Shenzhen City, Guangdong Province	33% of the Offer Price upon the first vesting period; thereafter, 33% of the closing price of the shares one business day immediately preceding the date of exercise	377,000	May 14, 2024	0.09%
Zhang Tenglong (張騰隆)	Last-mile officer	Room 1803, Building 3, Block C, Saigeyuan, Huaqiang South Road, Futian District, Shenzhen City, Guangdong Province	33% of the Offer Price upon the first vesting period; thereafter, 33% of the closing price of the shares one business day immediately preceding the date of exercise	377,000	May 14, 2024	0.09%

Name of Grantee	Position held with our		Exercise Price	Number of Shares under the Options Granted	Date of Grant	Approximate Percentage of Shareholding Immediately after Completion of the Global Offering
	Group	Address				
Li Weiquan (李偉全) . . .	Last-mile officer	Room 202, Chenglian Logistics Building, No. 6 Lanhua Road, Futian District, Shenzhen City, Guangdong Province	33% of the Offer Price upon the first vesting period; thereafter, 33% of the closing price of the shares one business day immediately preceding the date of exercise	377,000	May 14, 2024	0.09%
Chen Xiaoshuang (陳小雙) . . .	Last-mile officer	No. 10, High-tech South 4th Road, Nanshan District, Shenzhen City, Guangdong Province	33% of the Offer Price upon the first vesting period; thereafter, 33% of the closing price of the shares one business day immediately preceding the date of exercise	188,000	May 14, 2024	0.04%
Cai Guihua (蔡桂花) . . .	First-mile officer	Room 1103, Building B, Building 30, District 2, Vanke City, Banxuegang Avenue, Longgang District, Shenzhen, Guangdong Province	33% of the Offer Price upon the first vesting period; thereafter, 33% of the closing price of the shares one business day immediately preceding the date of exercise	94,000	May 14, 2024	0.02%
Wang Lixiang (王理想) . . .	First-mile officer	No. 58, Group 7, Hanzhuang Village, Zouzhuang Town, Pizhou City, Jiangsu Province	33% of the Offer Price upon the first vesting period; thereafter, 33% of the closing price of the shares one business day immediately preceding the date of exercise	94,000	May 14, 2024	0.02%

Name of Grantee	Position held with our		Exercise Price	Number of Shares under the Options Granted	Date of Grant	Approximate Percentage of Shareholding Immediately after Completion of the Global Offering
	Group	Address				
Chen Xiaoqing (陳小清)	Customer service officer	No. 2603, Unit B, Building 3, District 9, Yicheng Central Garden, No. 3639 Longhua Avenue, Longhua District, Shenzhen City, Guangdong Province	33% of the Offer Price upon the first vesting period; thereafter, 33% of the closing price of the shares one business day immediately preceding the date of exercise	157,000	May 14, 2024	0.04%
Liu Yanhui	Regional officer	2416 Sanabria Ln, Brea, CA 92821, United States of America	33% of the Offer Price upon the first vesting period; thereafter, 33% of the closing price of the shares one business day immediately preceding the date of exercise	251,000	May 14, 2024	0.06%
Wu Chris	Regional officer	15765 Montana Ave LA Puente CA 91744, United States of America	33% of the Offer Price upon the first vesting period; thereafter, 33% of the closing price of the shares one business day immediately preceding the date of exercise	251,000	May 14, 2024	0.06%
Song Hucheng	Regional officer	61 Sand Hill Rd, Jamesburg, NJ, 08831, United States of America	33% of the Offer Price upon the first vesting period; thereafter, 33% of the closing price of the shares one business day immediately preceding the date of exercise	125,000	May 14, 2024	0.03%

Name of Grantee	Position held with our		Exercise Price	Number of Shares under the Options Granted	Date of Grant	Approximate Percentage of Shareholding Immediately after Completion of the Global Offering
	Group	Address				
Bai Yongjian . .	Regional officer	5 Marion Drive, Plainsboro, NJ 08536, United States of America	33% of the Offer Price upon the first vesting period; thereafter, 33% of the closing price of the shares one business day immediately preceding the date of exercise	125,000	May 14, 2024	0.03%
Yang Sheng. . .	Regional officer	1416, Northmount Ave., Mississauga ON L5E 1Y6, Canada	33% of the Offer Price upon the first vesting period; thereafter, 33% of the closing price of the shares one business day immediately preceding the date of exercise	188,000	May 14, 2024	0.04%
				<u>10,800,000</u>		<u>2.45%</u>

Notes:

1. The nominal value of Shares is subject to amendments as a result of any sub-division, consolidation, reclassification or reconstruction of the share capital of our Company from time to time. As of the date of grant, the nominal value of each Share was US\$0.01.
2. The above table assumes 439,940,000 Shares are issued and outstanding as of completion of the Global Offering, assuming the Over-Allotment Option is not exercised, and without taking into account any Shares to be issued upon the exercise of options granted under the Pre-IPO Share Option Scheme and Post-IPO Share Option Scheme, and any Shares to be issued upon vesting of RSUs granted the Pre-IPO RSU Plan and the Post-IPO RSU Plan.

Consideration paid for the grant of Options under the Pre-IPO Share Option Scheme

The Grantees under the Pre-IPO Share Option Scheme as referred to in the table above are not required to pay for the grant of any Option under the Pre-IPO Share Option Scheme.

In addition to such other performance-based vesting conditions (if any) set forth in the respective Grantee's Offer Document and unless otherwise approved by our Board in writing, (i) the vesting schedule requires continued employment of or service by the respective Grantee through each applicable vesting date as a condition to the vesting of the applicable percentage of the Option and the rights and benefits under this Scheme and the respective Grantee's Offer Document; and (ii) employment or service for only a portion of the respective Vesting period, even if a substantial portion, will not entitle the respective Grantee to any proportionate vesting of the Option.

Save as disclosed in this section under paragraphs headed "D. Pre-IPO Share Option Scheme — Details of the Grantees under the Pre-IPO Share Option Scheme", no Option has been granted by our Company to any other Director, senior management, connected person and other Grantee.

We will ensure compliance with the minimum public float requirement of Rule 8.08 of the Listing Rules.

E. POST-IPO SHARE OPTION SCHEME

Our Company has conditionally adopted the Post-IPO Share Option Scheme on May 14, 2024. The following is a summary of the principal terms of the Post-IPO Share Option Scheme but does not form, nor was it intended to be, part of the Post-IPO Share Option Scheme nor should it be taken as affecting the interpretation of the rules of the Post-IPO Share Option Scheme.

The terms of the Post-IPO Share Option Scheme comply with the provisions of Chapter 17 of the Listing Rules.

1. Definitions

For the purpose of this section, the following expressions have the meanings set out below unless the context requires otherwise:

“Adoption Date”	the date on which the Post-IPO Share Option Scheme is conditionally adopted upon fulfillment of all conditions
“Board”	the board of Directors or a duly authorized committee of the board of Directors
“Business Day”	any day on which the Stock Exchange is open for the business of dealings in securities
“Exercise Price”	the price per Share at which a grantee of the Post-IPO Share Option Scheme may subscribe for Share on the exercise of an option
“Group”	our Company and any entity in which our Company, directly or indirectly, holds any equity interest
“Scheme Period”	the period commencing on the Adoption Date and expiring at the close of business on the business day immediately preceding the tenth (10th) anniversary thereof, unless terminated earlier by our Shareholders in general meeting

2. Summary of terms

The following is a summary of the principal terms of the rules of the Post-IPO Share Option Scheme conditionally adopted by the written resolutions of our sole Shareholder passed on May 14, 2024:

(a) Purpose of the Post-IPO Share Option Scheme

The purpose of the Post-IPO Share Option Scheme is to enable our Group to grant options to Eligible Participants (as defined in paragraph (b) below) as incentives or rewards for their contribution to our Group. Our Directors consider the Post-IPO Share Option Scheme, with its broadened basis of participation, will enable our Group to reward the employees, our Directors and other selected participants for their contributions to our Group. Given our Directors are entitled to determine any performance targets to be achieved as well as the vesting period that an option must be held before an option can be exercised on a case by case basis, and that the Exercise Price

cannot in any event fall below the Share price stipulated in the Listing Rules or such higher Share price as may be fixed by our Directors, it is expected that grantee of an option will make an effort to contribute to the development of our Group so as to bring about an increased market price of the Shares in order to capitalize on the benefits of the options granted.

(b) Who may join and basis of eligibility

Our Directors may at any time within the Scheme Period, at its absolute discretion, in accordance with the provisions of the Post-IPO Share Option Scheme and the Listing Rules make an offer to any person belonging to any of the following classes of participants (“**Eligible Participant(s)**”) to take up options to subscribe for Shares:

- (i) Directors (including any executive Director, Non-executive Director and Independent Non-executive Director) and employees (whether full-time or part-time employee) of our Group, including persons who are granted Options or Awards under the Share Scheme as an inducement to enter into employment contracts with our Group (“**Employee Participant(s)**”);
- (ii) directors and employees (“**Related Entity Participant(s)**”) of the holding companies, fellow subsidiaries or associated companies of our Company (“**Related Entity(ies)**”); and
- (iii) person(s) who provide services to our Group on a continuing and recurring basis in its ordinary and usual course of business which are in the interests of the long-term growth of our Group, including but not limited to person(s) who work for our Group as independent contractors (including advisers, consultants, distributors, contractors, suppliers, agents and service providers of any member of our Group) where the continuity and frequency of their services are akin to those of employees (“**Service Provider(s)**”), but excluding placing agents or financial advisers providing advisory services for fundraising, mergers or acquisitions or professional service providers such as auditors or valuers who provide assurance, or are required to perform their services with impartiality and objectivity.

and, for the purpose of the Post-IPO Share Option Scheme, the offer for the grant of option may be made to any company wholly owned by one or more Eligible Participants (if applicable).

For the avoidance of doubt, placing agents or financial advisers providing advisory services for fundraising, mergers or acquisitions, professional service providers, such as auditors or valuers who provide assurance, or are required to perform their services with impartially and objectivity shall be excluded. The grant of any option by our Company for the subscription of Shares or other securities of our Group to any person who fall within any of the aforesaid agents or advisers shall not, by itself, unless our Directors otherwise determine, be construed as a grant of option under the Post-IPO Share Option Scheme.

The basis of eligibility of any Eligible Participant to the grant of any option shall be determined by the Board (or as the case may be, where required under the Listing Rules, approved by our Independent Non-executive Directors) from time to time on the basis of our Directors' opinion as to the Eligible Participant's contribution or potential contribution to the development and growth of our Group.

(c) Consideration for the option and the Exercise Price

A nominal consideration of HK\$1 is payable on acceptance of the grant of an option.

The Exercise Price in respect of any particular option granted under the Post-IPO Share Option Scheme shall be a price solely determined by the Board and notified to an Eligible Participant and shall be at least the higher of: (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option, which must be a Business Day; (ii) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotations sheets for the five (5) Business Days immediately preceding the date of grant of the option.

(d) Grant of options and acceptance of offers

An offer for the grant of options shall be made to an Eligible Participant on a Business Day in writing (the "**Offer Letter**") in such form as the Board may from time to time determine, requiring the Eligible Participant to undertake to hold the option on the terms on which it is to be granted and to be bound by the provisions of the Post-IPO Share Option Scheme and shall remain open for acceptance by the Eligible Participant concerned for a period of 7 Business Days from the date of offer (inclusive of the date of offer).

An offer shall be deemed to have been accepted and an option shall be deemed to have been granted and accepted and to have taken effect when the Offer Letter is duly signed by the grantee together with a remittance in favor of our Company of HK\$1.00 by way of consideration for the grant thereof is received by our Company within 7 Business Days from the date of offer (inclusive of the date of offer). Such remittance shall in no circumstances be refundable.

(e) *Maximum number of Shares available for subscription*

- (i) Subject to sub-paragraphs (ii) and (iii) below, the maximum number of Shares issuable upon exercise of all options to be granted under the Post-IPO Share Option Scheme and any other share option schemes of our Company as from the Adoption Date (excluding, for this purpose, Shares issuable upon exercise of options which have been granted but which have lapsed in accordance with the terms of the Post-IPO Share Option Scheme or any other share option schemes of our Company) must not in aggregate exceed 10% of all the Shares in issue as of the Listing Date (“**General Scheme Limit**”). It is expected that our Company may grant options in respect of up to 21,997,000 Shares (assuming that the Over-Allotment Option is not exercised) to the Eligible Participants under the Post-IPO Share Option Scheme. The maximum number of Shares that may be issued in respect of all options to be granted to Service Providers within the General Scheme Limit shall not exceed 1.0% of the Shares in issue as of the Listing Date (“**Service Provider Sublimit**”).
- (ii) Without prejudice to (iii) below, our Company may seek approval of the Shareholders in general meeting to refresh the General Scheme Limit, or if applicable, the Service Provider Sublimit after three (3) years from the date of Shareholders’ approval for the last refreshment (or the Adoption Date of the Post-IPO Share Option Scheme). Any refreshment within any three (3) years period must be approved by our Shareholder subject to:
- (a) any Controlling Shareholders and their associates (or if there is no Controlling Shareholder, Directors (excluding Independent Non-executive Directors) and the chief executive of our Company and their respective associates) must abstain from voting in favor of the relevant resolution at the general meeting; and
- (b) our Company must comply with the requirements under Rules 13.39(6) and (7), 13.40, 13.41 and 13.42 of the Listing Rules,

provided that the total number of Shares which may be allotted and issued upon exercise of all options to be granted under the Post-IPO Share Option Scheme and any other share option schemes of our Company must not exceed 10% of the Shares in issue as of the date of approval of the refreshed limit mandate. A circular must be sent to our Shareholders containing the number of Options that were already granted under the existing General Scheme Limit and the existing Service Provider Sublimit, and the reason for the refreshment.

(iii) Without prejudice to (ii) above, our Company may seek separate approval from our Shareholders in general meeting for granting options beyond the General Scheme Limit and the refreshed limit provided the options in excess of the General Scheme Limit and the refreshed limit are granted only to Eligible Participants specifically identified by our Company before such approval is sought. In such event, our Company must send a circular to our Shareholders containing the name of each specified Eligible Participants who may be granted such options, the number and terms of such options to be granted and the purpose of granting options to such specified Eligible Participants with an explanation as to how the terms of the options serve such purpose. The number and terms of options to be granted to such Eligible Participants must be fixed before Shareholders' approval. In respect of any options to be granted, the date of the Board meeting for proposing such grant should be taken as the date of grant for the purpose of calculating the Exercise Price.

(f) Maximum entitlement of each participant

The total number of Shares issued and to be issued upon exercise of options granted to each participant (including both exercised and outstanding options) under the Post-IPO Share Option Scheme or any other share option schemes of our Company in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue of our Company for the time being ("**Individual Limit**"). Any further grant of options in excess of the Individual Limit in any 12-month period up to and including the date of such further grant must be separately approved by our Shareholders in general meeting of our Company with such Eligible Participant and his close associates (or his associates if the Eligible Participant is a connected person) abstaining from voting. In such event, our Company must send a circular to our Shareholders containing the identity of the Eligible Participant, the number and terms of the options to be granted (and options previously granted to such Eligible Participant in the 12-month period), the purpose of granting options to the Eligible Participant and an explanation as to how the terms of the Option serve such purpose and all other information required under the Listing Rules. The date of the Board meeting proposing such further grant should be taken as the date of grant for the purpose of calculating the Exercise Price.

(g) Grant of options to our Directors, chief executive or substantial shareholders of our Company or their respective associates

Notwithstanding the aforesaid,

- (i) any offer for the grant of an option under the Post-IPO Share Option Scheme to a Director, chief executive or substantial shareholder of our Company (or any of their respective close associates) must be approved by our Independent Non-executive Directors (excluding any Independent Non-executive Director who or whose associates is the proposed grantee of the option);
- (ii) where any grant of options to a substantial shareholder or an Independent Non-executive Director (or any of their respective close associates) will result in the total number of Shares issued and to be issued in respect of all options granted (excluding any options lapsed in accordance with the terms of the Post-IPO Share Option Scheme) to such person in any 12-month period up to and including the date of grant representing in aggregate over 0.1% of the Shares in issue;

such further grant of options must be approved by our Shareholders at a general meeting of our Company in the manner set out in Rule 17.04(4) of the Listing Rules. In the circumstances described in sub-paragraph (ii) above, our Company must send a circular to the Shareholders. The grantee, his/her associates and all core connected persons of our Company must abstain from voting in favor at such general meeting. Our Company must comply with the requirements under Rules 13.40, 13.41 and 13.42 of the Listing Rules. The circular must contain:

- (i) details of the number and terms of the options to be granted to each participant, which must be fixed before the Shareholders' meeting. In respect of any options to be granted, the date of Board meeting for proposing such further grant is to be taken as the date of grant for the purpose of calculating the exercise price under Rule 17.03E of the Listing Rules;
- (ii) the views of the Independent Non-executive Directors of our Company (excluding any Independent Non-executive Director who is the grantee of the options) as to whether the terms of the grant are fair and reasonable and whether such grant is in the interests of our Company and the Shareholders as a whole, and their recommendation to the independent Shareholders as to voting;
- (iii) the information required under Rule 17.02(2)(c) of the Listing Rules; and

(iv) the information required under Rule 2.17 of the Listing Rules.

Any change in the terms of an option granted to a Director, chief executive or substantial shareholder of our Company or any of their respective associates must be approved by our Shareholders in the manner as set out in Rule 17.04(4) of the Listing Rules if the initial grant of the options requires such approval (except the changes take effect automatically under the existing terms of the Post-IPO Share Option Scheme).

Notwithstanding the aforesaid, the requirements for the grant to a Director or chief executive of our Company set out in Rule 17.04 of the Listing Rules do not apply where the Eligible Participant is only a proposed Director or chief executive of our Company.

(h) Time of exercise of option and vesting Period

An option may be exercised in accordance with the terms of the Post-IPO Share Option Scheme at any time during a period as the Board may determine which shall not exceed ten (10) years from the date of grant subject to the provision of early termination thereof.

The vesting period for options shall not be less than 12 months. Options granted to Employee Participants may be subject to a shorter vesting period under specific circumstances as the Board may determine and notified to each Employee Participant. Any such specific circumstances and an explanation by our Company's Board (or the Remuneration Committee where the arrangements relate to grant of options to the Directors and/or senior managers) as to why the arrangements are appropriate and how the grants align with the purpose of the Post-IPO Share Option Scheme must be clearly disclosed in the circular for the adoption of the Post-IPO Share Option Scheme. In any event, the vesting period shall commence from the date of the offer for the grant of options is made, but shall end in any event not later than ten (10) years from the date of offer for the grant of the option subject to the provisions of early termination thereof.

(i) Performance targets

Save as determined by the Board and stated in the offer of the grant of the relevant options to a grantee, there is no performance target which must be achieved before any of the options under the Post-IPO Share Option Scheme can be exercised.

(j) *Restrictions on the times of grant of options*

- (i) Our Company may not grant any options after inside information has come to its knowledge until such inside information has been announced pursuant to the requirements of the Listing Rules and the SFO. In particular, no options may be granted during the period commencing one month immediately preceding the earlier of:
- (a) the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our Company's results for any year, half-year, quarterly or other interim period (whether or not required under the Listing Rules); and
 - (b) the deadline for our Company to publish an announcement of the results for any year, or half-year under the Listing Rules, or quarterly or other interim period (whether or not required under the Listing Rules),
- and ending on the date of the results announcement.
- (ii) Further to the restrictions in sub-paragraph (i) above, no option may be granted to a Director on any day on which financial results of our Company are published:
- (a) during the period of 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and
 - (b) during the period of 30 days immediately preceding the publication date of the quarterly results and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results.

(k) *Ranking of Shares*

The Shares to be allotted and issued upon the exercise of an option will be subject to all the provisions of the Articles for the time being in force and will rank *pari passu* in all respects with the then fully paid Shares in issue on the date on which the option is duly exercised or, if that date falls on a day when the register of members of our Company is closed, the first day of the re-opening of the register of members (the “**Exercise Date**”) and accordingly will entitle the holders thereof to participate in all dividends or other distributions paid or made after the Exercise Date other than any dividend or other distribution previously declared or recommended or resolved

to be paid or made if the record date therefor shall be before the Exercise Date, save that the Shares allotted upon the exercise of any option shall not carry any voting rights until the name of the grantee has been duly entered on the register of members of our Company as the holder thereof.

(l) Rights are personal to grantee

An option shall not be transferable or assignable and must be personal to the respective grantee of the option. The Stock Exchange may consider granting a waiver to allow a transfer of a vehicle (such as a trust or a private company) for the benefit of an Eligible Participant and any family members of such Eligible Participant (for instance, for estate planning or tax planning purposes) that would continue to meet the purpose of the Post-IPO Share Option Scheme and comply with other requirements of Chapter 17 of the Listing Rules. Where such waiver is granted, the Stock Exchange shall require our Company to disclose the beneficiaries of the trust or the ultimate beneficial owners of the transferee vehicle.

(m) Rights on cessation of employment by death

In the event of the death of the grantee (provided that none of the events which would be a ground for termination of employment referred to in (n) below arises within a period of three (3) years prior to the death, in the case the grantee is an Employee Participant at the date of grant), the legal personal representative(s) of the grantee may exercise the option up to the grantee's entitlement (to the extent which has become exercisable and not already exercised) in whole or in part in accordance with the provisions of the Post-IPO Share Option Scheme within a period of 12 months following his death provided that where any of the events referred to in (p), (r) and (t) occurs prior to his death or within such period of 12 months following his death, then his legal personal representative(s) may so exercise the option within such of the various periods respectively set out therein.

(n) Rights on cessation of employment by dismissal

In the event that the grantee is an Employee Participant of our Group at the date of grant and he subsequently ceases to be an employee of our Group on any one or more of the grounds that he has been guilty of persistent or serious misconduct, or has committed an act of bankruptcy or has become insolvent or has made any arrangement or composition with his creditors generally, or has been convicted of any criminal offense (other than an offense which in the opinion of our Directors does not bring the grantee or our Group or the Related Entities into disrepute), or (if so determined by the Board) on any other ground on which an employer would be entitled to

terminate his employment at common law or pursuant to any applicable laws or under the grantee's service contract with our Group, his option shall lapse automatically (to the extent not already exercised) on the date of cessation of his employment with our Group).

(o) Rights on cessation of employment for other reasons

In the event that the grantee is an Employee Participant at the date of grant and he subsequently ceases to be an Employee Participant for any reason other than his death or the termination of his employment of an Employee Participant on one or more of the grounds specified in (n) above, the option (to the extent not already lapsed or exercised) shall lapse on the expiry of three (3) months after the date of cessation of such employment of an Eligible Employee (which date will be in the case of an employee the last actual working day, on which the grantee was physically at work with our Company or the relevant member of our Group whether salary is paid in lieu of notice or not).

(p) Rights on breach of contracts

If in respect of a grantee other than an Employee Participant, our Directors shall at their absolute discretion determine that (i) (1) the grantee or his associate has committed any breach of any contract entered into between the grantee or his associate on the one part and our Group or any Related Entity on the other part; or (2) the grantee has committed any act of bankruptcy or has become insolvent or is subject to any winding-up, liquidation or analogous proceedings or has made any arrangement or composition with his creditors generally; or (3) the grantee could no longer make any contribution to the growth and development of our Group by reason of the cessation of its relations with our Group or by other reason whatsoever; and (ii) the option granted to the grantee under the Post-IPO Share Option Scheme shall lapse as a result of any event specified in sub-paragraphs (1), (2) or (3) above, his option will lapse automatically on the date on which our Directors have so determined.

(q) Effects of alterations to share capital

In the event of any alteration in the capital structure of our Company whilst any option remains exercisable, whether by way of capitalization of profits or reserves, rights issue, open offer, consolidation, subdivision or reduction of the share capital of our Company (other than an issue of Shares as consideration in respect of a transaction to which any member of our Group is a party), such corresponding adjustments (if any) shall be made in the number of Shares subject to the option so far as unexercised; and/or the Exercise Price of any unexercised option, as the auditors of or independent financial adviser to our Company shall certify or confirm in writing (as the case may be) to the Board to be in their opinion fair and reasonable in compliance with the relevant provisions of the Listing Rules (or any guideline or supplemental guideline as may be

issued by the Stock Exchange from time to time), provided that any such alteration shall give a grantee, as near as possible, the same proportion of the issued share capital of our Company as (but in any event shall not be greater than) that to which he was previously entitled, but no adjustment shall be made to the effect of which would be to enable a Share to be issued at less than its nominal value.

(r) *Rights on a general offer*

In the event of a general or partial offer (whether by way of takeover offer, or scheme of arrangement or otherwise in like manner) being made to all our Shareholders (or all such holders other than the offeror and/or any persons controlled by the offeror and/or any person acting in association or concert with the offeror), our Company shall use all reasonable endeavors to procure that an appropriate offer is extended to all the grantees (on comparable terms, *mutatis mutandis*, and assuming that they will become, by the exercise in full of the options granted to them, as Shareholders). If such offer becomes or is declared unconditional, a grantee (or, as the case may be, his legal personal representative(s)) shall be entitled to exercise the option in full (to the extent not already lapsed or exercised) to its full extent or to the extent specified in the grantee's notice to our Company in exercise of his option in accordance with the provisions of the Post-IPO Share Option Scheme at any time thereafter and up to the date of the close of such offer (or any revised offer). Subject to the above, an option will lapse automatically (to the extent not exercised) on the date which such offer (or, as the case may be, revised offer) closed.

(s) *Rights on winding-up*

In the event a notice is given by our Company to our members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall on the same date as or soon after it despatches such notice to each member of our Group give notice thereof to all grantees and thereupon, each grantee (or, as the case may be, his legal personal representative(s)) shall be entitled to exercise all or any of his options at any time not later than two (2) Business Days prior to the proposed general meeting of our Company by giving notice in writing to our Company, accompanied by a remittance for the full amount of the aggregate Exercise Price for the Shares in respect of which the notice is given whereupon our Company shall as soon as possible and, in any event, no later than the Business Day immediately prior to the date of the proposed general meeting referred to above, allot and issue the Relevant Shares to the grantee credited as fully paid.

(t) Rights on compromise or arrangement

In the event of a compromise or arrangement between our Company and our Shareholders or the creditors of our Company being proposed in connection with a scheme for the reconstruction of our Company or its amalgamation with any other company or companies pursuant to the Companies Act, our Company shall give notice thereof to all the grantees (or, as the case may be, their legal personal representatives) on the same day as it gives notice of the meeting to our Shareholders or the creditors to consider such a compromise or arrangement and the options (to the extent not already lapsed or exercised) shall become exercisable in whole or in part on such date not later than two (2) Business Days prior to the date of the general meeting directed to be convened by the court for the purposes of considering such compromise or arrangement (“**Suspension Date**”), by giving notice in writing to our Company accompanied by a remittance for the full amount of the aggregate Exercise Price for the Shares in respect of which the notice is given whereupon our Company shall as soon as practicable and, in any event, no later than 3:00 p.m. on the Business Day immediately prior to the date of the proposed general meeting, allot and issue the Relevant Shares to the grantee credited as fully paid. With effect from the Suspension Date, the rights of all grantees to exercise their respective options shall forthwith be suspended. Upon such compromise or arrangement becoming effective, all options shall, to the extent that they have not been exercised, lapsed and determined. The Board shall endeavor to procure that the Shares issued as a result of the exercise of options hereunder shall for the purposes of such compromise or arrangement form part of the issued share capital of our Company on the effective date thereof and that such Shares shall in all respects be subject to such compromise or arrangement. If for any reason such compromise or arrangement is not approved by the court (whether upon the terms presented to the court or upon any other terms as may be approved by such court), the rights of grantees to exercise their respective options shall with effect from the date of the making of the order by the court be restored in full but only up to the extent not already exercised and shall thereupon become exercisable (but subject to the other terms of the Post-IPO Share Option Scheme) as if such compromise or arrangement had not been proposed by our Company and no claim shall lie against our Company or any of its officers for any loss or damage sustained by any grantee as a result of such proposal, unless any such loss or damage shall have been caused by the act, neglect, fraud or willful default on the part of our Company or any of our officers.

(u) Grantee being a company wholly owned by Eligible Participants

If the grantee is a company wholly owned by one or more Eligible Participants:

- (i) paragraphs (m), (n), (o) and (p) shall apply to grantee and to the option granted to such grantee, *mutatis mutandis*, as if such options had been granted to the relevant Eligible Participant, and such options shall accordingly lapse or fall to be exercisable after the event(s) referred to in paragraphs (m), (n), (o) and (p) shall occur with respect to the relevant Eligible Participant; and
- (ii) the options granted to the grantee shall lapse and terminate on the date the grantee ceases to be wholly owned by the relevant Eligible Participant provided that our Directors may in their absolute discretion decide that such options or any part thereof shall not so lapse or determine subject to such conditions or limitations as they may impose.

(v) Lapse of options

An option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of:

- (i) the expiry of the period referred to in paragraph (h) above;
- (ii) the expiry of the relevant period or the occurrence of the relevant event referred to in paragraphs (m), (n), (o), (p), (r) or (t) above;
- (iii) subject to paragraph (s) above, the date of the commencement of the winding-up of our Company;
- (iv) the occurrence of any serious misconduct, act of bankruptcy, insolvency or entering into of any arrangements or compositions with his creditors generally by the grantee, or conviction of the grantee of any criminal offense involving his integrity or honesty;
- (v) the date on which the Board exercises our Company's right to cancel, revoke or terminate the option on the ground that the grantee commits a breach of paragraph (l);
- (vi) where the grantee is only a substantial shareholder of any member of our Group, the date on which the grantee ceases to be a substantial shareholder of such member of our Group; or

(vii) subject to the compromise or arrangement as referred to in paragraph (s) become effective, the date on which such compromise or arrangement becomes effective.

(w) Cancellation of options granted but not yet exercised

Our Directors shall have the absolute discretion to cancel any options granted but not exercised or lapsed at any time if the Grantee so agreed. Any grantee whose options are canceled pursuant to the aforesaid may be issued new options in accordance with the provisions of the Post-IPO Share Option Scheme, provided that options canceled will be regarded as utilized for the purpose of calculating the General Scheme Limit and the Service Provider Sublimit.

(x) Period of the Post-IPO Share Option Scheme

The Post-IPO Share Option Scheme will remain in force for the Scheme Period which is of ten (10) years commencing on the Adoption Date and shall expire at the close of business on the Business Day immediately preceding the tenth (10th) anniversary thereof, unless terminated earlier by our Shareholders in general meeting.

(y) Alteration to the Post-IPO Share Option Scheme

- (i) Any alterations to the terms and conditions of the Post-IPO Share Option Scheme which are of a material nature or any alterations to the provisions relating to the matters governed by Rule 17.03 of the Listing Rules to the advantage of the Eligible Participants must be approved by our Shareholders in general meeting.
- (ii) Any change to the terms of the option granted to an Eligible Participant must be approved by the Board, the Remuneration Committee, the Independent Non-executive Directors and/or our Shareholders of our Company (as the case may be) if the initial grant of the options was approved by the Board, the Remuneration Committee, the Independent Non-executive Directors and/or our Shareholders of our Company (as the case may be). This requirement does not apply where the alterations take effect automatically under the existing terms of the Post-IPO Share Option Scheme.
- (iii) The amended terms of the Post-IPO Share Option Scheme must still comply with the relevant requirements of Chapter 17 of the Listing Rules.
- (iv) Any change to the authority of our Directors or scheme administrators to alter the terms of the Post-IPO Share Option Scheme must be approved by our Shareholders of our Company in general meeting.

(z) *No clawback mechanism*

Our Company has not established a clawback mechanism to recover or withhold the remuneration (which may include any options granted) to any participants in the event of serious misconduct, a material misstatement in our Company's financial statements or other circumstances.

(aa) *Termination to the Post-IPO Share Option Scheme*

Our Company by resolution in general meeting or the Board may at any time terminate the operation of the Post-IPO Share Option Scheme and in such event no further options will be offered but options granted prior to such termination shall continue to be valid and exercisable in accordance with provisions of the Post-IPO Share Option Scheme.

(bb) *Conditions of the Post-IPO Share Option Scheme*

The Post-IPO Share Option Scheme is conditional upon (i) the Listing Committee granting the listing of, and permission to deal in, the Shares to be issued pursuant to the exercise of any options which may be granted under the Post-IPO Share Option Scheme; and (ii) the commencement of dealings in our Shares on the Stock Exchange.

3. Present status of the Post-IPO Share Option Scheme

Application has been made to the Stock Exchange for the listing of and permission to deal in 21,997,000 Shares which fall to be issued pursuant to the exercise of options which may be granted under the Post-IPO Share Option Scheme.

As of the date of this prospectus, no option has been granted or agreed to be granted under the Post-IPO Share Option Scheme.

F. PRE-IPO RSU PLAN

1. Summary of Terms

Our Company approved and adopted the Pre-IPO RSU Plan on May 14, 2024. The Pre-IPO RSU Plan is not subject to the provisions of Chapter 17 of the Listing Rules as the Pre-IPO RSU Plan does not involve the grant of options by our Company to subscribe for new Shares.

2. *Purposes of the Pre-IPO RSU Plan*

The purposes of the Pre-IPO RSU Plan is to reward the RSU Participants (as defined below) for their contribution to the success of our Group, and to provide incentives to them to further contribute to our Group and to attract suitable personnel for further development to our Group.

For the purposes of the Pre-IPO RSU Plan, “**Board**” means the board of directors of our Company or a duly authorized administration committee thereof or such other committee as the Board may authorize.

3. *Awards*

An award of RSUs under the Pre-IPO RSU Plan (“**Award(s)**”) gives a RSU Participant (as defined below) in the Pre-IPO RSU Plan a conditional right to vest the Award to obtain either Shares or an equivalent value in cash with reference to the market value of the Shares on or about the date of vesting, as determined by the Board in its absolute discretion. An Award may include, if so specified by the Board in its entire discretion, cash and non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions in respect of those Shares from the date that the Award is granted to the date that it vests.

4. *RSU Participants of the Pre-IPO RSU Plan*

Participants of the Pre-IPO RSU Plan (“**RSU Participants**”) may include the following:

- (i) the full-time employees or officers (including executive, Non-executive and Independent Non-executive Directors) of our Company;
- (ii) the full-time employees of any of the subsidiaries of our Company;
- (iii) any suppliers, customers, consultants, agents, advisers that have contributed or will contribute to our Company and/or any of its subsidiaries; and
- (iv) any other person who, in the sole opinion of the Board, has contributed or will contribute to our Company and/or any of its subsidiaries.

5. *Status of the Pre-IPO RSU Plan*

The Pre-IPO RSU Plan is conditional upon:

- (1) the passing of an ordinary resolution by the Shareholders to approve and adopt the Pre-IPO RSU Plan, and to authorize the Directors of our Company to grant Awards and to allot and deal with Shares in connection with the Pre-IPO RSU Plan (such shareholders resolution was passed on May 14, 2024);
- (2) the Stock Exchange granting approval of the listing of and permission to deal in the Shares that are the subject of the Awards that may be granted pursuant to the Pre-IPO RSU Plan; and
- (3) the commencement of dealings in the Shares on the Stock Exchange (collectively, the “**RSU Conditions**”).

6. *Administration of the Pre-IPO RSU Plan*

This Pre-IPO RSU Plan shall be subject to the administration of the Board in accordance with the rules of the Pre-IPO RSU Plan. The Board has the power to construe and interpret the rules of the Pre-IPO RSU Plan and the terms of the Awards granted hereunder. Any decision of the Board or the authorized administration committee made in accordance with the rules of the Pre-IPO RSU Plan shall be final and binding on all parties, provided in each case that such decision is made in accordance with the Articles and any applicable laws.

7. *Term of the Pre-IPO RSU Plan*

Subject to the RSU Conditions being satisfied and the termination provisions, the Pre-IPO RSU Plan shall be valid and effective for the period of three (3) years commencing on the date of adoption (the “**Term of the RSU Plan**”), after which no further Awards will be granted, but the provisions of the Pre-IPO RSU Plan shall in all other respects remain in full force and effect and the Awards that are granted during the Term of the RSU Plan may continue to be exercisable in accordance with their terms of grant.

8. *Maximum number of Shares available for grant*

(i) *Plan Limit*

Subject to sub-paragraph 7(ii) below, the maximum number of Shares underlying all Awards made pursuant to the Pre-IPO RSU Plan (excluding Awards that have lapsed or have been canceled in accordance with paragraphs 16 and 17 shall not exceed 2.90% of the number of Shares in issue immediately upon completion of the Global Offering (assuming the Over-Allotment Option is not exercised and without taking into account Shares that may be allotted and issued upon exercise of options granted under the Pre-IPO Share Option Scheme and Post-IPO Share Option Scheme, and vesting of RSUs granted under the Pre-IPO RSU Plan and Post-IPO RSU Plan), that is 12,770,000 Shares (the “**RSU Plan Limit**”).

(ii) *Refresh of plan limit*

Our Company may seek approval by our Shareholders in general meeting for refreshing the RSU Plan Limit, provided that the total number of Shares that underlie the Awards granted following the date of approval of the refreshed limit under the refreshed limit as refreshed from time to time must not exceed 10% of the total number of Shares in issue as at the date of approval of the refreshed RSU Plan Limit. Shares underlying the RSUs previously granted under the Pre-IPO RSU Plan, whether outstanding, canceled, lapsed in accordance with its applicable rules or already vested, will not be counted for the purpose of calculating the limit as refreshed.

9. *Grant of Award*

On and subject to the terms of the Pre-IPO RSU Plan and the terms and conditions that the Board imposes pursuant to the Pre-IPO RSU Plan, the Board shall be entitled at any time during the life of the Pre-IPO RSU Plan to make a grant to any RSU Participant (the “**Grantee**”) as the Board may in its absolute discretion determine.

Awards may be granted on such terms and conditions (e.g. by linking the vesting of the RSUs to the attainment or performance of milestones by any member of our Group, a particular RSU Participant or any group of RSU Participants as the Board may determine) provided that such terms and conditions shall not be inconsistent with any other terms and conditions of the Pre-IPO RSU Plan.

A grant shall be made to a RSU Participant by a letter and/or any such notice or document in such form as the Board may from time to time determine (“**RSU Grant Letter**”) and such grant shall be subject to the terms as specified in the Pre-IPO RSU Plan. The RSU Participant shall undertake to hold the Award on the terms on which it is granted and be bound by the provisions of

the Pre-IPO RSU Plan. Such Award shall remain open for acceptance by the RSU Participant to whom a grant is made for a period to be determined by the Board, provided that no such grant shall be open for acceptance after the fifth anniversary of the Adoption Date of the Pre-IPO RSU Plan or after the Pre-IPO RSU Plan has been terminated in accordance with the provisions of the Pre-IPO RSU Plan.

10. Acceptance of Grant

A grant of Award shall be deemed to have been accepted when in respect of a Board Lot or an integral multiple thereof, is such manner as specified in the RSU Grant Letter.

11. Restrictions on grants

The Board shall not grant any Award to any RSU Participant in any of the following circumstances:

- (i) the requisite approvals for such grant from any applicable regulatory authorities have not been obtained;
- (ii) the securities laws or regulations require that a prospectus or other offering documents be issued in respect of the grant of Awards or in respect of the Pre-IPO RSU Plan, unless the Board determines otherwise;
- (iii) the grant would result in a breach by our Group or any of its Directors or senior management of any applicable laws, regulations or rules; or
- (iv) the grant would result in breach of the Pre-IPO RSU Limit or other rules of the Pre-IPO RSU Plan.

12. Rights attached to Awards

A Grantee does not have any rights of a Shareholder in any Shares underlying the Awards unless and until these Shares are actually allotted and issued or transferred (as the case may be) to the Grantee from the Administrator (as defined below) upon the vesting of the RSUs. Furthermore, a Grantee may not exercise any voting right in respect of the Shares underlying the RSUs, unless otherwise specified by the Board in its sole discretion in the RSU Grant Letter addressed to the Grantee, nor do they have any rights to any cash or non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions from any Shares underlying the Awards.

13. *Rights attached to Shares*

Any Shares allotted and issued, or transferred to a Grantee upon vesting of RSUs shall be subject to the Articles and will rank pari passu in all respects with the existing fully paid Shares in issue on the date of the allotment and issuance or transfer, or if that date falls on a day when the register of members of our Company is closed, the first day of the reopening of the register of members, and accordingly will entitle the Grantee to participate in all dividends or other distributions paid or made on or after the date of allotment and issuance or transfer of Shares, or if that date falls on a day when the register of members of our Company closed, the first day of the reopening of the register of members, other than any dividends or distributions previously declared, recommended or resolved to be paid or made if the record date is before the date of allotment and issuance or transfer.

14. *Awards to be personal to the Grantees*

Awards granted pursuant to the Pre-IPO RSU Plan shall be personal to each Grantee and shall not be assignable or transferable, except assignment or transfer from each Grantee to a company wholly owned by him or between two companies both of which are wholly owned by him. Notwithstanding the above, the Grantees are prohibited from selling, transferring, assigning, charging, mortgaging, encumbering, hedging or creating any interest in favor of any other person over or in relation to any property held by the Administrator (as defined below) on trust for the Grantees, Awards, Shares underlying any Awards or any interest or benefits therein.

15. *Vesting*

Subject to the terms of the Pre-IPO RSU Plan and the specific terms and conditions applicable to each Award, the RSUs granted in an Award shall be subject to a vesting period, to the satisfaction of performance and/or other conditions to be determined by the Board. If such conditions are not satisfied, the RSU shall be canceled automatically on the date on which such conditions are not satisfied, as determined by the Board in our absolute discretion.

The RSUs which have vested shall be satisfied, at our Company's absolute discretion, either by:

- (i) our Company allotting and issuing a fully paid-up Share to the Grantee for each RSU. Our Company shall accordingly issue to the Grantee (or, as the case may be, his legal representative(s) or its custodian agent) share certificates in respect of Shares so allotted and issued. Any issue of Shares to a Grantee shall be subject to the applicable laws, regulations, rules and requirements of any relevant country or jurisdiction;

- (ii) our Company appointing an administrator to assist with the administration and vesting of RSUs granted pursuant to the Pre-IPO RSU Plan (the “**Administrator**”). Our Company may:
 - (a) allot and issue Shares to the Administrator to be held by the Administrator pending the vesting of the RSUs awarded which will be used to satisfy the RSUs upon vesting at our Company’s direction; and/or
 - (b) direct and procure the Administrator to make on-market purchases of Shares to satisfy the RSUs upon vesting at our Company’s direction;
- (iii) directing and procuring the Administrator to transfer the Shares underlying the Award (and, if applicable, the cash or non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions in respect of those Shares) to the Grantee from the assets consisting of the Shares acquired by the Administrator under the Pre-IPO RSU Plan held by the Administrator pursuant to the Pre-IPO RSU Plan (the “**RSU Fund**”) which the Administrator has either acquired by making on-market purchases of Shares or which our Company has allotted and issued to the Administrator as fully paid up Shares; and/or
- (iv) paying, or directing and procuring the Administrator to pay, to the Grantee in cash an amount which is equivalent to the value of the Shares (and, if applicable, the cash or non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions in respect of those Shares) set out in sub-paragraph (iii) above.

16. Acceleration of Vesting

The Board has the sole discretion to determine, at any time, whether to accelerate the vesting of any RSUs granted to any Grantee for various considerations as set out below.

(i) Rights on a takeover

In the event a general offer by way of takeover, merger or otherwise in a like manner (other than by way of scheme of arrangement as set out in paragraph (ii) below) is made to all the Shareholders (or such Shareholders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror) and the general offer to acquire the Shares is approved and becomes or is declared unconditional in all respects prior to the vesting date of any RSU, the RSUs of the Grantee(s) will vest immediately to the extent specified in a notice given by our Company.

(ii) Rights on a scheme of arrangement

In the event a general offer for Shares by way of scheme of arrangement is made by any person to all the Shareholders and has been approved by the necessary number of Shareholders at the requisite meetings prior to the vesting of any RSU, the RSUs of the Grantee(s) will vest immediately to the extent specified in a notice given by our Company.

(iii) Rights on a compromise or arrangement

If a compromise or arrangement between our Company and its Shareholders and/or creditors is proposed in connection with a scheme for the reconstruction of our Company or its amalgamation with any other company or companies, and a notice is given by our Company to its Shareholders to convene a general meeting to consider and if thought fit approve such compromise or arrangement prior to the vesting of RSUs by the Grantee(s), the RSUs of the Grantee(s) will vest immediately to the extent specified in a notice given by our Company.

(iv) Rights on a voluntary winding-up

In the event that an effective resolution is passed during the period of five (5) years commencing on the Adoption Date of the Pre-IPO RSU Plan for voluntarily winding-up of our Company (other than for the purposes of a reconstruction, amalgamation or scheme of arrangement as set out above), prior to the vesting of any RSU, the RSUs of the Grantee(s) will vest immediately to the extent specified in a notice given by our Company provided that all unvested RSUs must be vested and effected by no later than one business day before the day of the proposed general meeting to be convened for the purpose of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company (or to pass written resolutions of the Shareholders to the same effect).

17. Lapse of RSUs

An unvested RSU shall be canceled automatically upon the earliest of:

- (i) the date of the termination of the Grantee's employment or service by our Company or any of its subsidiaries for Cause (as defined below); or
- (ii) the date on which the offer (or, as the case may be, revised offer) referred to in paragraph 15(i) closes; or
- (iii) the record date for determining entitlements under the scheme of arrangement; or

- (iv) the date of the commencement of the winding-up of our Company; or
- (v) the date on which the Grantee commits a breach of paragraph 13; or
- (vi) the date on which it is no longer possible to satisfy any outstanding conditions to vesting.

If the Grantee's employment or service with our Company or its subsidiaries is terminated for any reason other than for Cause (as defined below) (including by reason of resignation, retirement, death, disability or non-renewal of the employment or service agreement upon its expiration for any reason other than for Cause), the Board shall determine at its absolute discretion and shall notify the Grantee whether any unvested RSU granted to such Grantee shall vest and the period within which such RSU shall vest. If the Board determines that such RSU shall not vest, such RSU shall be canceled automatically with effect from the date on which the Grantee's employment or service is terminated.

For the purpose of the Pre-IPO RSU Plan, "**Cause**" means, with respect to a Grantee, the summary termination of employment or office on any one or more of the following grounds: the Grantee has been guilty of misconduct, or has been convicted of any criminal offense involving his integrity or honesty or (if so determined by the Board in its absolute discretion) on any other ground on which the relevant company in our Group would be entitled to terminate his employment or office summarily at common law or pursuant to any applicable laws or under the Grantee's service contract with the relevant company in our Group. Notwithstanding the foregoing, a resolution of the Board or the board of directors of the relevant subsidiary of our Company to the effect that the employment or office of a Grantee has or has not been terminated on one or more of the grounds specified herein shall be conclusive.

The Board may at any time cancel any unvested RSUs granted to a Grantee subject to consent by the Grantee. Where our Company cancels unvested RSUs and makes a grant of new Awards to the same Grantee, such grant may only be made with available RSUs to the extent not yet granted (excluding the canceled RSUs) within the limits. Notwithstanding the aforesaid in this paragraph, in each case, the Board may in its absolute discretion decide that any RSU shall not be canceled or determined subject to such conditions or limitations as the Board may decide.

18. Cancellation of RSUs

The Board may at its sole discretion cancel any RSU that has not vested or lapsed, provided that:

- (i) our Company or its appointees pay to the Grantee an amount equal to the fair value of the RSU at the date of the cancellation as determined by the Board, after consultation with an independent financial adviser appointed by the Board;
- (ii) our Company or its appointees provides to the Grantee a replacement RSU of equivalent value to the RSU to be canceled; or
- (iii) the Board makes any arrangement as the Grantee may agree in order to compensate him for cancellation of the RSU.

19. Reorganization of Capital Structure

In the event of an alteration in the capital structure of our Company whilst any RSU has not vested by way of capitalization of profits or reserves, bonus issue, rights issue, open offer, subdivision or consolidation of shares, reduction of the share capital of our Company or otherwise howsoever in accordance with legal requirements and requirements of the Stock Exchange (other than an issue of Shares as consideration in respect of a transaction to which our Company or its subsidiaries is a party or in connection with any share option, restricted share unit or other equity incentive schemes of our Group or in the event of any distribution of our Company's capital assets to its Shareholders on a pro rata basis (whether in cash or in specie) (other than dividends paid out of the net profits attributable to its Shareholders for each financial year of our Company), such corresponding alterations (if any) shall be made to the number or nominal amount of Shares subject to the RSUs so far as unvested as the auditors or an approved independent financial adviser shall certify in writing, either generally or as regard any particular Grantee, to have in their opinion, fairly and reasonably satisfied the requirement that such adjustments give the Grantee the same proportion (or rights in respect of the same proportion) of the share capital as that to which that Grantee was previously entitled, but that no such adjustments be made to the extent that a Share would be issued at less than its nominal value. The capacity of the auditors or the approved independent financial adviser in this paragraph is that of experts and not of arbitrators and their certification shall, in absence of manifest error, be final and binding on our Company and the Grantees. The costs of the auditors or the approved independent financial adviser shall be borne by our Company.

20. *Alteration or Amendment of the Pre-IPO RSU Plan*

Save for any material amendments to the Pre-IPO RSU Plan, the Pre-IPO RSU Plan may be altered in any respect by a resolution of the Board. The Board's determination as to whether any proposed alteration to the terms and conditions of the Pre-IPO RSU Plan is material shall be conclusive.

Any alteration to the terms and conditions of the Pre-IPO RSU Plan, which is of a material nature, or any change to the terms of any Award granted or agreed to be granted must be approved by the Shareholders in a general meeting, except where such alterations take effect automatically under the existing terms of the Pre-IPO RSU Plan.

Shareholder in general meeting must approve any change to the authority of the Board in relation to any alteration to the terms of the Pre-IPO RSU Plan.

21. *Termination of the Pre-IPO RSU Plan*

Our Company by ordinary resolution in general meeting or the Board may at any time terminate the operation of the Pre-IPO RSU Plan and in such event no further RSUs will be offered but in all other respects the provisions of the Pre-IPO RSU Plan shall remain in full force and effect in respect of RSUs which are granted during the life of the Pre-IPO RSU Plan and which remain unvested immediately prior to the termination of the operation of the Pre-IPO RSU Plan.

22. *General*

An application has been made to the Stock Exchange for the listing of, and permission to deal in, new Shares which may be issued pursuant to any Awards granted pursuant to the Pre-IPO RSU Plan.

Save as disclosed in this section under paragraphs headed "F. Pre-IPO RSU Plan — Details of the Grantees under the Pre-IPO RSU Plan", no Award has been granted by our Company to any other Director, senior management, connected person and other Grantee.

Our Company will issue announcements according to the applicable Listing Rules, disclosing particulars of any Awards granted under the Pre-IPO RSU Plan, including the date of grant, number of Shares involved, the vesting period, the appointment and arrangement with the Administrator and compliance with Chapter 14A of the Listing Rules. Details of the Pre-IPO RSU Plan, including particulars and movements of the Awards granted during each financial year of our Company, and our employee related costs arising from the grant of the Awards will be disclosed in our annual and interim reports.

23. Potential Dilution Effect

The maximum aggregate number of Shares underlying all grants of RSUs pursuant to the Pre-IPO RSU Plan is 12,770,000. The grant of 12,770,000 Shares could incur a dilution of approximately 2.90% of the shareholding of the Shareholders immediately following the Listing (without taking into account any Shares to be issued upon the exercise of the Over-Allotment Option, exercise of options granted under the Pre-IPO Share Option Scheme and the Post-IPO Share Option Scheme, and vesting of RSUs granted under the Post-IPO RSU Plan).

Outstanding RSUs

As of the date of this prospectus, we had granted an aggregate of 12,770,000 RSUs to three Grantees under the Pre-IPO RSU Plan and no more Awards will be granted under the Pre-IPO RSU Plan after the Listing all of whom are our Directors. Two of the Grantees have been granted RSUs representing more than 0.1% of the issued share capital of our Company upon completion of the Global Offering (assuming the Over-Allotment Option is not exercised, and without taking into account any Shares to be issued upon the exercise of options granted or to be granted under the Pre-IPO Share Option Scheme and Post-IPO Share Option Scheme, and vesting of RSUs granted under the Pre-IPO RSU Plan and Post-IPO RSU Plan). The total number of Shares underlying the 12,770,000 RSUs represents approximately 2.90% of the enlarged share capital of our Company upon completion of the Global Offering (assuming the Over-Allotment Option is not exercised, and without taking into account any Shares which may be issued upon the exercise of the options under the Pre-IPO Share Option Scheme and Post-IPO Share Option Scheme and vesting of RSUs granted under the Post-IPO RSU Plan). As of the date of this prospectus, no Share had been allotted and issued under the Pre-IPO RSU Plan.

Assuming full vesting of the outstanding RSUs granted under the Pre-IPO RSU Plan (assuming the Over-Allotment Option is not exercised, and without taking into account any Shares to be issued upon the exercise of options granted or to be granted under the Pre-IPO Share Option Scheme and Post-IPO Share Option Scheme, and vesting of RSUs granted under the Post-IPO RSU Plan), the shareholding of our Shareholders immediately following the Listing will be diluted by approximately 2.82%. If the RSUs granted under the Pre-IPO RSU Plan are vested, there would be

a dilutive effect on the earnings per Share of our Company. For example, assuming, among others, all RSUs underlying 12,770,000 Shares that may be granted under the Pre-IPO RSU Plan were granted and vested on 1 January 2024, our earnings per Share would decrease from RMB0.158 to RMB0.153, a dilutive effect of RMB0.005 per Share. See the table below for an explanation of the above illustrated example.

Profit attributable to the equity holders of our Company for	
FY2023	RMB69,403,000
Basic earnings per share for FY2023	RMB0.158 <i>Note 1</i>
Diluted earnings per share for FY2023	RMB0.153 <i>Note 2</i>

Notes:

1. The calculation of the unaudited pro forma basic earnings per share for FY2023 is based on the profit attributable to the equity holders of our Company for FY2023 and 439,940,000 Shares being issued assuming the Global Offering were completed on 1 January 2024 (assuming the Over-Allotment Option was not exercised and without taking into account any Shares to be issued pursuant to exercise of share options granted under the Pre-IPO Share Option Scheme and Post-IPO Share Option Scheme, and vesting of RSUs granted under the Pre-IPO RSU Plan and Post-IPO RSU Plan).
2. The calculation of the unaudited pro forma diluted earnings per share for FY2023 is based on the profit attributable to the equity holders of our Company for FY2023 and 439,940,000 Shares being issued, assuming the Global Offering were completed on 1 January 2024 (assuming the Over-Allotment Option was not exercised and without taking into account of any Shares to be issued pursuant to exercise of share options granted under the Pre-IPO Share Option Scheme and Post-IPO Share Option Scheme, and vesting of RSUs granted under the Post-IPO RSU Plan) and the RSUs underlying 12,770,000 Shares under the Pre-IPO RSU Plan are all granted and vested on 1 January 2024, without taking into account of the related expense recognized in profit or loss for these RSUs.

Details of the Grantees under the Pre-IPO RSU Plan

All three Grantees under the Pre-IPO RSU Plan are our Directors, and they have been granted RSUs under the Pre-IPO RSU Plan to subscribe for a total of 12,770,000 Shares, representing approximately 2.90% of the issued share capital of our Company upon completion of the Global Offering (assuming the Over-Allotment Option is not exercised, and without taking into account any Shares to be issued upon the exercise of options granted or to be granted under the Pre-IPO Share Option Scheme and Post-IPO Share Option Scheme, and vesting of RSUs granted under the Pre-IPO RSU Plan and Post-IPO RSU Plan).

Below is the relevant information regarding our Directors who are Grantees under the Pre-IPO RSU Plan:

Name of Grantee	Position held with our Group	Address	Consideration Paid for the Grant	Number of Shares underlying RSUs Granted	Date of Grant	Approximate Percentage of Shareholding Immediately after Completion of the Global Offering
Liu Yong (劉勇) ⁽³⁾	Chairman of the Board and executive Director	2B, Building 2, Shanhai Cuilu, Liwan Road, Nanshan District, Shenzhen City, Guangdong Province, PRC	Nil	6,166,000	May 14, 2024	1.40%
Li Qin (李勤) ⁽³⁾	Executive Director and chief executive officer	Room 2803, Building A, Yulongyuan, No. 3058, Nanxin Road, Nanshan District, Shenzhen City, Guangdong Province, PRC	Nil	5,279,000	May 14, 2024	1.20%
Cheung Man Yu (張文宇) ⁽³⁾	Executive Director, chief financial officer and company secretary	RM 10, 31/F, Lung Sing House, Kam Lung Court, Ma On Shan, NT, Hong Kong	Nil	1,325,000	May 14, 2024	0.30%
				12,770,000		2.90%

Notes:

1. The nominal value of Shares is subject to amendment as a result of any sub-division, consolidation, reclassification or reconstruction of the share capital of our Company from time to time. As of the date of grant, the nominal value of the Share was US\$0.01.
2. The above table assumes 439,940,000 Shares are issued and outstanding as of completion of the Global Offering, but without taking into account any Shares to be issued upon vesting of options granted under the Pre-IPO Share Option Scheme and Post-IPO Share Option Scheme, and any Shares to be issued pursuant to exercise of RSUs granted under the Pre-IPO RSU Plan and Post-IPO RSU Plan.
3. A connected person under the Listing Rules.

Consideration paid for the grant of RSUs and the vesting period of the RSUs granted under the Pre-IPO RSU Plan

The Grantees of the RSUs granted under the Pre-IPO RSU Plan as referred to in the tables above are not required to pay for the grant of any RSU or for the Shares to be issued under the Pre-IPO RSU Plan.

The 12,770,000 RSUs were granted on May 14, 2024 to the named Grantees set out in the tables above, they shall be fully vested by 180 days after the Listing Date.

We shall ensure compliance with the minimum public float requirement in Rule 8.08 of the Listing Rules.

G. POST-IPO RSU PLAN

We conditionally approved and adopted the Post-IPO RSU Plan on May 14, 2024, which will become effective subject to (i) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the new Shares underlying the awards of RSUs which may be granted pursuant to the Post-IPO RSU Plan (“Post-IPO Awards”) and (ii) the commencement of trading of the Shares on the Main Board of the Stock Exchange.

The following is a summary of the principal terms of the Post-IPO RSU Plan. It does not form part of, nor is it intended to be part of the rules of the Post-IPO RSU Plan and it would not be taken as affecting the interpretation of the rules of the Post-IPO RSU Plan required to be included in the Post-IPO RSU Plan pursuant to the Listing Rules.

1. Objectives of the Post-IPO RSU Plan

The objectives of the Post-IPO RSU Plan are (i) to recognize the contributions by the Grantees and to give incentives thereto in order to retain them for the continual operation and development of our Group; and (ii) to attract suitable personnel for further development of our Group.

2. Eligible Participants

Eligible Participants under the Post-IPO RSU Plan include any Employee Participant, Related Entity Participant or a Service Provider who are selected by the Board or the Remuneration Committee at its sole discretion from time to time and permissible under applicable laws and regulations (including Listing Rules).

The Board or the Remuneration Committee may, within the Applicable Period, determine the Eligible Participant(s) to receive the Post-IPO Award(s) under the Post-IPO RSU Plan at its discretion in accordance with the provisions set out in the Post-IPO RSU Plan (“**Selected Person(s)**”) to participate the Post-IPO RSU Plan. Unless being so selected, no person shall be entitled to participate in the Post-IPO RSU Plan. The Board or the Remuneration Committee has full discretion to determine, from time to time, the basis of eligibility of any Selected Person for participation in the Post-IPO RSU Plan and the grant of Post-IPO Awards based on factors including, among other things, the present and expected contribution of the relevant Eligible Participants to the development of our Group, the general financial conditions of our Group, our Group’s overall business objectives and future development plan, and any other factors as the Board or the Remuneration Committee deems appropriate.

Any person(s) (whether a natural person, a corporate entity or otherwise) who provides services to our Group on a continuing or recurring basis in its ordinary and usual course of business which are in the interests of the long-term growth of our Group, and meets with the eligibility criteria as stipulated in the paragraph below (the “**Service Providers**”). For the avoidance of doubt, persons under the following categories do not belong to Service Providers: (i) placing agents or financial advisers providing advisory services for fund-raising, mergers or acquisitions; and (ii) professional service providers (such as auditors or valuers) who provide assurance or are required to perform their services with impartiality and objectivity.

In addition and without prejudice to the preceding paragraph, only Service Providers of the following categories may qualify as Selected Persons:

- (a) supplier of products or services, including suppliers, advisors, consultants, agents or other professional firms with expertise in the provision of software and information technology services, technical services and/or advisory services in relation to the development and publishing of mobile and personal computer games of our Group. When considering eligibility of, and the terms of grant to the Service Providers under this category, the Board or the Remuneration Committee will consider, among other things: (a) the nature, scope and frequency of products and/or services supplied; (b) the reliability and quality of products and/or services supplied; and (c) their potential and/or actual contribution or significance to the financial performance and business development of our Group, evaluated in terms of the revenue generated from such supply, the aggregate supply volume, the procurement cost, the contract value and the relative concentration in the particular supply category for the relevant engagement period (or the corresponding growth rate comparing with that of the preceding period);
or

- (b) business partners, including distributors, joint venture partners or other contractual parties, which may be entities in the games industry that collaborate with our Group on continuing or discrete consulting projects. When considering eligibility of, and the terms of Grant to the Service Providers under this category, the Board or the Remuneration Committee will consider, among other things: (a) the nature and scope of the collaborating projects; (b) their knowledge, expertise, knowhow and network in the industry; and (c) their potential and/or actual contribution or significance to the financial performance and business development of our Group, evaluated in terms of the revenue generated from such engagement, the expenses in establishing and maintaining collaboration, the contract value and the number or variety of deliverables produced from such engagement for the relevant engagement period (or the corresponding growth rate comparing with that of the preceding period),

who are, or anticipated to be going forward, significant suppliers of products or services or business partners, or otherwise significant to our Group's business. Such persons may be remunerated with equity incentives to align the long-term interests of such persons with our Group.

In assessing the eligibility of any Service Provider and whether such Service Provider provides services on a continuing or recurring basis in our Group's ordinary and usual course of business, the Board or the Remuneration Committee shall consider whether the frequency of the services provided by a Service Provider is akin to that of its regular employees. Relevant factors will be considered as appropriate, including, among others, the following:

- (a) the type(s) of services the Service Provider had performed for our Group in the past 12 months;
- (b) the industry experience of the Service Provider;
- (c) the period of engagement of the Service Provider, including whether the Service Provider had entered into a technical and/or consultancy agreement with our Group in the past 12 months with a term of no less than 2 years; and
- (d) the Service Provider's contribution and/or future contribution to the development and growth of our Group with reference to, among other metrics, R&D, engineering or technical contribution, the design, development, manufacturing or distribution of products/services provided by our Group, or otherwise contribute significantly to the growth of our Group's financial or business performance, based on quantitative performance indicators to be determined by the Board or the Remuneration Committee on a case-by-case basis.

3. Plan Limits

(a) *Mandate Limit*

No Post-IPO Award shall be granted pursuant to the Post-IPO RSU Plan if as a result of such grant (assumed accepted), the aggregate number of Shares underlying all grants made pursuant to the Post-IPO RSU Plan (excluding Post-IPO Awards that have lapsed or been canceled in accordance with the rules of the same Scheme) and all other share schemes as adopted by our Company from time to time shall exceed 21,997,000 Shares, representing 5.0% of the number of Shares immediately upon completion of the Capitalization and the Global Offering (assuming the Over-Allotment Option is not exercised and without taking into account any Shares to be issued upon the exercise of any options granted under the Pre-IPO Share Option Scheme and Post-IPO Share Option Scheme, and vesting of RSUs granted under the Pre-IPO RSU Plan and Post-IPO RSU Plan) (the “**Post-IPO Mandate Limit**”).

(b) *Service Provider Sub-limit*

No Post-IPO Award shall be granted to any Service Provider pursuant to the Post-IPO RSU Plan if as a result of such grant (assumed accepted), the aggregate number of Shares underlying all grants made to the Service Providers pursuant to the Post-IPO RSU Plan (excluding Post-IPO Awards that have lapsed in accordance with the rules of the Post-IPO RSU Plan) and all other share schemes adopted by our Company granting options and/or awards to the Service Providers as adopted by our Company from time to time shall exceed 4,399,000 Shares, representing 1% of the number of Shares immediately upon completion of the Capitalization and the Global Offering (the “**Service Provider Sub-limit**”, together with the Post-IPO Mandate Limit, the “**Limits**”).

(c) *Renewal of Limits*

Each of the Post-IPO Mandate Limit and the Service Provider Sub-limit may be refreshed after three (3) years from the date of approval of the Limits by the Shareholders at a general meeting or the date of approval of the last refreshment (as the case may be), subject to prior approval from the Shareholders of our Company. Any refreshment of each of the Post-IPO Mandate Limit and the Service Provider Sub-limit within any three-year period must be approved by the independent Shareholders of our Company, with all the Controlling Shareholders and their associates (or if there is no Controlling Shareholder, Directors (excluding Independent Non-executive Directors) and the chief executive of our Company and their respective associates) abstaining from voting in favor of the relevant resolution at the general meeting.

In any event, the total number of Shares that may underlie the Post-IPO Awards granted following the date of approval of the refreshed Post-IPO Mandate Limit and Service Provider Sub-limit (the “**New Approval Date**”) and any grant made pursuant to other share schemes adopted by our Company must both not exceed 10% of the number of Shares in issue as of the New Approval Date. Shares underlying the Post-IPO Awards granted under the Scheme (including those outstanding, canceled or vested Post-IPO Awards) or any grant made pursuant to other share schemes (including those outstanding, canceled or vested awards granted) prior to the New Approval Date will not be counted for the purpose of calculating the Limits to be refreshed.

4. Duration and Administration

Subject to the conditions therein, the Post-IPO RSU Plan shall be valid and effective for ten (10) years from the date on which the Post-IPO RSU Plan is duly approved and adopted by our Company (the “**Adoption Date**”) (the “**Applicable Period**”), after which period no further Post-IPO Awards shall be granted or accepted, but the provisions of the Scheme shall remain in full force and effect in order to give effect to the vesting of Post-IPO Awards granted and accepted prior to the expiration of the Applicable Period.

The Post-IPO RSU Plan shall be subject to the administration of the Board in accordance with the rules of the Post-IPO RSU Plan. The Board has the power to construe and interpret the rules of the Post-IPO RSU Plan and the terms of the Post-IPO Awards granted hereunder. Any decision of the Board made in accordance with the rules of the Post-IPO RSU Plan shall be final and binding, provided in each case that such decision is made in accordance with the Articles and any applicable laws.

The Board may delegate the authority to administer the Post-IPO RSU Plan to the Remuneration Committee.

The Board may appoint a professional trustee, or any additional or replacement professional trustee or professional trustees, who is/are an Independent Third Party(ies) (the “**RSU Trustee**”), to administer the granting and vesting of Post-IPO Awards granted to the Grantees pursuant to the Post-IPO RSU Plan. Subject to compliance with the laws of the Cayman Islands and the Articles of Association of our Company, our Company shall provide such assistance as may be appropriate or necessary to enable the RSU Trustee to satisfy its obligations in connection with the administration and vesting of Post-IPO Awards granted to the Grantees pursuant to the Post-IPO RSU Plan.

5. Restrictions on Grants

The maximum number of Shares which may be awarded to any one Selected Person under the Scheme may not exceed 1% of the issued share capital of our Company, taking into account of the Shares issued and to be issued in respect of all options and awards granted to such Grantee under all share schemes adopted by our Company in aggregate (excluding any Post-IPO Awards lapsed in accordance with terms of the Scheme) in the 12-month period up to and including the date of relevant grant (the “**Individual Limit**”), unless such grant is otherwise separately approved by the Shareholders in general meeting, with such Grantee and his close associates (or associates if the participant is a connected person) abstaining from voting.

The Board or the Remuneration Committee shall not grant any Post-IPO Award to any Selected Person in any of the following circumstances:

- (a) the requisite approvals for such grant from any applicable regulatory authorities have not been obtained;
- (b) the securities laws or regulations require that a prospectus or other offering documents be issued in respect of the grant of Post-IPO Award(s) or in respect of the Scheme, unless the Board determines otherwise;
- (c) the grant would result in a breach by our Group or any of its directors or senior management of any applicable laws, regulations or rules, including but not limited to the Model Code for Securities Transactions by Directors of Listed Issuers prescribed by the Listing Rules and the SFO;
- (d) the grant would result in breach of the Post-IPO Mandate Limit or the Service Provider Sub-limit (as set out in paragraphs 3(a) and (b) above) or other rules of the Scheme; or

(e) after an event involving inside information in relation to affairs or securities of our Company has occurred or a matter involving inside information in relation to the securities of our Company has been the subject of a decision or come to our Company's knowledge, until (and including) the trading day after such price sensitive information has been announced by our Company in accordance with the requirements of the Listing Rules. In particular, during the period commencing one month immediately preceding the earlier of:

- (i) the date of the meeting of the Board (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and
- (ii) the deadline for our Company to publish an announcement of its results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules),

and ending on the date of the results announcement; and for the avoidance of doubt, no Post-IPO Award may be made during any period of delay in publishing a results announcement.

Without prejudice to the foregoing, if any Post-IPO Award is proposed to be granted to a Director, it shall not be granted on any day on which the financial results of our Company are published and during the period of:

- (a) 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and
- (b) 30 days immediately preceding the publication date of the quarterly results (if any) and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results.

6. Grants to Connected Persons

Any grant of a Post-IPO Award to any Director, chief executive or substantial shareholder of our Company, any of their respective associates, or any other connected person, shall be subject to the prior approval of the Independent Non-executive Directors (excluding the Independent Non-executive Director who is the proposed Grantee of such Post-IPO Awards) and shall otherwise be subject to compliance with the requirements of the Listing Rules.

Where any grant of Post-IPO Award to:

- (a) a Director (other than an Independent Non-executive Director) or chief executive of our Company or any of his associates would result in the Shares issued and to be issued in respect of all awards granted to such Grantee under all share awards schemes adopted by our Company in aggregate (excluding any awards lapsed in accordance with the terms of the respective share schemes) in the 12-month period up to and including the date of such grant, representing in aggregate over 0.1% of the issued share capital of our Company; or
- (b) an Independent Non-executive Director or substantial shareholder of our Company, or any of his associates would result in the Shares issued and to be issued in respect of all options and awards granted to such person under all share schemes adopted by our Company (excluding any options or awards lapsed in accordance with the terms of the respective share schemes) in the 12-month period up to and including the date of such grant, representing in aggregate over 0.1% of the issued share capital of our Company,

such further grant of Post-IPO Awards must be approved by Shareholders in general meeting in the manner set out in the Listing Rules, with such Grantee, his associates and all core connected persons of our Company abstaining from voting in favor at such general meeting.

7. Vesting of Post-IPO Awards

The Board or the Remuneration Committee has the sole discretion to determine the vesting schedule and vesting criteria (if any), which may include performance target(s) and clawback provisions, for any grant of Post-IPO Award(s) to any Grantee.

Performance Targets & Clawback Mechanism

Such performance targets may include: (i) aggregate amount of revenue of our Group generated by the Selected Person for the relevant financial year; (ii) compound annual growth rate on audited consolidated revenue of our Group for the relevant financial as compared to the immediately preceding financial year; and/or (iii) other targets to be determined in the sole discretion of the Board or the Remuneration Committee. For the avoidance of doubt, the Post-IPO RSU Plan does not specify any performance targets and hence save as determined by the Board or the Remuneration Committee in its sole discretion and provided in the relevant Grant Letter, there is no performance target which must be achieved by the Selected Persons before any of the Shares can be vested.

Grounds on which such clawback mechanism may be triggered include: (i) resignation unilaterally and failure to meet the termination notice period requirements; (ii) being fired for violating our Company's relevant regulations and labor discipline; (iii) been charged, convicted or held liable for any offense under the relevant securities laws in Hong Kong or any other applicable laws or regulations in force from time to time; (iv) breach of material regulations such as non-competition, confidentiality or Company's information security; (v) taking advantage of position impact to solicit Company's employee after termination, or spreading adverse public opinion regarding Company's brands; (vi) material misstatement in the audited financial statements of our Company that requires a restatement; (vii) if the Grant is linked to any performance targets and the Board or the Remuneration Committee is of the view that there exists circumstances that show or lead to any of the prescribed performance targets having been assessed or calculated in a materially inaccurate manner; and/or (viii) other circumstances to be determined in the sole discretion of the Board or the Remuneration Committee. For the avoidance of doubt, save as specified in Section 8 below, the Post-IPO RSU Plan does not specify any clawback mechanism and hence save as determined by the Board or the Remuneration Committee in its sole discretion and provided in the relevant Grant Letter, there is no clawback which may recover or withhold the RSU(s) granted.

Vesting Period

The vesting period for the Post-IPO Award(s) shall not be less than twelve (12) months, subject to terms and conditions of the Post-IPO RSU Plan. Post-IPO Award(s) granted to Employee Participants may be subject to a shorter vesting period at the discretion of the Board or the Remuneration Committee under each of the following circumstances:

- (a) grants of "make-whole" Post-IPO Awards to new joiners to replace the share awards they forfeited when leaving the previous employer;
- (b) grants of Shares to a participant whose employment is terminated due to death or disability or occurrence of any out of control event;
- (c) grants of Shares with performance-based vesting conditions in lieu of time-based vesting criteria;
- (d) grants of Shares that are made in batches during a year for administrative and compliance reasons; and
- (e) grants of Shares with a mixed or accelerated vesting schedule such as where the awards may vest evenly over a period of twelve (12) months.

Vesting of Post-IPO Awards

The RSU Trustee shall administer the vesting of Post-IPO Awards granted to each Grantee pursuant to the vesting schedule and vesting criteria (if any) determined by the Board or the Remuneration Committee.

Upon fulfillment or waive of the vesting period and vesting criteria (if any) applicable to each of the Grantees, a vesting notice (the “**Vesting Notice**”) will be sent to the Grantee by the Board or the Remuneration Committee, or by the RSU Trustee under the authorization and instruction by the Board or the Remuneration Committee confirming (a) the extent to which the vesting period and vesting criteria (if any) have been fulfilled or waived and (b) the number of Shares (and, if applicable, the cash or non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non- scrip distributions in respect of these Shares) or the amount of cash the Grantee will receive.

The Board or the Remuneration Committee may decide at its sole discretion to:

- (i) direct and procure the RSU Trustee to transfer the Shares underlying the Post-IPO Award(s) (and, if applicable, the cash or non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions in respect of these Shares) to the Grantee or its wholly owned entity; or
- (ii) pay, or direct and procure the RSU Trustee to pay, to the Grantee in cash an amount which is equivalent to the value of the Shares (and, if applicable, the cash or non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions in respect of these Shares) set out in sub-paragraph (i) above, under circumstances including, without limitation, that our Company, the RSU Trustee and/or the Grantee are prohibited from dealing in the Shares in the relevant times under the Listing Rules.

The Grantee is required to execute, after receiving the Vesting Notice, certain documents set out in the Vesting Notice that the Board or the Remuneration Committee considers necessary (which may include, without limitation, a certification to our Group that he has complied with all the terms and conditions set out in the Post-IPO RSU Plan and the Grant Letter). In the event that the Grantee fails to execute the required documents within seven (7) days after receiving the Vesting Notice, the vested Shares will lapse.

The Grantees shall not be required to bear or pay any price or fee for the application or acceptance of the grant of the Post-IPO Award(s), or the vesting of the RSU(s).

8. Lapse of Post-IPO Awards

Without prejudice to other rules under the Post-IPO RSU Plan, an Post-IPO Award will automatically lapse immediately upon:

- (a) termination of employment or service of any Grantee for any reason prior to the vesting date of the granted Post-IPO Awards;
- (b) knowingly performs any act that may confer any competitive benefit or advantage upon any competitor of our Group, or becomes an officer, director, employee, consultant, advisor, partner of, or a stockholder or other proprietor owning more than a 5% interest in any competitor of our Group;
- (c) the Grantee makes any attempt or takes any action to sell, transfer, assign, charge, mortgage, encumber, hedge or create any interest in favor of any other person over or in relation to any Shares underlying the granted Post-IPO Awards or any interests or benefits in relation to the Post-IPO Awards; and
- (d) commencement of winding-up of our Company.

If the event set out in the paragraph above (other than sub-paragraph d)) occurs, the Post-IPO Award shall lapse on a proportional basis, in another word, based on the proportion of the time period commencing from the grant date of the Post-IPO Award through the occurrence of such event of the entire vesting period set out in the Grant Letter to the Grantee provided that other vesting criteria (if any) have been fulfilled or waived as of the date of occurrence of such event.

For the avoidance of doubt, the Post-IPO Award(s) lapsed in accordance with the terms of the Post-IPO RSU Plan will not be regarded as utilized for the purpose of calculating the Post-IPO Mandate Limit and the Service Provider Sub-limit.

9. Cancellation of Post-IPO Awards

The Board may at its sole discretion cancel any Post-IPO Award that has not vested or lapsed, provided that:

- (a) our Company or its appointees pay to the Grantee an amount equal to the fair value of the Post-IPO Award at the date of the cancellation as determined by the Board, after consultation with an independent financial adviser appointed by the Board;

- (b) our Company or its appointees provides to the Grantee a replacement Post-IPO Award of equivalent value to the Post-IPO Award to be canceled; or
- (c) the Board makes any arrangement as the Grantee may agree in order to compensate him for the cancellation of the Post-IPO Award.

For the avoidance of doubt, where the Board cancels any Post-IPO Award and makes a new grant to the same Grantee, such new grant may only be made under the Post-IPO RSU Plan with available Post-IPO Mandate Limit (and Service Provider Sub-limit, where applicable) approved by the Shareholders. The Post-IPO Award so canceled will be regarded as utilized for the purpose of calculating Post-IPO Mandate Limit (and Service Provider Sub-limit, where applicable).

10. Rights Attached to Post-IPO Awards

A Grantee does not have any contingent interest in any Shares underlying a Post-IPO Award unless and until the legal and beneficial ownership of these Shares are actually transferred to and in the Grantee from the RSU Trustee in accordance with the terms of the Scheme. Furthermore, a Grantee may not exercise any voting right in respect of the Shares underlying the Post-IPO Award prior to their transfer and, unless otherwise specified by the Board or the Remuneration Committee in its sole discretion in the Grant Letter to the Grantee, nor do they have any rights to any cash or non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions from any Shares underlying the Post-IPO Award.

The Shares provisionally awarded to a Grantee pursuant to an Post-IPO Award shall be subject to all the provisions of the Articles of Association of our Company and the Companies Act (as Revised) of the Cayman Islands for the time being in force, and will rank *pari passu* with the fully paid Shares in issue on the date when such awarded Shares are vested in the Grantee and accordingly will entitle the holders to all voting rights and to participate in all dividends or other distributions paid or made on or after such vesting date, other than any dividend or other distribution previously declared or recommended or resolved to be paid or made with respect to a record date which shall be before the vesting date.

The RSU Trustee shall not exercise the voting rights in respect of the Shares held under trust constituted by the Trust Deed and shall abstain from voting on matters that require the Shareholders' approval under the Listing Rules, unless otherwise required by law to vote in accordance with the beneficial owner's discretion and such a direction is given.

Post-IPO Awards granted pursuant to the Scheme shall be personal to each Grantee and shall not be assignable or transferrable, except assignment or transfer from each Grantee to a company wholly owned by him or between two companies both of which are wholly owned by him for the

benefit of such Grantee and his family members which would continue to meet the purpose of the Scheme and in accordance with the Listing Rules. Notwithstanding the above, the Grantees are prohibited from selling, transferring, assigning, charging, mortgaging, encumbering, hedging or creating any interest in favor of any other person over or in relation to any property held by the RSU Trustee on trust for the Grantees, Post-IPO Awards, Shares underlying any Post-IPO Awards or any interest or benefits therein. Any breach of the foregoing by any Grantee shall entitle our Company to cancel the Post-IPO Awards made to such Grantee and the Board shall notify the RSU Trustee in writing accordingly.

11. Reorganization of capital structure

In the event of any alteration in the capital structure of our Company, such as capitalization issue, rights issue, consolidation, sub-division and reduction of the share capital of our Company, the Board may make equitable adjustments that it considers appropriate, at its sole discretion, including:

- (a) make arrangements for the grant of substitute Post-IPO Awards of equivalent fair value to an award in the purchasing or surviving company;
- (b) reach such accommodation with the Grantee as it considers appropriate, including the payment of cash compensation to the Grantee equivalent to the fair value to a Post-IPO Award to the extent not vested;
- (c) waive any conditions to vesting of an Post-IPO Award to the extent not already vested;
or
- (d) permit the continuation of an Post-IPO Award in accordance with its original terms.

For the avoidance of doubt, the issue of securities by our Company as consideration in a transaction may not be regarded as a circumstance requiring such equitable adjustments.

Any equitable adjustments required under the preceding paragraph above must give the Grantee the same proportion of the equity capital, rounded to the nearest whole share, as that to which that Grantee was previously entitled, but no such adjustments may be made to the extent that a Share would be issued at less than its nominal value (if any). In respect of any such equitable adjustments, other than any made on a capitalization issue, an independent financial adviser or our Company's auditors must confirm to the Directors in writing that the adjustments satisfy the requirements set out in this section.

12. Alteration or amendment of Post-IPO RSU Plan

The terms of the Post-IPO RSU Plan may be altered, amended or waived in any respect by the Board provided that such alteration, amendment or waiver shall not affect any subsisting rights of any Grantee hereunder, subject to the paragraphs in this section below.

Any alteration, amendment or waiver to the Post-IPO RSU Plan (i) of a material nature; (ii) relating to the matters set out in rule 17.03 of the Listing Rules to the advantage of the Grantees; or (iii) relating to the authority of the Board or relevant administrator to alter the Post-IPO RSU Plan, shall be approved by the Shareholders of our Company. The Board shall have the right to determine whether any proposed alteration, amendment or waiver is material and such determination shall be conclusive. The amended terms of the Post-IPO RSU Plan must comply with all applicable laws, rules and regulations (including without limitation the Listing Rules).

Any change to the terms of Post-IPO Awards granted must be approved by the Board, the Remuneration Committee, the Independent Non-executive Director and/or the Shareholders of our Company (as the case may be) if the initial Post-IPO Awards was approved by the Board, the Remuneration Committee, the Independent Non-executive Director and/or the Shareholders of our Company (as the case may be).

The amended terms of the Post-IPO Awards or the Post-IPO RSU Plan (as the case may be) shall comply with the relevant requirements of Chapter 17 of the Listing Rules.

13. Termination

The Post-IPO RSU Plan may be terminated at any time prior to the expiry of the Applicable Period by the Board provided that such termination shall not affect any subsisting rights of any Grantee hereunder. For the avoidance of doubt, no further Post-IPO Awards shall be granted after the Post-IPO RSU Plan is terminated but in all other respects the provisions of the Post-IPO RSU Plan shall remain in full force and effect. No further Post-IPO Award shall be granted after such termination; however, all Post-IPO Awards granted prior to such termination and not vested on the date of termination shall remain valid. In such event, the Board or the Remuneration Committee shall notify the RSU Trustee and all Grantees of such termination and how the Shares held by the RSU Trustee on trust and other interests or benefits in relation to the outstanding Post-IPO Awards shall be dealt with.

H. OTHER INFORMATION

1. Tax and other indemnities

Our Controlling Shareholders have entered into the Deed of Indemnity with and in favor of our Company (for itself and on behalf of its subsidiaries) (being the contract referred to in paragraph (2) of “B. Further information about Our Business — 1. Summary of material contracts” above) to provide indemnities on a joint and several basis in respect of, among other matters, taxation resulting from income, profits or gains earned, accrued or received and any claim to which any member of our Group may be subject and payable on or before the date when the Global Offering becomes unconditional.

2. Estate duty

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of our subsidiaries.

3. Litigation

During the Track Record Period and up to the Latest Practicable Date, so far as our Directors are aware, no litigation or claim of material importance (to our Group’s financial condition or results of operation) is pending or threatened against any member of our Group.

4. Sole Sponsor and Sole Sponsor’s fees

The Sole Sponsor has made an application on our behalf to the Stock Exchange for the listing of, and permission to deal in, the Shares in issue, the Shares to be issued as mentioned in this prospectus.

The Sole Sponsor satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules. The fee payable to the Sole Sponsor by our Company is HK\$8,500,000.

5. Preliminary expenses

Save as referred to in the paragraph headed “Financial Information — Listing Expenses” in this prospectus, we have not incurred any material preliminary expenses.

6. Promoter

We do not have any promoter for the purpose of the Listing Rules. Within the two years immediately preceding the date of this prospectus, no cash, securities or other benefit has been paid, allotted or given nor are any proposed to be paid, allotted or given to any promoter in connection with the Global Offering and the related transactions described in this prospectus.

7. Taxation of holders of Shares***(a) Hong Kong***

The sale, purchase and transfer of Shares registered with our Hong Kong branch register of members will be subject to Hong Kong stamp duty. The current rate charged on each of the purchaser and seller is 0.1% of the consideration of or, if higher, of the fair value of the Shares being sold or transferred. Profits from dealings in the Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

(b) Cayman Islands

There is no stamp duty payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

(c) Consultation with professional advisers

Intending holders of the Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in the Shares. It is emphasized that none of our Company, our Directors or the other parties involved in the Global Offering will accept responsibility for any tax effect on, or liabilities of, holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in the Shares or exercise of any rights attaching to them.

8. Qualification of experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this prospectus:

Name	Qualifications
CMB International Capital Limited..	A licensed corporation to conduct type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO
Ernst & Young	Certified public accountants
Han Kun Law Offices	PRC legal adviser to our Company
Harney Westwood & Riegels.....	Cayman Islands legal advisers to our Company
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.	Industry consultant
DKLM LLP	England & Wales legal advisers to our Company
McCullough Robertson Lawyers	Australia legal advisers to our Company
Withers Bergman LLP.....	Legal advisers to our Company as to U.S. corporate law
Hogan Lovells	Legal advisers to our Company as to U.S. tariff law
Dentons Canada LLP	Canada legal advisers to our Company
Acclime Tax Advisory (Hong Kong) Limited	Tax advisors to our Company with respect to transfer pricing arrangement of our Group

9. Consents of experts

Each of the experts named in paragraph 8 of this Appendix has given and has not withdrawn its consent to the issue of this prospectus with the inclusion of its view, report and/or letter and/or legal opinion (as the case may be) and references to its name included herein in the form and context in which it respectively appears.

None of the experts named above has any shareholding interest in our Company or any of our subsidiaries or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in our Company or any of our subsidiaries.

10. Bilingual prospectus

The English language and Chinese language versions of this prospectus are being published separately in reliance on the exemption provided in section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

11. Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

12. Miscellaneous

- (a) save as disclosed in the section headed “History and Corporate Structure” in this prospectus, within the two years immediately preceding the date of this prospectus:
 - (i) no share or loan capital of our Company or any of our subsidiaries had been issued or agreed to be issued or proposed to be fully or partly paid either for cash or a consideration other than cash;
 - (ii) no commissions, discounts, brokerages or other special terms had been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries;
 - (iii) no commission had been paid or payable for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any share in our Company or any of our subsidiaries;
- (b) no share or loan capital of our Company or any of our subsidiaries had been under option or agreed conditionally or unconditionally to be put under option;
- (c) there are no founder, management or deferred shares, convertible debt securities nor any debentures in our Company or any of our subsidiaries;
- (d) our Directors confirm that there has been no material adverse change in the financial or trading position of our Group since 31 December 2023 (being the date to which the latest audited combined financial statements of our Group were made up);

- (e) there has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this prospectus;
- (f) our principal register of members will be maintained by our principal registrar, Tricor Services (Cayman Islands) Limited, in the Cayman Islands and our Hong Kong register of members will be maintained by Tricor Investor Services Limited. All transfer and other documents of title of the Shares must be lodged for registration with and registered by our share register in Hong Kong;
- (g) All necessary arrangements have been made to enable the Shares to be admitted to CCASS;
- (h) no company within our Group is listed on any stock exchange or traded on any trading system at present, and our Group is not seeking or proposing to seek any listing of, or permission to deal in, the share or loan capital of our Company on any other stock exchange; and
- (i) there is no arrangement under which future dividends are waived or agreed to be waived.

A. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to a copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were, among other documents:

- (a) the written consents referred to in “Statutory and General Information — H. Other Information — 9. Consents of experts” in Appendix IV to this prospectus; and
- (b) a copy of each of the material contracts referred to in “Statutory and General Information — B. Further Information about Our Business — 1. Summary of material contracts” in Appendix IV to this prospectus.

B. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the Stock Exchange’s website at www.hkexnews.hk and our Company’s website at www.edayun.cn up to and including the date which is 14 days from the date of this prospectus:

- (a) the Memorandum of Association and Articles of Association;
- (b) the accountants’ reports prepared by Ernst & Young on the historical financial information of our Group for the years ended 31 December 2021, 2022 and 2023 and historical financial information of Shenzhen EDA Cloud Technology Co., Ltd. and its subsidiaries for the year ended 31 December 2021, the text of which is set forth in Appendix IA and Appendix IB to this prospectus;
- (c) the audited consolidated financial statements of our Group for each of the three years ended 31 December 2021, 2022 and 2023;
- (d) the audited consolidated financial statements of Shenzhen EDA for the year ended 31 December 2021;
- (e) the accountants’ report prepared by Ernst & Young on the unaudited pro forma financial information as at 31 December 2023 of our Group, the text of which is set forth in Appendix II to this prospectus;
- (f) copies of the material contracts referred to in the section headed “Statutory and General Information — B. Further Information about Our Business — 1. Summary of material contracts” in Appendix IV to this prospectus;

- (g) the written consents referred to in the section headed “Statutory and General Information — H. Other Information — 9. Consents of experts” in Appendix IV to this prospectus;
- (h) the service contracts and letters of appointment with Directors, referred to in the section headed “Statutory and General Information — C. Further Information about our Directors and Substantial Shareholders” in Appendix IV to this prospectus;
- (i) the letter of advice prepared by Harney Westwood & Riegels, our legal adviser on Cayman Islands law, in relation to certain aspects of Cayman Islands company law referred to in Appendix III to this prospectus;
- (j) the Cayman Companies Act;
- (k) the industry report prepared by Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., our industry consultant;
- (l) the legal opinions issued by Han Kun Law Offices, our legal adviser as to PRC laws, in respect of certain aspects and the property interests of our Group in the PRC;
- (m) the legal due diligence report issued by DKLM LLP, our legal advisers as to England & Wales law;
- (n) the legal opinions issued by McCullough Robertson Lawyers, our legal advisers as to Australian law;
- (o) the legal due diligence report issued by Withers Bergman LLP, our legal advisers as to US law, in respect of certain aspects of our Group in the U.S.;
- (p) the legal opinion issued by Dentons Canada LLP, our legal advisers as to Canadian law, in respect of certain aspects of our Group in Canada;
- (q) the transfer pricing report issued by Acclime Tax Advisory (Hong Kong) Limited, our tax advisors with respect to transfer pricing arrangement of our Group;
- (r) the legal memorandum issued by Hogan Lovells in respect of U.S. tariff law;

- (s) the full list of all the Grantees of the Pre-IPO Share Option Scheme, containing all the details in respect of each option required under the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Listing Rules;
- (t) the terms of the Pre-IPO Share Option Scheme;
- (u) the terms of the Pre-IPO RSU Plan;
- (v) the terms of the Post-IPO Share Option Scheme; and
- (w) the terms of the Post-IPO RSU Plan.



EDA Group Holdings Limited
EDA集團控股有限公司*