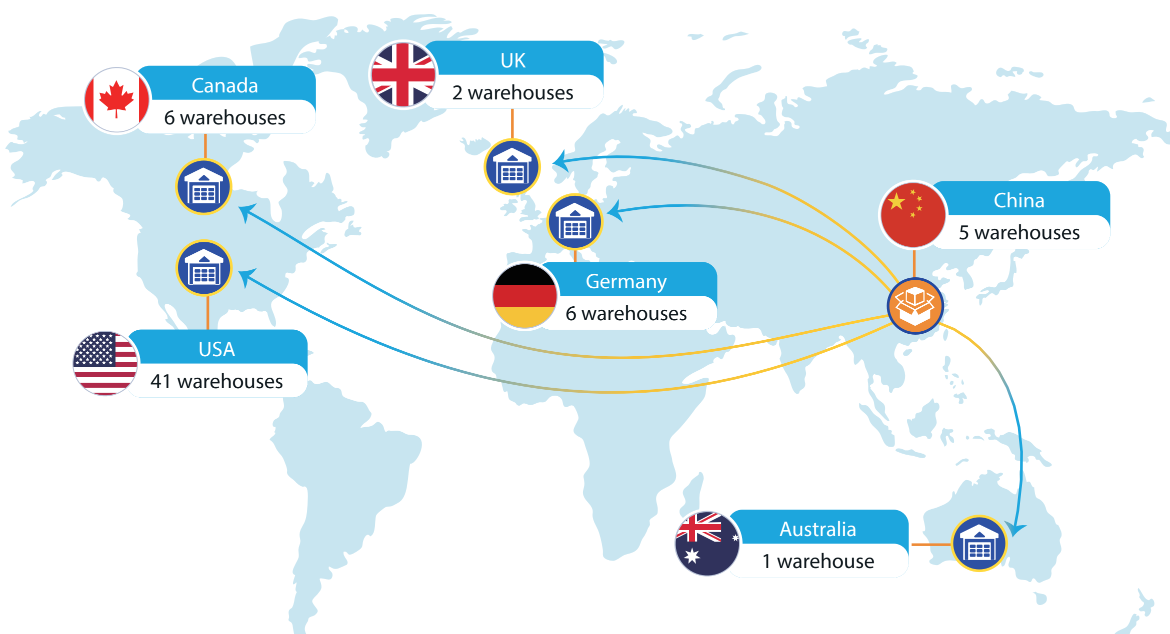
BUSINESS OVERVIEW

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.

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 56 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 56 overseas warehouses, 46 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 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-HKFRS 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-HKFRS 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:

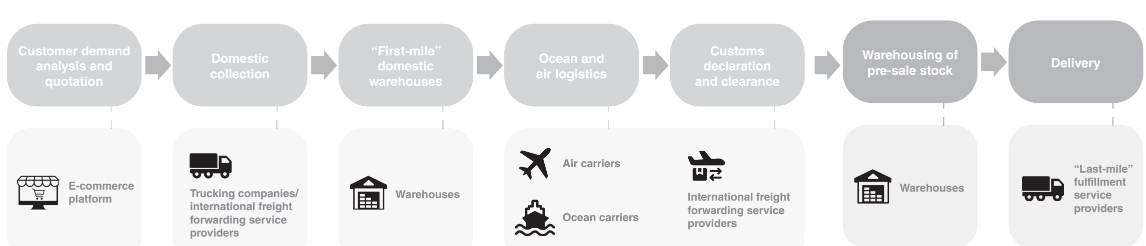
	Shenzhen EDA Group		Our Group			
	FY2021		FY2022		FY2023	
	Revenue		Revenue		Revenue	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
"First-mile" international freight services	170,109	26.9	187,798	26.5	259,505	21.5
"Last-mile" fulfillment services	461,773	73.1	520,867	73.5	949,799	78.5
Total Revenue	631,882	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.



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 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 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 56 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 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.

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 21.2% 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, four domain names and 24 copyrights in the PRC which our Directors believe are material to our business operations.

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.

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	
	No. of customers	*No. of core customers*	*No. of customers*	*No. of core customers*	*No. of customers*	*No. of core customers*
"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
	493	40	519	49	584	58

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.

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 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 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.

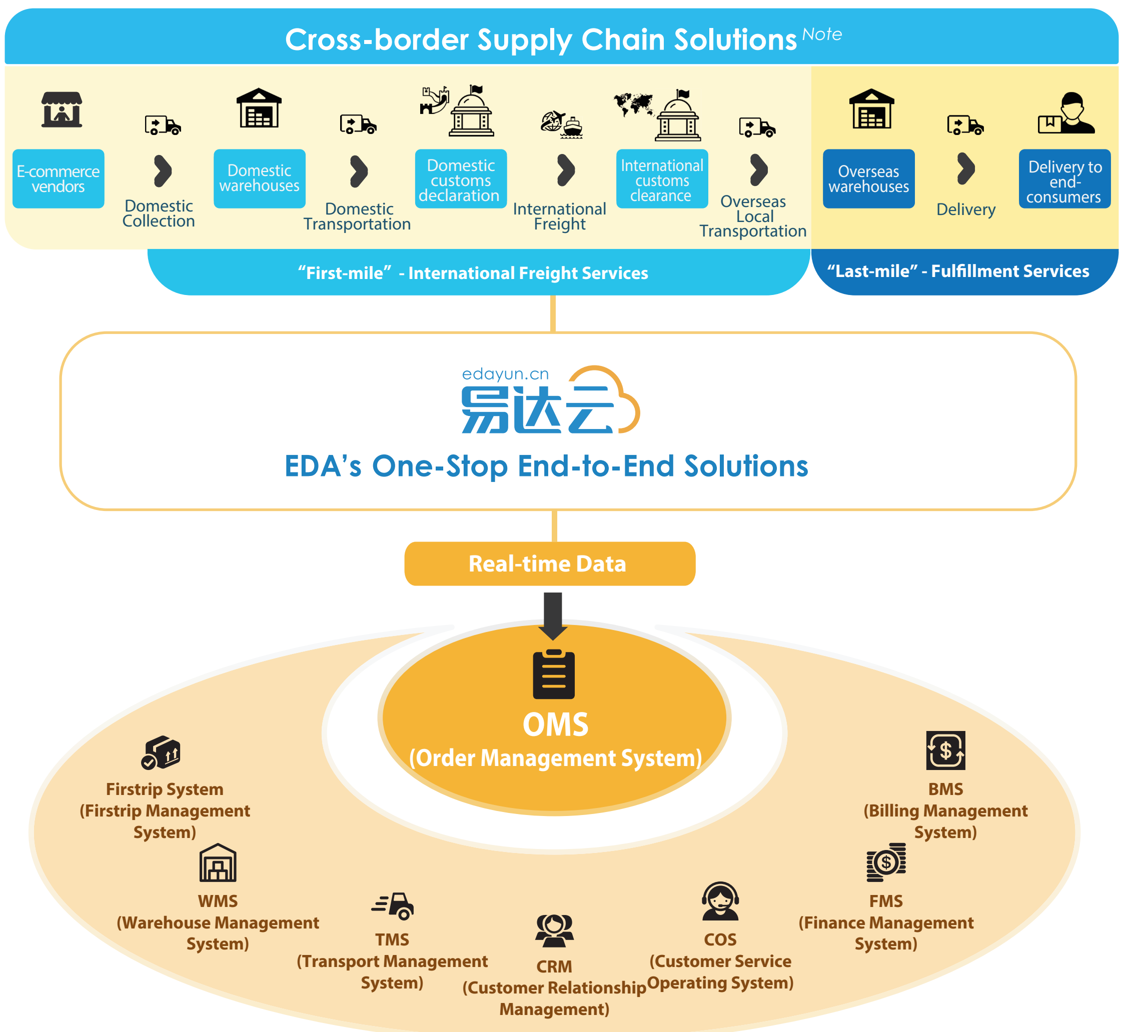
During the Track Record Period, our local direct sales force contributed to our business by leveraging their marketing abilities and business contacts collected to communicate with potential customers to understand preliminarily their needs. Going forward, our direct sales force will continue to be an 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.

BUSINESS MODEL

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 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.

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 document.

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 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

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:

Value-added service	**Our Group**	**"Last-mile" fulfillment service providers**
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.

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.

- *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.

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	
	RMB per FEU	*No. of FEU*	*RMB per FEU*	*No. of FEU*	*RMB per FEU*	*No. of FEU*
"First-mile" ocean freight services	82,515	2,052	68,358	2,663	23,174	4,589
	RMB per tonne	*Tonne*	*RMB per tonne*	*Tonne*	*RMB per tonne*	*Tonne*
"First-mile" air freight services	58,017	13	45,428	127	81,180	1,887
	RMB per order	*No. of order (million)*	*RMB per order*	*No. of order (million)*	*RMB per order*	*No. of order (million)*
"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.

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.

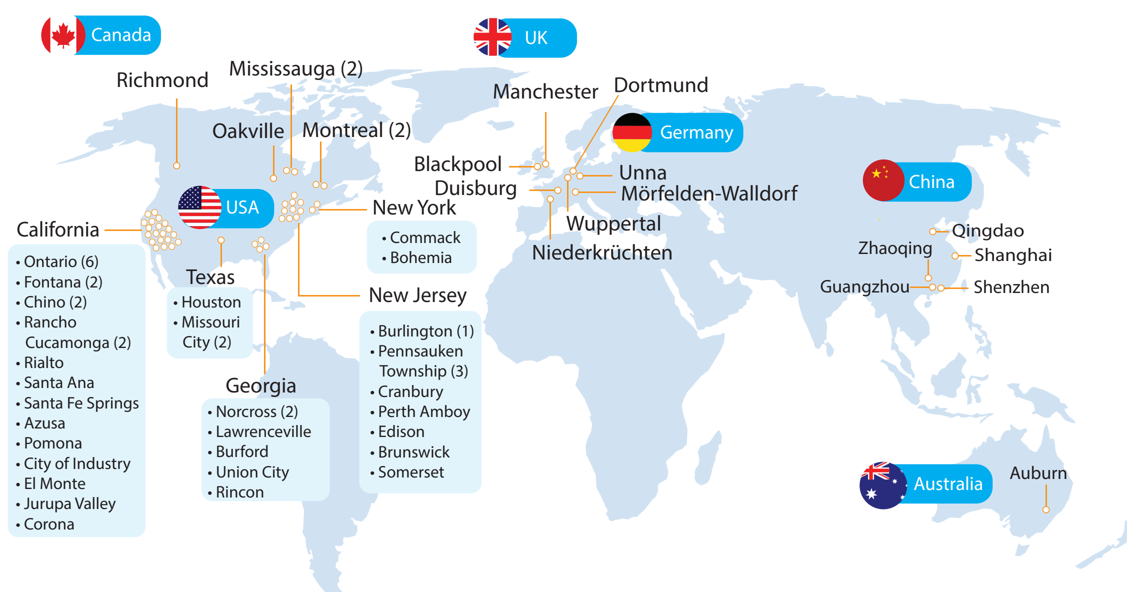
The table below sets forth a breakdown of number of orders and average price per order per country for "last-mile" fulfillment services during the Track Record Period, which was derived from dividing the revenue against the number of orders for the corresponding country and year:

	Shenzhen EDA Group		Our Group			
	FY2021		FY2022		FY2023	
	Average price per order, RMB	*No. of order '000*	*Average price per order, RMB*	*No. of order '000*	*Average price per order, RMB*	*No. of order '000*
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.

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.

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 46 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 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:

	Shenzhen EDA Group				Our Group							
	FY2021				FY2022				FY2023			
Service nature	Revenue		Gross profit	Gross profit margin	Revenue		Gross profit	Gross profit margin	Revenue		Gross profit	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	631,882	100.0	106,855	16.9	708,665	100.0	106,494	15.0	1,209,304	100.0	197,104	16.3

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	Gross profit margin	Revenue		Gross profit	Gross profit margin	Revenue		Gross profit	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	631,882	100.0	106,855	16.9	708,665	100.0	106,494	15.0	1,209,304	100.0	197,104	16.3

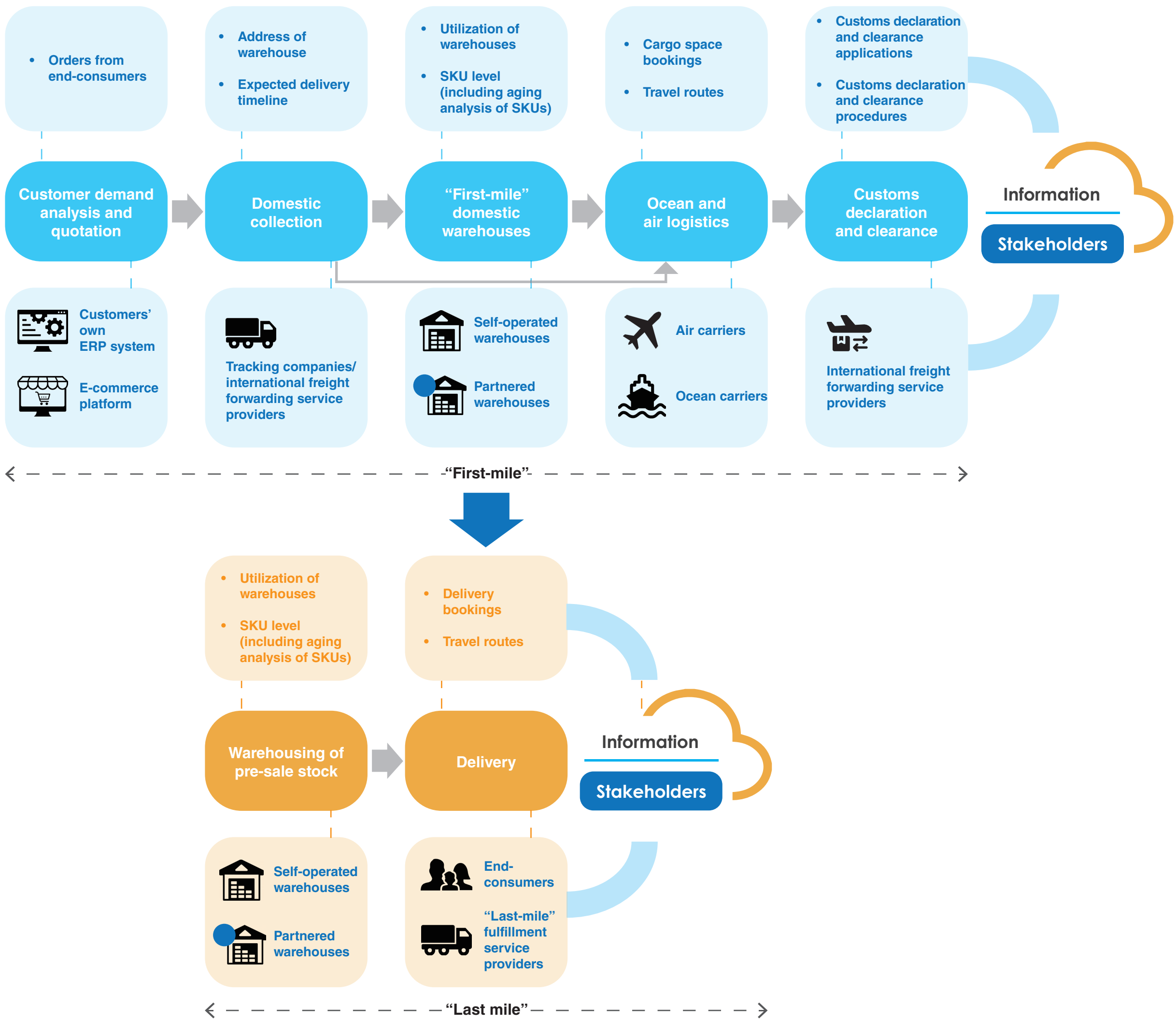
During the Track Record Period, the overall gross profit generally enjoyed remarkable growth, which was largely in line with growth of revenue of respective periods; particularly, the United States; accordingly, the fluctuation of overall gross profit margin was largely in line with that of the gross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

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
	RMB'000	*FEU*	*Tonnes*	*No. (million)*	*RMB'000*	*FEU*	*Tonnes*	*No. (million)*	*RMB'000*	*FEU*	*Tonnes*	*No. (million)*
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

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.

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 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

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.

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 56 overseas warehouses as warehousing and fulfillment centers, of which 10 were self-operated warehouses and 46 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, 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.

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 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.

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

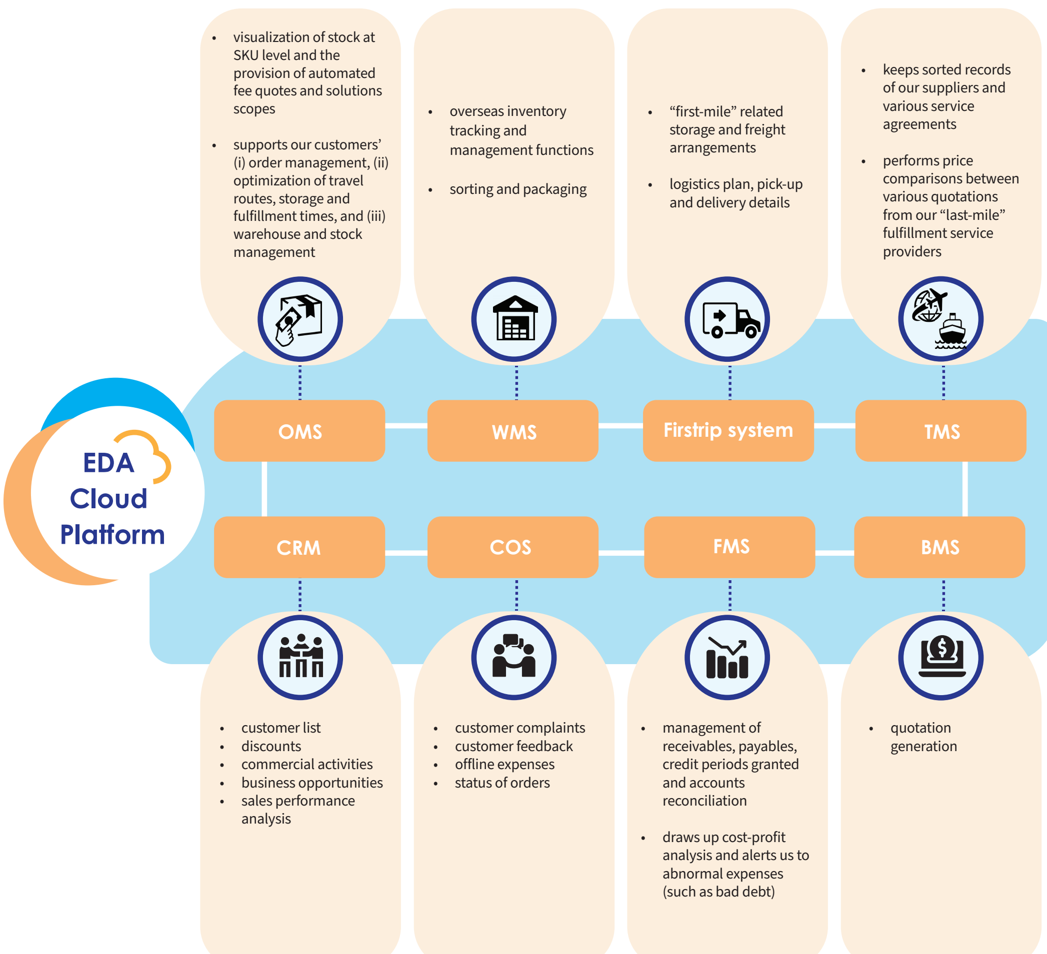
We closely monitor the delivery status of the parcels through our EDA Cloud platform, and our customers are able to keep close contact with us through our online chat function. We promptly log all customer feedback and complaints in order to synthesize these for operational improvement.

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.

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 Firstrip 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:



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.

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.

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 document.

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.

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:

No.	Term	Results of our R&D initiatives
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
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

No.	Term	Results of our R&D initiatives
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
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

No.	Term	Results of our R&D initiatives
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
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.

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.

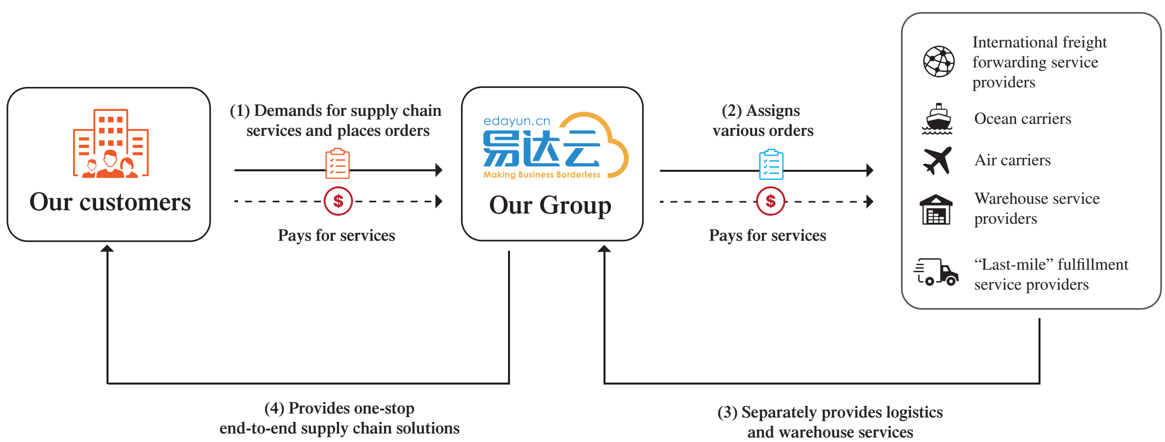
We believe that there was no material adverse impact on our business due to the COVID-19 pandemic during the Track Record Period and up to the date of the document, and we do not foresee any significant obstacles resulting from the COVID-19 pandemic.

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:



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.

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 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.

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.

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

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.

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
						RMB'000	
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:						228,492	36.2

FY2022

Customer	*Note*	Services rendered to our customers	Credit terms	Payment method	Commencement of business relationship	Total amount of revenue	% of our total revenue
						RMB'000	
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:						242,125	34.2

FY2023

Customer	*Note*	Services rendered to our customers	Credit terms	Payment method	Commencement of business relationship	Total amount of revenue	% of our total revenue
						RMB'000	
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.

(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 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.

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

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.

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

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

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	*Note*	Services acquired	Credit terms	Payment method	Commencement of business relationship	Cost amount	% of the total purchase
						RMB'000	
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

FY2022

Supplier	*Note*	Services acquired	Credit terms	Payment method	Commencement of business relationship	Cost amount	% of our total purchase
						RMB'000	
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:						271,932	48.1

FY2023

Supplier	*Note*	Services acquired	Credit terms	Payment method	Commencement of business relationship	Cost amount	% of our total purchase
						RMB'000	
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						**531,871**	**53.5**

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.

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 document.

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.

(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.

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:

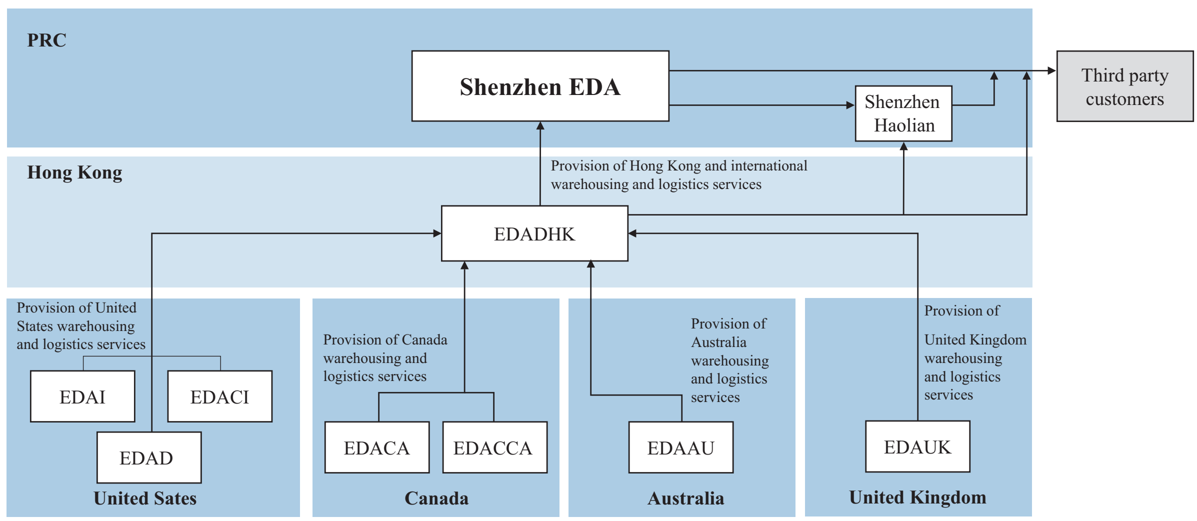
(1) in Hong Kong, our Group's Hong Kong incorporated subsidiary, namely EDA Development (HK) Limited ("**EDADHK**"), provided warehousing and logistic services to Shenzhen EDA which was subcontracted by EDADHK to our Group's overseas subsidiaries as described in point (2) below; and

(2) outside of the PRC, the following subsidiaries provided warehousing and logistics services to EDADHK:

	Name of subsidiary	Place of incorporation
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**")	Untied 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.

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 document 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.

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.

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;

(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 **[REDACTED]**, 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.

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 **[REDACTED]**, 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 **[REDACTED]**, 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.

INTELLECTUAL PROPERTY RIGHTS

As of the Latest Practicable Date, we were the registered owner of 15 trademarks, seven patents, four 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 document 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.

EMPLOYEES

As of the Latest Practicable Date, we had a total of 288 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)	158
Finance	15
IT and R&D	61
Sales and marketing	34
Human resources and administration	16
Subtotal:	288

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.

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 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, 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 **[REDACTED]**. 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.

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.

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.

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.

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.

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	• 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	• 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	• provide employees with work safety guidelines and employee handbooks • organize regular training on production safety to further enhance the safety awareness of our employees

Supply chain management risk	• 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	• 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 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 CO_2 equivalent, 340 tons of CO_2 equivalent, and 351 tons of CO_2 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.

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 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 **[REDACTED]**, 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 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 **[REDACTED]**, 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.

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.)
The PRC	—	5 Note 1	2,783.4
United States			
East Coast	1 Note 2	—	28,750.4
West Coast	2 Note 2	—	25,351.3
Midland	1 Note 2	—	11,594.2
United Kingdom	2 Note 3	—	20,877.0
Canada	2 Note 4	—	6,052.6
Australia	1 Note 5	—	2,451.4
Germany	1 Note 6	—	33,858.0
Total	10	5	131,718.3

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 document. 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

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.

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 document. 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 document 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.

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:

Holder	Name of license, approval or permit	Issuing authority	Date of first grant	Expiry date
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

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 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:

Company	Name of award/recognition/accreditation	Awarding Organization(s)	Year
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

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. Securities and 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.

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. Securities and 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. Securities and 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.

In terms of timeline, as advised by the U.S. Securities and 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 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. Securities and 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 concurs 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 **[REDACTED]**, we have engaged an independent third-party consultant (the "**Internal Control Consultant**") to perform a review over selected areas of our internal controls over financial reporting 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.

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.

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 polices 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.