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ACCOUNTANTS’ REPORT OF THE GROUP

The following is the text of a report, prepared for the purpose of incorporation in this document, received from the independent reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong.

ACCOUNTANTS’ REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF EDA GROUP HOLDINGS LIMITED AND CMB INTERNATIONAL CAPITAL LIMITED

Introduction

We report on the historical financial information of EDA Group Holdings Limited (the “**Company**”) and its subsidiaries (together, the “**Group**”) set out on pages [•] to [•], which comprises the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for each of the years ended 31 December 2021, 2022 and 2023 (the “**Relevant Periods**”), the consolidated statements of financial position of the Group and the statements of financial position of the Company as at 31 December 2021, 2022 and 2023 and material accounting policy information and other explanatory information (together, the “**Historical Financial Information**”). The Historical Financial Information set out on pages [•] to [•] forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [•] (the “**Document**”) in connection with the [REDACTED] of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

Directors’ responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively, and for such internal control as the directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

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Reporting accountants’ responsibility

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

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants’ judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity’s preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively, in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

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

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants’ report, a true and fair view of the financial position of the Group and the Company as at 31 December 2021, 2022 and 2023 and of the financial performance and cash flows of the Group for each of the Relevant Periods in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively.

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

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page IA-4 have been made.

Dividends

We refer to note 11 to the Historical Financial Information which contains information about the dividends paid by the Company in respect of the Relevant Periods.

[•]

Certified Public Accountants

Hong Kong

[Date]

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I HISTORICAL FINANCIAL INFORMATION

Preparation of Historical Financial Information

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

The financial statements of the Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by Ernst & Young in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the “**Underlying Financial Statements**”).

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

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CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Year ended 31 December		
		2021	2022	2023
		RMB'000	RMB'000	RMB'000
REVENUE	5	—	708,665	1,209,304
Cost of sales		—	(602,171)	(1,012,200)
Gross profit		—	106,494	197,104
Selling and distribution expenses		—	(7,777)	(11,473)
Administrative expenses		(82)	(27,386)	(60,909)
Research and development expenses		—	(20,836)	(33,327)
Impairment losses on financial and contract assets, net.	7	—	(2,489)	(2,515)
Other income and gains.	5	20	7,920	6,111
Other expenses		(5,656)	(3,840)	(3,883)
Finance costs.	6	—	(11,044)	(10,452)
Share of results of an associate		8,764	(451)	(232)
PROFIT BEFORE TAX.	7	3,046	40,591	80,424
Income tax expense.	10	—	(4,299)	(11,021)
PROFIT FOR THE YEAR.		<u>3,046</u>	<u>36,292</u>	<u>69,403</u>
OTHER COMPREHENSIVE INCOME				
Other comprehensive income to be reclassified to profit or loss in subsequent periods:				
Exchange differences on translation of foreign operations		—	(718)	248
OTHER COMPREHENSIVE INCOME FOR THE YEAR.		—	(718)	248
TOTAL COMPREHENSIVE INCOME		<u>3,046</u>	<u>35,574</u>	<u>69,651</u>
Profit attributable to:				
Owners of the parent		<u>3,046</u>	<u>36,292</u>	<u>69,403</u>
Total comprehensive income attributable to:				
Owners of the parent		<u>3,046</u>	<u>35,574</u>	<u>69,651</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT				
Basic and diluted (expressed in RMB per share)	12	<u>29.74</u>	<u>159.03</u>	<u>304.11</u>

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CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	As at 31 December		
		2021	2022	2023
		RMB'000	RMB'000	RMB'000
NON-CURRENT ASSETS				
Property, plant and equipment	13	9,150	7,476	5,382
Right-of-use assets	14	162,172	139,425	107,743
Goodwill	15	76,443	76,443	76,443
Other intangible assets	16	73,300	65,970	58,640
Investment in an associate	17	2,904	11,453	—
Deferred tax assets	18	6,373	8,446	8,013
Other non-current assets	21	500	—	—
Total non-current assets		330,842	309,213	256,221
CURRENT ASSETS				
Trade receivables	19	44,206	70,401	142,431
Contract assets	20	—	—	268
Prepayments, deposits and other receivables	21	75,060	68,990	58,652
Financial assets at fair value through profit or loss	22	30,165	3,061	—
Cash and cash equivalents	23	54,640	112,745	221,427
Total current assets		204,071	255,197	422,778
CURRENT LIABILITIES				
Trade payables	24	83,932	61,809	127,875
Other payables and accruals	25	120,809	57,233	35,614
Borrowings	26	18,049	41,823	52,324
Lease liabilities	14	27,586	31,351	34,724
Tax payable		2,962	7,269	5,849
Total current liabilities		253,338	199,485	256,386
NET CURRENT (LIABILITIES)/ASSETS				
		(49,267)	55,712	166,392
TOTAL ASSETS LESS CURRENT LIABILITIES				
		281,575	364,925	422,613
NON-CURRENT LIABILITIES				
Lease liabilities	14	143,437	122,440	89,675
Borrowings	26	291	196	98
Deferred tax liabilities	18	11,028	9,896	8,796
Total non-current liabilities		154,756	132,532	98,569
Net assets		126,819	232,393	324,044
EQUITY				
Share capital	27	15	15	15
Reserves	28	126,804	232,378	324,029
Total equity		126,819	232,393	324,044

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CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital	Merger reserve*	Capital reserve*	Statutory surplus reserve*	Exchange fluctuation reserve*	Retained profits*	Total equity
	RMB'000 (note 27)	RMB'000 (note 28(b))	RMB'000 (note 28(c))	RMB'000 (note 28(d))	RMB'000 (note 28(e))	RMB'000	RMB'000
At 1 January 2021	7	(11)	—	—	—	1,639	1,635
Profit for the year and total comprehensive income for the year	—	—	—	—	—	3,046	3,046
Capital injection	8	—	—	—	—	—	8
Capital reserve arising from business combination (note 29)	—	—	122,130	—	—	—	122,130
At 31 December 2021 and 1 January 2022	15	(11)	122,130	—	—	4,685	126,819
Profit for the year	—	—	—	—	—	36,292	36,292
Other comprehensive income for the year:							
Exchange differences on translation of foreign operations	—	—	—	—	(718)	—	(718)
Total comprehensive income for the year	—	—	—	—	(718)	36,292	35,574
Deemed capital contributions by way of discharge of liability due to the immediate holding company	—	—	70,000	—	—	—	70,000
Appropriation of retained profits	—	—	—	3,863	—	(3,863)	—
At 31 December 2022	15	(11)	192,130	3,863	(718)	37,114	232,393

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	Share capital	Share premium*	Merger reserve*	Capital reserve*	Statutory surplus reserve*	Exchange fluctuation reserve*	Retained profits*	Total equity
	RMB'000 (note 27)	RMB'000 (note 28(a))	RMB'000 (note 28(b))	RMB'000 (note 28(c))	RMB'000 (note 28(d))	RMB'000 (note 28(e))	RMB'000	RMB'000
At 31 December 2022 and 1 January 2023	15	—	(11)	192,130	3,863	(718)	37,114	232,393
Profit for the period	—	—	—	—	—	—	69,403	69,403
Other comprehensive income for the year:								
Exchange differences on translation of foreign operations	—	—	—	—	—	248	—	248
Total comprehensive income for the year	—	—	—	—	—	248	69,403	69,651
Deemed capital contributions by way of discharge of liability due to a shareholder	—	—	—	25,000	—	—	—	25,000
Capital injection	—	20,000	—	—	—	—	—	20,000
Appropriation of retained profits	—	—	—	—	8,207	—	(8,207)	—
Dividend recognised as distributions to owners (note 11)	—	(20,000)	—	(3,000)	—	—	—	(23,000)
At 31 December 2023	15	—	(11)	214,130	12,070	(470)	98,310	324,044

* These reserve accounts comprised the reserves of RMB126,804,000, RMB232,378,000 and RMB324,029,000 in the consolidated statements of financial position as at 31 December 2021, 2022 and 2023, respectively.

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CONSOLIDATED STATEMENTS OF CASH FLOWS

	<i>Notes</i>	Year ended 31 December		
		2021	2022	2023
		<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		3,046	40,591	80,424
Adjustments for:				
Interest income	5	(16)	(621)	(1,017)
Fair value changes of financial assets at fair value through profit or loss	5	—	(61)	(42)
Finance costs	6	—	11,044	10,452
Share of results of an associate		(8,764)	451	232
Loss on deemed disposal of the investment in an associate	7	5,656	—	—
(Gain)/loss on disposal of items of property, plant and equipment	7	—	(30)	1
Gain on disposal of an associate	7	—	—	(779)
Depreciation of property, plant and equipment	7	—	3,480	3,590
Depreciation of right-of-use assets	7	—	33,159	33,971
Amortisation of other intangible assets	7	—	7,330	7,330
Impairment of trade receivables, net	7	—	2,489	2,508
Impairment of contract assets, net	7	—	—	7
		(78)	97,832	136,677
Increase in trade receivables		—	(28,638)	(74,826)
Increase in contract assets		—	—	(275)
(Increase)/decrease in prepayments, deposits and other receivables		(5)	30,397	(21,912)
(Decrease)/increase in trade payables		—	(22,537)	71,849
Increase in other payables and accruals		30	5,673	7,269
Cash (used in)/generated from operations		(53)	82,727	118,782
Interest received		16	351	781
Income tax paid		—	(2,955)	(13,774)
Net cash flows (used in)/from operating activities		(37)	80,123	105,789
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of items of property, plant and equipment		—	(1,700)	(1,462)
Proceeds from disposal of items of property, plant and equipment		—	142	29
Purchase of financial assets at fair value through profit or loss		—	(37,500)	(19,932)

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	<i>Notes</i>	Year ended 31 December		
		2021	2022	2023
		<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Proceeds from disposal of financial assets at fair value through profit or loss		—	64,500	22,932
Proceeds from disposal of an associate . . .		—	—	12,000
Acquisition of subsidiaries	29	(21,320)	(2,218)	—
Capital injection to an associate		—	(9,000)	—
Increase in loans to directors, employees related parties and third parties		—	(27,622)	(19,593)
Decrease in loans to directors, employees related parties and third parties		—	4,521	45,562
Interest received from financial assets at fair value through profit or loss		—	435	103
Net cash flows (used in)/from investing activities		(21,320)	(8,442)	39,639
CASH FLOWS FROM FINANCING ACTIVITIES				
New borrowings	30(b)	—	42,378	76,291
Repayment of borrowings	30(b)	—	(13,689)	(65,760)
Capital injection from the immediate shareholder		8	—	20,000
Dividends paid to the owners of the Company		—	—	(23,000)
Increase in amounts due to related parties.	30(b)	35,069	2,345	—
Decrease in amounts due to related parties	30(b)	—	—	(2,621)
Other interest paid.	30(b)	—	(1,429)	(1,632)
Repayment of lease liabilities	30(b)	—	(38,619)	(40,741)
Net cash flows from/(used in) financing activities		35,077	(9,014)	(37,463)

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	<i>Notes</i>	Year ended 31 December		
		2021	2022	2023
		<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
NET INCREASE IN CASH AND CASH EQUIVALENTS		13,720	62,667	107,965
Cash and cash equivalents at beginning of year		35,021	48,741	112,056
Effect of foreign exchange rate changes, net		—	648	988
CASH AND CASH EQUIVALENTS AT END OF YEAR		48,741	112,056	221,009
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS				
Cash and bank balances	23	44,640	102,745	211,427
Time deposit	23	10,000	10,000	10,000
Cash and cash equivalents as stated in the consolidated statements of financial position		54,640	112,745	221,427
Bank overdrafts	26	(5,899)	(689)	(418)
Cash and cash equivalents as stated in the consolidated statements of cash flows . .		48,741	112,056	221,009

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STATEMENTS OF FINANCIAL POSITION

		As at 31 December		
		2021	2022	2023
		<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
NON-CURRENT ASSET				
	<i>Notes</i>			
Investments in subsidiaries		7	7	7
Total non-current asset		7	7	7
CURRENT ASSETS				
Prepayments, deposits and other				
receivables	21	70,049	70,056	94,699
Cash and cash equivalents	23	36	13	165
Total current assets		70,085	70,069	94,864
CURRENT LIABILITY				
Other payables and accruals	25	70,166	344	19,081
Total current liability		70,166	344	19,081
NET CURRENT (LIABILITIES)/				
ASSETS				
		(81)	69,725	75,783
Net (liabilities)/assets		(74)	69,732	75,790
(DEFICIENCY IN ASSETS)/EQUITY				
Share capital	27	15	15	15
Reserves	28	(89)	69,717	75,775
Total (deficiency in assets)/equity		(74)	69,732	75,790

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II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE INFORMATION

EDA Group Holdings Limited (the “Company”) is a limited liability company incorporated in the Cayman Islands. The registered office address of the Company is the Third Floor, Century Yard Cricket Square, P.O. Box 902 Grand Cayman, KY1-1103, Cayman Islands.

The Company is an investment holding company. During the Relevant Periods, the Company’s subsidiaries were involved in the provision of first-mile international freight services and last-mile fulfillment services, including overseas warehousing, other value-added services and deliveries for the cross-border e-commerce participants based in Chinese Mainland.

The Company completed in 2021 the Acquisition as set out in the paragraph headed “Acquisition by Lesso” in the section headed “History and Corporate Structure” in the Document. Apart from the Acquisition, the Company has not commenced any business or operation since its incorporation.

As at the date of this report, the Company had direct and indirect interests in its subsidiaries, all of which are private limited liability companies, the particulars of which are set out below:

Name	Notes	Place and date of incorporation and place of operations	Registered capital	Percentage of equity interests attributable to the Company		Principal activities
				Direct	Indirect	
易達雲有限公司 EDA CLOUD Company Limited	(1)	Hong Kong 22 October 2019	RMB100	100	—	Investment holding
環球物流服務有限公司 Global Logistics Services Limited	(1)	Hong Kong 29 September 2020	United States dollar (“US\$”) 1,000	100	—	Investment holding
深圳市易達雲科技有限公司 Shenzhen EDA CLOUD Technologies Co., Ltd.# (“Shenzhen EDA”)	(2)	The People’s Republic of China (the “PRC”)/ Chinese Mainland 14 March 2014	RMB56,310,535	—	100	Provision of logistics and warehousing services
深圳市昊聯供應鏈管理有限公司 (前稱“深圳市昊聯科技有限公司”) Shenzhen Haolian Supply Chain Management Co., Ltd.# (Formerly as “Shenzhen Haolian Technology Co., Ltd.”)#	(3)	PRC/Chinese Mainland 1 September 2014	RMB5,000,000	—	100	Provision of logistics and warehousing services
深圳市雲柯科技有限公司 Shenzhen Yunge Technology Co., Ltd.# .	(6)	PRC/Chinese Mainland 8 December 2023	RMB55,000,000	—	100	Provision of IT services and internet solutions

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Name	Notes	Place and date of incorporation and place of operations	Registered capital	Percentage of equity interests attributable to the Company		Principal activities
				Direct	Indirect	
易達雲發展(香港)有限公司 EDA DEVELOPMENT (HK) LIMITED	(4)	Hong Kong 18 November 2015	Hong Kong dollar (“HK\$”) 625,000	—	100	Provision of logistics and warehousing services
8987947 CANADA INC.	(5)	Canada 14 August 2014	Canadian dollar (“CAD”) 100	—	100	Provision of logistics and warehousing services
EDA Cloud Canada Inc.	(5)	Canada 21 April 2023	CAD100	—	100	Provision of logistics and warehousing services
EDA AU PTY LTD	(5)	Australia 3 December 2019	Australian dollar (“AUD”) 100	—	100	Provision of logistics and warehousing services
EDA CLOUD UK LTD	(5)	The United Kingdom 21 June 2016	Great Britain pound (“GBP”) 100	—	100	Provision of logistics and warehousing services
EDA INTERNATIONAL, INC.	(5)	The United States 4 December 2013	US\$1,000,000	—	100	Provision of logistics and warehousing services
EDA CLOUD INTERNATIONAL, INC.	(5)	The United States 25 January 2016	US\$100,000	—	100	Provision of logistics and warehousing services
EDA Development Inc.	(5)	The United States 19 June 2023	US\$1,000,000	—	100	Provision of logistics and warehousing services
EDA inGA Inc.	(5)	The United States 14 July 2023	US\$100,000	—	100	Provision of logistics and warehousing services
EDA International ATL Inc.	(5)	The United States 18 October 2023	US\$10,000	—	100	Provision of logistics and warehousing services
EDA Cloud GmbH	(5)	Germany 24 April 2023	EUR100,000	—	100	Provision of logistics and warehousing services

The English names of all group companies registered in the PRC represent the best efforts made by the directors of the Company to translate the Chinese names of these companies as they do not have official English names.

- (1) The statutory financial statements of these entities for the years ended 31 December 2021 and 2022 (or since the date of incorporation, where later than the beginning of the Relevant Periods) prepared under Hong Kong Financial Reporting Standards (“HKFRSs”) were audited by Ernst & Young, Hong Kong.
- (2) The statutory financial statements of this entity for the years ended 31 December 2021 and 2022 prepared under PRC Generally Accepted Accounting Principles (“PRC GAAP”) were audited by Won GGA Partners CPA Firm LLP (“Won GGA”), certified public accountants registered in the PRC.
- (3) The statutory financial statements of this entity for the years ended 31 December 2021 and 2022 prepared under PRC GAAP were audited by Won GGA.

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- (4) The statutory financial statements of this entity for the years ended 31 March 2021, the period ended 31 December 2021 and the year ended 31 December 2022 prepared in accordance with HKFRSs were audited by LEE CHI FAI & CO, certified public accountants registered in Hong Kong.
- (5) No audited financial statements have been prepared for these entities for each of the Relevant Periods (or since the date of incorporation, where later than the beginning of the Relevant Periods), as the entities were not subject to any statutory audit requirements under the relevant rules and regulations in their jurisdictions of incorporation.
- (6) No audited financial statements have been prepared for this entity for each of the Relevant Periods, as the entity was newly set up in December 2023.

2. ACCOUNTING POLICIES

2.1 BASIS OF PRESENTATION

Pursuant to the group restructuring as set out in the section headed “History and Corporate Structure” in the Document, which was completed on 24 December 2021, the major steps which have been undertaken to effect the Company becoming the holding company of the subsidiaries now comprising the Group were as follows:

On 28 February 2020, EDA CLOUD Company Limited (“**EDAHK**”), whose interest was 51% ultimately held by the China Lesso Group Holding Limited (the “**Lesso Group**”), acquired a 20.83% equity interest in Shenzhen EDA from third parties.

On 17 September 2020, the Company was set up by Samanea China Holdings Limited, a wholly-owned subsidiary of the Lesso Group. On 24 December 2021, EDAHK with 20.83% equity interests in Shenzhen EDA was transferred to the Company and was consolidated in the Historical Financial Information by applying the principle of merger accounting, as both EDAHK and the Company are under the common control of the Lesso Group. Details of the accounting policy for business combinations under common control are set out in note 2.4 to the Historical Financial Information.

On 29 September 2020, the Company has also set up a wholly-owned subsidiary called Global Logistics Services Limited (“**Global Logistics**”) in Hong Kong. In January 2021, the Company and Global Logistics entered into an investment agreement with Shenzhen EDA and the former shareholders of Shenzhen EDA, pursuant to which the Company acquired 100% equity interests of Shenzhen EDA, and the Acquisition was completed on 24 December 2021, which was determined as the date of acquisition. The Company accounted for the acquisition of Shenzhen EDA using the acquisition method in accordance with HKFRS 3 Business Combination. Details of the accounting policy of adoption of acquisition method are set out in note 2.4 to the Historical Financial Information and details of the Acquisition are set out in note 29 to the Historical Financial Information.

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The consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of the Group for the year ended 31 December 2021 include the results and cash flows of the Company, EDAHK and Global Logistics, as if the Company has been in place since EDAHK was set up before 1 January 2020. The Acquisition of Shenzhen EDA was considered to be completed on 24 December 2021 and its financial information was included in the Historical Financial Information since that date.

All intra-group transactions and balances have been eliminated on consolidation.

2.2 BASIS OF PREPARATION

The Historical Financial Information has been prepared in accordance with HKFRSs (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the HKICPA. All HKFRSs effective for the accounting period commencing from 1 January 2023, together with the relevant transitional provisions, have been early adopted by the Group in the preparation of the Historical Financial Information throughout the Relevant Periods.

The Historical Financial Information has been prepared under the historical cost convention, except for certain financial assets which have been measured at fair value.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the years ended 31 December 2021, 2022 and 2023. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

Generally, there is a presumption that a majority of voting rights results in control. When the Company has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and

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(c) the Group’s voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, any non-controlling interest and the exchange fluctuation reserve; and recognises the fair value of any investment retained and any resulting surplus or deficit in profit or loss. The Group’s share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.3 ISSUED BUT NOT YET EFFECTIVE HKFRSS

The Group has not applied the following revised HKFRSSs, that have been issued but are not yet effective, in the Historical Financial Information. The Group intends to apply these revised HKFRSSs, if applicable, when they become effective.

Amendments to HKFRS 10 and HKAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ³
Amendments to HKFRS 16	<i>Lease Liability in a Sale and Leaseback</i> ¹
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current (the “2020 Amendments”)</i> ^{1, 4}
Amendments to HKAS 1	<i>Non-current Liabilities with Covenants (the “2022 Amendments”)</i> ^{1, 4}
Amendments to HKAS 7 and HKFRS 7	<i>Supplier Finance Arrangements</i> ¹
Amendments to HKAS 21	<i>Lack of Exchangeability</i> ²

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- ¹ Effective for annual periods beginning on or after 1 January 2024
- ² Effective for annual periods beginning on or after 1 January 2025
- ³ No mandatory effective date yet determined but available for adoption
- ⁴ As a consequence of the 2020 Amendments and 2022 Amendments, Hong Kong Interpretation 5 *Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised to align the corresponding wording with no change in conclusion

The Group is in the process of making an assessment of the impact of these revised HKFRSs upon initial application. So far, the Group considers that, these revised HKFRSs are unlikely to have a significant impact on the Group’s results of operations and financial position.

2.4 MATERIAL ACCOUNTING POLICIES

Investments in associates

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group’s investments in associates are stated in the consolidated statement of financial position at the Group’s share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The Group’s share of the post-acquisition results and other comprehensive income of associates is included in the consolidated statement of profit or loss and other comprehensive income. In addition, when there has been a change recognised directly in the equity of the associates, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associate are eliminated to the extent of the Group’s investments in associates, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates is included as part of the Group’s investments in associates.

Business combinations other than those under common control and goodwill

Business combinations not under common control are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in

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exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

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Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Business combinations under common control

Business combinations under common control are accounted for using the principle of merger accounting. Under the principle of merger accounting, the consolidated financial statements incorporate the financial statement items of the acquired entities or businesses in which the common control combination occurs from the date when the acquired entities or businesses first come under the control of the controlling party.

The net assets of the acquired entities or businesses are consolidated using the existing book values from the controlling party's perspective. No adjustments are made to reflect fair values, or recognise any new assets or liabilities as a result of the common control combination. No amount is recognised in respect of goodwill or excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the contribution of the controlling party's interest. All differences between the cost of acquisition (fair value of consideration paid) and the amounts at which the assets and liabilities are recorded (net of any reserves of the acquired entities) have been recognised directly in equity as part of the merger reserve. Acquisition-related costs are expenses as incurred.

The consolidated profit or loss and the consolidated other comprehensive income include the results of each of the acquired entities or businesses from the earliest date presented or since the date when the acquired entities or businesses first come under common control, where this is a shorter period.

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Fair value measurement

The Group measures its financial assets at fair value through profit or loss at fair value at the end of each of the Relevant Periods. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant’s ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
- Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each of the Relevant Periods.

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Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for non-financial asset is required (other than contract assets and deferred tax assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs. In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each of the Relevant Periods as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person's family and that person
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or

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(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where

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significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold improvements	Over the remaining lease terms of the leased buildings
Plant and machinery	10% to 32%
Motor vehicles	19% to 32%
Furniture and office equipment	19% to 32%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

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Technology and customer relationship are stated at cost less any impairment loss and are amortised on the straight-line basis over their estimated useful life of 10 years.

Research and development expenses

All research expenses are charged to the statement of profit or loss as incurred.

Expenditure incurred on projects to develop new technologies is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Development expenditure which does not meet these criteria is expensed when incurred.

Leases

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

Group as a lessee

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

(a) Right-of-use assets

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

Warehouses and offices

19 months to 10 years

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If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(b) Lease liabilities

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

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

(c) Short-term leases

The Group applies the short-term lease recognition exemption to its short-term leases of some warehousing units in a building (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option).

Lease payments on short-term leases are recognised as an expense on a straight-line basis over the lease term.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (“**FVOCI**”), and fair value through profit or loss (“**FVPL**”).

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The classification of financial assets at initial recognition depends on the financial asset’s contractual cash flow characteristics and the Group’s business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 *Revenue from Contracts with Customers* in accordance with the policies set out for “Revenue recognition” below.

In order for a financial asset to be classified and measured at amortised cost or through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest (“SPPI”) on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group’s business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

Purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

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Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in profit or loss.

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition as at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group’s consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a “pass-through” arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group’s continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

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Impairment of financial assets

The Group recognises an allowance for expected credit losses (“ECLs”) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information. The Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Group considers a financial asset in default when contractual payments are 60 days past due based on the industry practice and the historical information, including the Group’s credit risk control practices and the historical recovery rate of financial assets. However, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

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- Stage 1 — Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs
- Stage 2 — Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs
- Stage 3 — Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables and contract assets that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Financial liabilities***Initial recognition and measurement***

Financial liabilities are classified, at initial recognition, as loans and borrowings, and payables, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, and payables, net of directly attributable transaction costs.

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Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at amortised cost (trade and other payables, and borrowings)

After initial recognition, trade and other payables, and interest-bearing borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash on hand and at banks, and short-term highly liquid deposits with a maturity of generally within three months that are readily convertible into known amounts of cash, subject to an insignificant risk of changes in value and held for the purpose of meeting short-term cash commitments.

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For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and at banks, and short-term deposits as defined above, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and tax laws that have been enacted or substantively enacted by the end of each of the Relevant Periods, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of each of the Relevant Periods between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and
- in respect of taxable temporary differences associated with investments in subsidiaries and associates, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and
- in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each of the Relevant Periods and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each of the Relevant Periods and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

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

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

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Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Revenue recognition***Revenue from contracts with customers***

Revenue from contracts with customers is recognised when control of services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those services.

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

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

(i) First-mile international freight services

Services included in the first-mile international freight services are mainly for transporting the customers' goods from designated domestic locations to overseas designated locations, which includes other value-added services, such as customs clearance and etc.. Revenue from the provision of first-mile international freight services is recognised over time, using an output method to measure progress towards complete satisfaction of the service, which is to recognise

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revenue on the basis of direct measurements of the value of the services transferred to the customer to date relative to the remaining services promised under the contract, that best depicts the Group’s performance in transferring control of services.

(ii) Last-mile fulfillment services

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

For both types of services, the customers simultaneously receive and consume the benefits provided by the Group’s performance as the Group performs.

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Contract assets

If the Group performs by transferring services to a customer before being unconditionally entitled to the consideration under the contract terms, a contract asset is recognised for the earned consideration that is conditional. Contract assets are subject to impairment assessment, details of which are included in the accounting policy for impairment of financial assets. They are reclassified to trade receivables when the right to the consideration becomes unconditional.

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related services to the customer).

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Employee benefits

Pension schemes

In accordance with the relevant laws and regulations, the Group’s employees participate in various defined contribution plans and state-managed retirement benefit plans in the countries in which the Group operates. Payments to these plans, where the Group’s obligations under such plans are equivalent to a defined contribution plan, are recognised as an expense based on certain percentages of the salaries of these employees on a monthly basis when employees have rendered services entitling them to the contributions.

Housing benefits, medical insurances and other social insurances

PRC employees of the Group are entitled to participate in various government-supervised housing funds, medical insurances and other social insurance plans. The Group contributes to these funds based on certain percentages of the salaries of these employees on a monthly basis. The Group’s liability in respect of these funds is limited to the contribution payable in each period. Contributions to the housing funds, medical insurances and other social insurances are expensed as incurred.

Mandatory Provident Fund retirement benefit scheme (the “MPF Scheme”)

The Group’s employer contributions vest fully with the employees when contributed into the MPF Scheme. Contributions are made based on a percentage of the employees’ basic salaries in accordance with the rules of the MPF Scheme.

Borrowing costs

Borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Dividends are recognised as a liability when they are approved by the shareholders in a general meeting.

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Foreign currencies

These financial statements are presented in RMB, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of each of the Relevant Periods. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain overseas subsidiaries are currencies other than the RMB. As at the end of each of the Relevant Periods, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of each of the Relevant Periods and their statements of profit or loss are translated into RMB at the exchange rates that approximate to those prevailing at the dates of the transactions.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve, except to the extent that the differences are attributable to non-controlling interests. On disposal of a foreign operation, the cumulative amount in the reserve relating to that particular foreign operation is recognised in profit or loss.

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For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Historical Financial Information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgments

In the process of applying the Group’s accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the Historical Financial Information:

Identifying performance obligations in provision of last-mile fulfillment services

The Group provides last-mile fulfillment services from the overseas port to the overseas destination designated by the end consumers, which includes different steps such as overseas warehousing, other value-added services and deliveries. The orders are placed separately by the customers, which means such promises by the Group are separately identifiable. These services are requested by customers as needed and they are not dependent on other services that are provided by the Group. These services do not significantly affect each other and, therefore, are not highly interdependent or highly interrelated, because the Group would need to fulfill its promise to these independent services separately. Consequently, these services which are included in last-mile fulfillment services are identified as separate performance obligations.

Deferred tax assets

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised. This requires significant judgement on the tax treatments of certain transactions and also assessment on the probability that adequate future taxable profits will be available for the deferred tax assets to be recovered.

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Significant judgement in determining the acquisition date of business combination

The Company entered into investment agreements with Shenzhen EDA and Shenzhen EDA’s shareholders, in order to acquire the 100% equity interest of Shenzhen EDA and to restructure the Company to be the holding company in 2021. According to the investment agreements, the acquisition would be completed through several steps, otherwise the agreements would be reversed and cancelled if the steps are not completed. Although the Company has obtained 100% equity interests in Shenzhen EDA on 21 December 2021, the above mentioned steps for completion had not yet fully completed until 24 December 2021. Management considered that these steps for completion are linked transactions and therefore considered the completion of Acquisition of Shenzhen EDA on 24 December 2021.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each of the Relevant Periods, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Fair value measurement for the consideration under business combination

Significant judgements and estimates were involved in the fair value measurement of the capital reserve arising from acquisition and the pre-existing investment in an associate. These significant judgements and estimates include the adoption of appropriate valuation methodologies and the use of key assumptions, including recent transaction price, discount rate and discount for lack of control, in the valuation. See note 29 to the Historical Financial Information for more details.

Fair value assessment of the identified intangible assets and the recognition of goodwill arising from business combination

Significant judgements and estimates were involved in the fair value assessment of the identified intangible assets, being technology and customer relationship and the recognition of goodwill arising from business combination. These significant judgements and estimates include the adoption of appropriate valuation methodologies and the use of key assumptions in the valuation (mainly annual revenue growth rates, gross profit margins, discount rates and expected useful lives of the technology and customer relationship). See notes 15 and 16 to the Historical Financial Information for more details.

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Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill as at 31 December 2021, 2022 and 2023 was RMB76,443,000. Further details are given in note 15 to the Historical Financial Information.

Provision for expected credit losses on trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on groupings of various customers/debtors segments that have similar loss patterns (i.e. by service type and customer type).

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

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group’s historical credit loss experience and forecast of economic conditions may also not be representative of a customer’s actual default in the future. The information about the ECLs on the Group’s trade receivables is disclosed in note 19 to the Historical Financial Information.

Leases — estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate (“**IBR**”) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group “would have to pay”, which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the

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lease (for example, when leases are not in the subsidiary’s functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary’s stand-alone credit rating).

4. OPERATING SEGMENT INFORMATION

The Group is principally engaged in the provision of first-mile international freight services and last-mile fulfillment services, including overseas warehousing, other value-added services and deliveries for the cross-border e-commerce participants based in Chinese Mainland.

HKFRS 8 Operating Segments requires operating segments to be identified on the basis of internal reporting about components of the Group that are regularly reviewed by the chief operating decision-maker in order to allocate resources to segments and to assess their performance. The information reported to the directors of the Company, who are the chief operating decision-makers, for the purpose of resource allocation and assessment of performance does not contain discrete operating segment financial information and the directors reviewed the financial results of the Group as a whole. Therefore, no further information about the operating segment is presented.

Geographical information

(a) Revenue from external customers

	Year ended 31 December		
	2021	2022	2023
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
China	—	187,798	259,505
The United States	—	407,261	762,530
Canada	—	70,056	95,687
The United Kingdom	—	29,746	35,680
Germany	—	11,859	51,485
Australia	—	1,945	4,417
	—	708,665	1,209,304

The above revenue information is based on the location of the services rendered.

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(b) Non-current assets

	As at 31 December		
	2021	2022	2023
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
China	89,690	87,610	65,592
The United States	125,554	113,706	91,691
The United Kingdom	19,457	13,148	8,122
Canada	13,325	9,860	6,353
Australia	—	—	7
	<u>248,026</u>	<u>224,324</u>	<u>171,765</u>

The above non-current asset information is based on the locations of the assets and excludes deferred tax assets and goodwill.

Information about major customers

For the years ended 31 December 2022 and 2023, revenue from a single customer, including sales to a group of entities which are known to be under common control with that customer, contributed 12.4% and 12.5% to the Group’s revenue, respectively.

5. REVENUE, OTHER INCOME AND GAINS

Revenue

An analysis of revenue is as follows:

	Year ended 31 December		
	2021	2022	2023
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Revenue from contracts with customers. . . .	—	708,665	1,209,304
	<u>—</u>	<u>708,665</u>	<u>1,209,304</u>

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(a) Disaggregated revenue information

	Year ended 31 December		
	2021	2022	2023
	RMB’000	RMB’000	RMB’000
Type of services			
First-mile international freight services	—	187,798	259,505
Last-mile fulfillment services	—	520,867	949,799
	—	708,665	1,209,304
Timing of revenue recognition			
Services transferred over time	—	708,665	1,209,304

The following table shows the amounts of revenue recognised in the Relevant Periods that were included in the contract liabilities at the beginning of the respective periods:

	Year ended 31 December		
	2021	2022	2023
	RMB’000	RMB’000	RMB’000
Revenue recognised that was included in contract liabilities at the beginning of the year:			
First-mile international freight services	—	1,961	3,278
Last-mile fulfillment services	—	5,622	7,200
	—	7,583	10,478

(b) Performance obligations

Information about the Group’s performance obligations is summarised below:

For first-mile international freight services including provision of transportation from the designated locations in Chinese Mainland to the designated oversea locations, the performance obligation is satisfied over time and the completion progress of these services is therefore measured by the number of days from the date the Group receiving the goods from the customers to the report date over the estimated service period. Payment is generally due within 10 days from the date of billing, extending up to two months or is settled on an advance receipt basis depending on the relationships with the customers.

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For last-mile fulfillment services including the provision of one-stop logistic services from the overseas port to the overseas destination designated by the end customers, which includes different steps such as overseas warehousing, other value-added services and local deliveries, the performance obligation is satisfied over time as progress towards the days consumed over the estimated service period. Payment is generally due within 10 days from the date of billing, extending up to two months or is settled on an advance receipt basis depending on the relationships with the customers.

The Group has elected the practical expedient for not to disclose the remaining performance obligations for these types of contracts because the performance obligation is part of a contract that has an original expected duration of one year or less.

Other income and gains

	Year ended 31 December		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Interest income	16	621	1,017
Government grants	—	1,204	172
Surcharges from customers for overdue balances	—	285	351
Fair value changes of financial assets at fair value through profit or loss	—	61	42
Foreign exchange gain, net	4	4,541	2,076
Gain on disposal of an associate	—	—	779
Others	—	1,208	1,674
	<u>20</u>	<u>7,920</u>	<u>6,111</u>

Government grants mainly represent funding received from government authorities to support the cross border e-commerce industry. There are no unfulfilled conditions or contingencies related to these grants.

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6. FINANCE COSTS

An analysis of finance costs is as follows:

	Year ended 31 December		
	2021	2022	2023
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Interest expense on borrowings	—	851	1,632
Interest expense on lease liabilities	—	10,193	8,820
	—	11,044	10,452
	<u>—</u>	<u>11,044</u>	<u>10,452</u>

7. PROFIT BEFORE TAX

	<i>Notes</i>	Year ended 31 December		
		2021	2022	2023
		<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Cost of provision of first-mile international freight services		—	183,795	253,613
Cost of provision of last-mile fulfillment services		—	418,376	758,587
Depreciation of property, plant and equipment	<i>13</i>	—	3,480	3,590
Depreciation of right-of-use assets	<i>14(c)</i>	—	33,159	33,971
Amortisation of other intangible assets	<i>16</i>	—	7,330	7,330
Total depreciation and amortisation		—	43,969	44,891
Lease payments not included in the measurement of lease liabilities	<i>14(c)</i>	—	1,121	2,571
Auditors’ remuneration		33	201	86
[REDACTED]		[REDACTED]	[REDACTED]	[REDACTED]
Employee benefit expenses* (excluding directors’ and chief executive’s remuneration (<i>note 8</i>)):				
Wages and salaries		—	95,667	168,841
Pension scheme contributions**		—	2,351	3,471
		—	98,018	172,312
		<u>—</u>	<u>98,018</u>	<u>172,312</u>

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	<i>Notes</i>	Year ended 31 December		
		2021	2022	2023
		<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Research and development expenses		—	20,836	33,327
(Gain)/loss on disposal of items of property, plant and equipment		—	(30)	1
Gain on disposal of an associate		—	—	(779)
Loss on deemed disposal of an associate***	29	5,656	—	—
Fair value gains on financial assets at fair value through profit or loss		—	(61)	(42)
Impairment losses on trade receivables, net*	19	—	2,489	2,508
Impairment losses on contract assets, net	20	—	—	7
Foreign exchange differences, net		(4)	(4,541)	(2,076)
		<u>(4)</u>	<u>(4,541)</u>	<u>(2,076)</u>

* No employee benefit expenses were included in cost of provision of first-mile international freight services and last-mile fulfillment services during the year ended 31 December 2021. Amounts of RMB62,762,000 and RMB125,656,000 of employee benefit expenses were included in cost of provision of first-mile international freight services and last-mile fulfillment services during the years ended 31 December 2022 and 2023, respectively.

** During the Relevant Periods, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years.

*** Included in “Other expenses” in the consolidated statements of profit or loss and other comprehensive income.

8. DIRECTORS’ AND CHIEF EXECUTIVE’S REMUNERATION

Directors’ remuneration for the Relevant Periods is as follows:

	Year ended 31 December		
	2021	2022	2023
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Fees	—	—	—
Other emoluments:			
Salaries, allowances and benefits in kind.	—	1,730	1,719
Pension scheme contributions	—	188	191
Performance related bonuses	—	720	1,972
	<u>—</u>	<u>2,638</u>	<u>3,882</u>

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(a) Executive directors and the chief executive

Year ended 31 December 2021

	Salaries, allowances and benefits in kind	Pension scheme contributions	Performance related bonuses	Total remuneration
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Executive director:				
Mr. Luo Jianfeng*	—	—	—	—

Year ended 31 December 2022

	Salaries, allowances and benefits in kind	Pension scheme contributions	Performance related bonuses	Total remuneration
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Executive directors:				
Mr. Liu Yong**	930	94	300	1,324
Mr. Luo Jianfeng	—	—	—	—
Ms. Li Qin***	800	94	420	1,314
Mr. Cheung Man Yu***	—	—	—	—
Mr. Zuo Manlun***	—	—	—	—
	<u>1,730</u>	<u>188</u>	<u>720</u>	<u>2,638</u>

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Year ended 31 December 2023

	Salaries, allowances and benefits in kind	Pension scheme contributions	Performance related bonuses	Total remuneration
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Executive directors:				
Mr. Liu Yong	845	95	880	1,820
Ms. Li Qin	820	95	820	1,735
Mr. Cheung Man Yu	54	1	272	327
	<u>1,719</u>	<u>191</u>	<u>1,972</u>	<u>3,882</u>
Non-executive directors:				
Mr. Luo Jianfeng	—	—	—	—
Mr. Zuo Manlun	—	—	—	—
	<u>1,719</u>	<u>191</u>	<u>1,972</u>	<u>3,882</u>

Notes:

- * Mr. Luo Jianfeng was appointed as a director of the Company on 17 September 2020.
- ** Mr. Liu Yong was appointed as the chairman of the Board, a director and the chief executive officer of the Company on 11 October 2022.
- *** Mr. Cheung Man Yu, Mr. Zuo Manlun and Ms. Li Qin were appointed as directors of the Company on 11 October 2022.

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

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9. FIVE HIGHEST PAID EMPLOYEES

No employee received any fees or emoluments in respect of their services rendered to the Group during the year ended 31 December 2021. The five highest paid employees for the years ended 31 December 2022 and 2023 included 2 and 2 directors, respectively, details of whose remuneration are set out in note 8 above. Details of the remuneration for the years ended 31 December 2022 and 2023 of the remaining highest paid employees who are neither a director nor chief executive of the Company are as follows:

	Year ended 31 December		
	2021	2022	2023
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Salaries, allowances and benefits in kind	—	1,997	1,809
Pension scheme contributions	—	216	296
Performance related bonuses	—	830	1,080
	—	3,043	3,185
	<u> </u>	<u> </u>	<u> </u>

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees		
	Year ended 31 December		
	2021	2022	2023
Nil to HK\$1,000,000	—	—	—
HK\$1,000,001 to HK\$1,500,000	—	3	3
	—	3	3
	<u> </u>	<u> </u>	<u> </u>

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10. INCOME TAX

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

Hong Kong profits tax

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong for the Relevant Periods. No provision for Hong Kong profits tax was made as the Group had no assessable profits arising in Hong Kong during the year ended 31 December 2021. Since 2022, one Hong Kong subsidiary of the Group is a qualifying entity under the two-tiered profits tax rates regime. The first HK\$2,000,000 of assessable profits of this subsidiary are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%.

PRC corporate income tax

The Group’s income tax provision in respect of its operations in Chinese Mainland has been calculated at the statutory tax rate of 25% on the taxable profits for the Relevant Periods, based on the existing legislation, interpretations and practices in respect thereof.

One of the Group’s PRC subsidiaries is qualified as High and New Technology Enterprises and is entitled to a preferential corporate income tax rate of 15% for the years ended 31 December 2021, 2022 and 2023. Another PRC subsidiary is entitled to a preferential corporate income tax rate of 15% in Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone since 1 August 2023.

Income tax for other jurisdictions

During the Relevant Periods, income tax of other jurisdictions mainly arose from the United States, the United Kingdom, Canada and Australia.

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The Company’s subsidiaries incorporated in the United States for the Relevant Periods were subject to the federal tax at a rate of 21% and the state tax at the rates ranging from 8.8% to 11.5%. In addition, the United Kingdom profits taxes have been provided at a rate of 19%, Canada profits tax has been provided at a rate of 26.5% and Australia profits tax has been provided at a rate of 30% on the estimated assessable profits arising in the respective jurisdictions during the years ended 31 December 2022 and 2023.

Pillar Two income taxes

The Group has applied the mandatory exception to recognising and disclosing information about deferred tax assets and liabilities arising from Pillar Two income taxes, and will account for the Pillar Two income taxes as current tax when incurred. Pillar Two legislation has been enacted or substantively enacted in certain jurisdictions in which the Group operates, and the legislation will be effective for the Group’s financial year beginning 1 January 2024. The Group is in the process of assessing the related exposure from Pillar Two income taxes. Based on the assessment, the Group does not expect a material exposure to Pillar Two income taxes.

	Year ended 31 December		
	2021	2022	2023
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Current			
Chinese Mainland	—	4,258	7,421
Hong Kong	—	1,790	2,473
The United States	—	715	1,002
Canada.	—	458	617
Australia	—	41	46
The United Kingdom.	—	—	32
	—	7,262	11,591
Deferred (<i>note 18</i>).	—	(2,963)	(570)
Total tax charge for the year	—	4,299	11,021

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A reconciliation of the tax expense applicable to profit/(loss) before tax at the statutory rate for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the income tax expense at the effective income tax rate of each of the Relevant Periods and a reconciliation of the applicable rates (i.e., the statutory tax rates) to the effective rates of each of the Relevant Periods, are as follows:

31 December 2021

	Hong Kong	
	<i>RMB’000</i>	%
Profit before tax	<u>3,046</u>	
Tax at the statutory tax rate	503	16.5
Expenses not deductible for tax	933	30.6
Income not subject to tax	(1,445)	(47.4)
Tax losses not recognised	<u>9</u>	<u>0.3</u>
Tax charge at the Group’s effective rate	<u>—</u>	<u>—</u>

31 December 2022

	The United													
	Chinese Mainland		Hong Kong		The United States		Kingdom		Canada		Australia		Total	
	<i>RMB’000</i>	%	<i>RMB’000</i>	%	<i>RMB’000</i>	%	<i>RMB’000</i>	%	<i>RMB’000</i>	%	<i>RMB’000</i>	%	<i>RMB’000</i>	%
Profit/(loss) before tax	<u>26,465</u>		<u>11,034</u>		<u>2,122</u>		<u>(535)</u>		<u>1,356</u>		<u>149</u>		<u>40,591</u>	
Tax at the statutory tax rate.	6,616	25.0	1,821	16.5	637	30.0	(102)	19.0	359	26.5	45	30.0	9,376	23.1
Lower tax rates for specific jurisdictions														
or enacted by local authority	(2,916)	(11.0)	(151)	(1.4)	—	—	—	—	—	—	—	—	(3,067)	(7.5)
Expenses not deductible for tax	162	0.6	—	—	210	9.9	—	—	37	2.7	—	—	409	1.0
Tax losses not recognised	—	—	51	0.5	—	—	—	—	—	—	—	—	51	0.1
Income not subject to tax	—	—	—	—	(5)	(0.2)	—	—	—	—	—	—	(5)	(0.0)
Tax incentive on eligible expenses	(2,451)	(9.3)	—	—	(14)	(0.7)	—	—	—	—	—	—	(2,465)	(6.1)
Tax charge at the Group’s effective rate	<u>1,411</u>	<u>5.3</u>	<u>1,721</u>	<u>15.6</u>	<u>828</u>	<u>39.0</u>	<u>(102)</u>	<u>19.0</u>	<u>396</u>	<u>29.2</u>	<u>45</u>	<u>30.0</u>	<u>4,299</u>	<u>10.6</u>

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31 December 2023

	Chinese Mainland		Hong Kong		The United States		The United Kingdom		Canada		Australia		Total	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Profit/(loss) before tax	75,435		(1,139)		3,493		654		1,819		162		80,424	
Tax at the statutory tax rate.	18,859	25.0	(188)	16.5	1,048	30.0	124	19.0	482	26.5	49	30.0	20,374	25.3
Lower tax rates for specific jurisdictions														
or enacted by local authority	(8,333)	(11.0)	(156)	13.7	—	—	—	—	—	—	—	—	(8,489)	(10.6)
Expenses not deductible for tax	1,227	1.6	2,830	(248.5)	—	—	18	2.8	—	—	—	—	4,075	5.1
Income not subject to tax	—	—	—	—	—	—	—	—	—	—	(3)	(1.9)	(3)	(0.0)
Tax losses not recognised	—	—	20	(1.8)	—	—	—	—	—	—	—	—	20	0.0
Adjustments in respect of current tax of														
previous periods	—	—	—	—	(46)	(1.3)	—	—	—	—	—	—	(46)	(0.1)
Tax incentive on eligible expenses	(4,910)	(6.5)	—	—	—	—	—	—	—	—	—	—	(4,910)	(6.1)
Tax charge at the Group’s effective rate	6,843	9.1	2,506	(220.0)	1,002	28.7	142	21.7	482	26.5	46	28.4	11,021	13.7

The share of tax attributable to an associate for the year ended 31 December 2021 were RMB1,445,000, which is included in “Share of results of an associate” in the consolidated statements of profit or loss and other comprehensive income. There is no share of tax attributable to an associate for the years ended 31 December 2022 and 2023.

11. DIVIDENDS

During the years ended 31 December 2021 and 2022, no dividends have been paid or declared by the Company.

During the year ended 31 December 2023, dividend of RMB23,000,000 has been declared and paid by the Company.

12. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares of 102,459, 228,210 and 228,210 in issue during each of the Relevant Periods, respectively.

The basic earnings per share is calculated by dividing the profit attributable to owners of the parent by the weighted average number of ordinary shares during the Relevant Periods.

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The Company did not have any potential dilutive ordinary shares outstanding during the Relevant Periods. Diluted earnings per share is equal to basic earnings per share.

The calculation of basic and diluted earnings per share are based on:

	Year ended 31 December		
	2021	2022	2023
Earnings			
Profit attributable to owners of the parent (RMB’000)	3,046	36,292	69,403
Shares			
Weighted average number of ordinary shares in issue at 1 January	100,000	228,210	228,210
Weighted average number of new shares	2,459	—	—
Adjusted weighted average number of ordinary shares of the Company in issue used in the basic and diluted earnings per share calculation	102,459	228,210	228,210
Earnings per share			
Basic and diluted (RMB per share)	29.74	159.03	304.11

13. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements	Plant and machinery	Motor vehicles	Furniture and office equipment	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
31 December 2021					
At 1 January 2021:					
Cost	—	—	—	—	—
Accumulated depreciation	—	—	—	—	—
Net carrying amount	—	—	—	—	—
At 1 January 2021, net of accumulated depreciation.					
At 1 January 2021, net of accumulated depreciation.	—	—	—	—	—
Additions as a result of acquisition of subsidiaries (note 29)	2,306	2,759	2,909	1,176	9,150
At 31 December 2021, net of accumulated depreciation.					
At 31 December 2021, net of accumulated depreciation.	2,306	2,759	2,909	1,176	9,150

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	<u>Leasehold improvements</u>	<u>Plant and machinery</u>	<u>Motor vehicles</u>	<u>Furniture and office equipment</u>	<u>Total</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 31 December 2021:					
Cost	2,914	4,311	3,674	2,045	12,944
Accumulated depreciation	(608)	(1,552)	(765)	(869)	(3,794)
Net carrying amount	<u>2,306</u>	<u>2,759</u>	<u>2,909</u>	<u>1,176</u>	<u>9,150</u>
31 December 2022					
At 1 January 2022:					
Cost	2,914	4,311	3,674	2,045	12,944
Accumulated depreciation	(608)	(1,552)	(765)	(869)	(3,794)
Net carrying amount	<u>2,306</u>	<u>2,759</u>	<u>2,909</u>	<u>1,176</u>	<u>9,150</u>
At 1 January 2022, net of accumulated					
depreciation.	2,306	2,759	2,909	1,176	9,150
Additions	345	609	98	648	1,700
Disposals	—	(20)	(79)	(13)	(112)
Depreciation provided during the year . . .	(690)	(1,244)	(961)	(585)	(3,480)
Exchange realignment	(3)	103	91	27	218
At 31 December 2022, net of accumulated					
depreciation.	<u>1,958</u>	<u>2,207</u>	<u>2,058</u>	<u>1,253</u>	<u>7,476</u>
At 31 December 2022:					
Cost	3,256	5,109	3,740	2,728	14,833
Accumulated depreciation	(1,298)	(2,902)	(1,682)	(1,475)	(7,357)
Net carrying amount	<u>1,958</u>	<u>2,207</u>	<u>2,058</u>	<u>1,253</u>	<u>7,476</u>
31 December 2023					
At 1 January 2023:					
Cost	3,256	5,109	3,740	2,728	14,833
Accumulated depreciation	(1,298)	(2,902)	(1,682)	(1,475)	(7,357)
Net carrying amount	<u>1,958</u>	<u>2,207</u>	<u>2,058</u>	<u>1,253</u>	<u>7,476</u>
At 1 January 2023, net of accumulated					
depreciation.	1,958	2,207	2,058	1,253	7,476
Additions	—	194	748	520	1,462
Disposals	—	(25)	—	(5)	(30)
Depreciation provided during the year . . .	(620)	(1,358)	(862)	(750)	(3,590)
Exchange realignment	—	30	31	3	64
At 31 December 2023, net of accumulated					
depreciation	<u>1,338</u>	<u>1,048</u>	<u>1,975</u>	<u>1,021</u>	<u>5,382</u>
At 31 December 2023:					
Cost	3,265	5,247	4,570	3,208	16,290
Accumulated depreciation.	(1,927)	(4,199)	(2,595)	(2,187)	(10,908)
Net carrying amount	<u>1,338</u>	<u>1,048</u>	<u>1,975</u>	<u>1,021</u>	<u>5,382</u>

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14. LEASES

The Group as a lessee

The Group has lease contracts for some warehouses and offices used in its operations. Leases of some warehouses and an office generally have lease terms of 19 months to 10 years. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

(a) Right-of-use assets

The carrying amounts of right-of-use assets and the movement during each of the Relevant Periods are as follows:

	<i>Note</i>	As at 31 December		
		2021	2022	2023
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At beginning of year		—	162,172	139,425
Additions as a result of acquisition of subsidiaries	29	162,172	—	—
Depreciation charge		—	(33,159)	(33,971)
Exchange realignment		—	10,412	2,289
At end of year		<u>162,172</u>	<u>139,425</u>	<u>107,743</u>

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(b) Lease liabilities

The carrying amount of lease liabilities and the movements during each of the Relevant Periods are as follows:

	<i>Notes</i>	At 31 December		
		2021	2022	2023
		<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
At beginning of year		—	171,023	153,791
Additions as a result of acquisition of subsidiaries	29	171,023	—	—
Accretion of interest recognised during the year	6	—	10,193	8,820
Payment		—	(38,619)	(40,741)
Exchange realignment		—	11,194	2,529
At end of year		<u>171,023</u>	<u>153,791</u>	<u>124,399</u>
Analysed into:				
Within one year		27,586	31,351	34,724
In the second year		29,685	34,300	30,931
In the third to fifth years, inclusive		76,516	61,965	39,546
Beyond five years		37,236	26,175	19,198
		<u>171,023</u>	<u>153,791</u>	<u>124,399</u>

The maturity analysis of lease liabilities is disclosed in note 34 to the Historical Financial Information.

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	Year ended 31 December		
	2021	2022	2023
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Interest on lease liabilities	—	10,193	8,820
Depreciation charge of right-of-use assets	—	33,159	33,971
Expense relating to short-term leases	—	1,121	2,571
Total amount recognised in profit or loss	<u>—</u>	<u>44,473</u>	<u>45,362</u>

(d) The total cash outflow for leases is disclosed in note 30 to the Historical Financial Information.

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15. GOODWILL

	As at 31 December		
	2021	2022	2023
	RMB’000	RMB’000	RMB’000
At the beginning of the year	—	76,443	76,443
Acquisition of subsidiaries (<i>note 29</i>)	76,443	—	—
At the end of the year	<u>76,443</u>	<u>76,443</u>	<u>76,443</u>

Impairment testing of goodwill

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

The recoverable amount of the Shenzhen EDA CGU has been determined based on a value in use calculation using cash flow projections based on financial budget covering a five-year period approved by senior management.

	Annual revenue growth rate	Terminal growth rate	Budgeted gross margins	Pre-tax discount rate
31 December 2021	6.8%	3.0%	15.5%-16.9%	21.1%
31 December 2022	8.0%	3.0%	15.5%-16.0%	21.0%
31 December 2023	6.3%	2.3%	15.0%-15.1%	21.7%

The above assumptions were used in the value in use calculation of the Shenzhen EDA CGU. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

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

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

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

Discount rate — The discount rate used is before tax and reflects specific risks relating to the relevant unit.

Sensitivity analysis

Details of the headroom measured by the excess of the recoverable amount over the carrying amount are as follows:

	As at 31 December		
	2021	2022	2023
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Shenzhen EDA CGU	3,750	13,532	186,029

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

	Change of key assumptions required for carrying value to equal recoverable amount		
	2021	2022	2023
Annual revenue growth rates (during the five-year period)	(5.4%)	(10.8%)	(51.1%)
Gross profit margin	(5.1%)	(1.8%)	(12.3%)
Pre-tax discount rate	1.2%	4.0%	19.9%

At the end of each of the Relevant Periods, the management of the Group considered there was no reasonably possible change in the key assumptions mentioned above that would cause the carrying amount of the Shenzhen EDA CGU to exceed its recoverable amount. The management of the Company determined that there was no impairment of the Shenzhen EDA CGU.

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16. OTHER INTANGIBLE ASSETS

		<u>Technology</u>	<u>Customer relationship</u>	<u>Total</u>
	<i>Notes</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
31 December 2021				
Cost at 1 January 2021, net of accumulated amortisation		—	—	—
Acquisition of subsidiaries	29	25,900	47,400	73,300
At 31 December 2021		<u>25,900</u>	<u>47,400</u>	<u>73,300</u>
At 31 December 2021:				
Costs		25,900	47,400	73,300
Accumulated amortisation		—	—	—
Net carrying amount		<u>25,900</u>	<u>47,400</u>	<u>73,300</u>
31 December 2022				
Cost at 1 January 2022, net of accumulated amortisation		25,900	47,400	73,300
Amortisation provided during the year . . .	7	(2,590)	(4,740)	(7,330)
At 31 December 2022		<u>23,310</u>	<u>42,660</u>	<u>65,970</u>
At 31 December 2022:				
Costs		25,900	47,400	73,300
Accumulated amortisation		(2,590)	(4,740)	(7,330)
Net carrying amount		<u>23,310</u>	<u>42,660</u>	<u>65,970</u>
31 December 2023				
Cost at 1 January 2023, net of accumulated amortisation		23,310	42,660	65,970
Amortisation provided during the year . . .	7	(2,590)	(4,740)	(7,330)
At 31 December 2023		<u>20,720</u>	<u>37,920</u>	<u>58,640</u>
At 31 December 2023:				
Cost		25,900	47,400	73,300
Accumulated amortisation		(5,180)	(9,480)	(14,660)
Net carrying amount		<u>20,720</u>	<u>37,920</u>	<u>58,640</u>

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17. INVESTMENTS IN ASSOCIATES

	As at 31 December		
	2021	2022	2023
	RMB’000	RMB’000	RMB’000
Share of net assets	2,904	11,453	—
Goodwill	—	—	—
	<u>2,904</u>	<u>11,453</u>	<u>—</u>

Particulars of the associates are as follows:

Name	Particulars of issued capital held	Place of incorporation/ registration and business	Percentage of ownership interest attributable to the Group	Principal activities
Shenzhen EDA ⁽¹⁾	Registered capital	PRC/Chinese Mainland	20.83	Provision of logistics services and warehousing
Hangzhou Yuehui Venture Capital Partnership [#] (“ Hangzhou Yuehui ”) ⁽²⁾	Partnership shares	PRC/Chinese Mainland	16.13	Capital investment

Notes:

(1) On 28 February 2020, EDAHK acquired 20.83% equity interests in Shenzhen EDA from independent third party and capital injection at a total consideration of RMB25,000,000. In January 2021, the Company entered into investment agreements with the former controlling shareholders of Shenzhen EDA to acquire the remaining equity interest in Shenzhen EDA. In the opinion of directors, on 24 December 2021, all steps set out in the agreements had been completed and the Company then has obtained the control of Shenzhen EDA, therefore it is determined as the acquisition date. The Group remeasured the investment in the associate to fair value at the acquisition date and was deemed to had been disposed of in exchange for the step-acquisition of Shenzhen EDA. The resulting loss on deemed disposal of an associate of RMB5,656,000 was recognised in profit or loss for the year ended 31 December 2021.

(2) Hangzhou Yuehui was incorporated on 15 September 2021. The Group considers it has significant influence over Hangzhou Yuehui even though it owns less than 20% of the equity interests because the Group is the limited partner and has the voting power in Hangzhou Yuehui. On 21 June 2023, Hangzhou Yuehui was disposed by the Group to a related party at a consideration of RMB12,000,000.

The English name of this entity represents the best efforts made by the directors of the Company to translate the Chinese name as the entity does not have an official English name.

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The following table illustrates the summarised financial information in respect of Hangzhou Yuehui, adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated statements of financial position:

Hangzhou Yuehui

	As at 31 December		
	2021	2022	2023
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Current assets	9,489	18,953	—
Non-current assets	9,000	24,322	—
Net assets	<u>18,489</u>	<u>43,275</u>	<u>—</u>
Reconciliation to the Group’s interest in the associate:			
Proportion of the Group’s ownership (<i>note</i>)	15.71%	26.32%	—
Group’s share of net assets of the associate	<u>2,904</u>	<u>11,453</u>	<u>—</u>
	Year ended 31 December		
	2021	2022	2023
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Loss and total comprehensive expense for the year	<u>(611)</u>	<u>(1,714)</u>	<u>(882)</u>

Note: According to the articles of association, the percentage of profit sharing is based on the proportion of capital contribution actually made to Hangzhou Yuehui.

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18. DEFERRED TAX

The movements in deferred tax assets and liabilities during each of the Relevant Periods are as follows:

Deferred tax liabilities

	Accelerated tax depreciation	Fair value adjustments arising from acquisition of subsidiaries	Right-of-use assets	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2021.....	—	—	—	—
Acquisition of subsidiaries (<i>note 29</i>)..	33	10,995	44,834	55,862
At 31 December 2021 and 1 January 2022	33	10,995	44,834	55,862
Deferred tax credited to profit or loss during the year	(33)	(1,099)	(8,855)	(9,987)
Exchange realignment	—	—	3,206	3,206
At 31 December 2022 and 1 January 2023	—	9,896	39,185	49,081
Deferred tax credited to profit or loss during the year	—	(1,100)	(9,274)	(10,374)
Exchange realignment	—	—	774	774
At 31 December 2023.....	—	8,796	30,685	39,481

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Deferred tax assets

	Lease liabilities	Loss available for offsetting against future taxable profit	Provision for impairment of financial and contract assets	Total
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
At 1 January 2021.....	—	—	—	—
Acquisition of subsidiaries (<i>note 29</i>)..	47,287	109	3,811	51,207
At 31 December 2021 and 1 January 2022	47,287	109	3,811	51,207
Deferred tax credited/(charged) to profit or loss during the year.....	(7,469)	(13)	458	(7,024)
Exchange realignment.....	3,442	6	—	3,448
At 31 December 2022 and 1 January 2023	<u>43,260</u>	<u>102</u>	<u>4,269</u>	<u>47,631</u>
Deferred tax charged to profit or loss during the year	(8,533)	(110)	(1,161)	(9,804)
Exchange realignment.....	863	8	—	871
At 31 December 2023.....	<u>35,590</u>	<u>—</u>	<u>3,108</u>	<u>38,698</u>

For presentation purposes, certain deferred tax assets and liabilities have been offset in the consolidated statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	As at 31 December		
	2021	2022	2023
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Net deferred tax assets recognised in the consolidated statement of financial position.....	6,373	8,446	8,013
Net deferred tax liabilities recognised in the consolidated statement of financial position.....	<u>11,028</u>	<u>9,896</u>	<u>8,796</u>

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The Group has tax losses arising in Hong Kong of RMB286,000, RMB593,000 and RMB715,000 at the end of each of the Relevant Periods, respectively, that are available indefinitely for offsetting against future taxable profits of the companies from which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

The Group is liable for withholding taxes on dividends distributed by those subsidiaries established in Chinese Mainland in respect of earnings generated from 1 January 2008. The applicable rate is 10% for the Group. As at 31 December 2021, 2022 and 2023, the Group has not recognised deferred tax liabilities of RMB1,339,000, RMB4,815,000 and RMB12,201,500 in respect of temporary differences relating to the undistributed profits of subsidiaries, amounting to RMB13,390,000, RMB48,154,000 and RMB122,015,000, that would be payable on the distribution of these retained profits as the Company controls the dividend policy of these subsidiaries and plans to retain such undistributed profits in Chinese Mainland for business development. Therefore, it is not probable that these profits will be distributed in the foreseeable future.

19. TRADE RECEIVABLES

	As at 31 December		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Related parties	2,524	458	—
Third parties	67,035	87,850	151,459
	69,559	88,308	151,459
Impairment	(25,353)	(17,907)	(9,028)
	<u>44,206</u>	<u>70,401</u>	<u>142,431</u>

The Group’s trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally 10 days from the date of billing, extending up to two months for major customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by management. The Group’s trade receivables from third parties relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

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An ageing analysis of the trade receivable as at the end of each of the Relevant Periods, based on the invoice date and net of loss allowance, is as follows:

	As at 31 December		
	2021	2022	2023
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Within 3 months	43,108	69,524	141,771
3 to 6 months	398	302	333
Over 6 months	700	575	327
	<u>44,206</u>	<u>70,401</u>	<u>142,431</u>

The movements in the loss allowance for impairment of trade receivables are as follows:

	As at 31 December		
	2021	2022	2023
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
At beginning of year	—	25,353	17,907
Acquisition of subsidiaries (<i>note 29</i>)	25,353	—	—
Impairment losses	—	2,489	2,508
Amount written off as uncollectible	—	(10,457)	(11,387)
Exchange realignment	—	522	—
At end of year	<u>25,353</u>	<u>17,907</u>	<u>9,028</u>

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An impairment analysis is performed at each reporting date. The Group uses a provision matrix to measure expected credit losses for trade receivables. The provision rates are based on groupings of various customer segments with similar loss patterns (i.e., by customer type and service type). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Besides, for balances in relation to individual customers which bear specific credit risk depending on the repayment history, financial position and other external or internal information, management estimates the amounts recoverable by taking into account any credit enhancement held by the Group and recognises provision against the difference between the net remaining balance and the amount recoverable.

Set out below is the information about the credit risk exposure on the trade receivables using a provision matrix:

Group A

	Third parties			Related parties	Total
	Within 3 months	3 to 6 months	Over 6 months	Within 3 months	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
As at 31 December 2021					
Expected credit loss rate	4.0%	57.4%	91.6%	4.0%	18.3%
Gross carrying amount	42,364	935	8,313	2,524	54,136
Expected credit losses	<u>1,680</u>	<u>537</u>	<u>7,613</u>	<u>100</u>	<u>9,930</u>
As at 31 December 2022					
Expected credit loss rate	3.3%	57.3%	94.4%	3.3%	15.2%
Gross carrying amount	71,473	708	10,344	458	82,983
Expected credit losses	<u>2,392</u>	<u>406</u>	<u>9,769</u>	<u>15</u>	<u>12,582</u>
As at 31 December 2023					
Expected credit loss rate	2.7%	52.5%	92.7%	2.7%	5.6%
Gross carrying amount	145,753	701	4,462	—	150,916
Expected credit losses	<u>3,982</u>	<u>368</u>	<u>4,135</u>	<u>—</u>	<u>8,485</u>

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Group B

	Third parties			Related parties	Total
	Within 3 months	3 to 6 months	Over 6 months	Within 3 months	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
As at 31 December 2021					
Expected credit loss rate	100.0%	100.0%	100.0%	—	100.0%
Gross carrying amount	668	413	14,342	—	15,423
Expected credit losses	<u>668</u>	<u>413</u>	<u>14,342</u>	<u>—</u>	<u>15,423</u>
As at 31 December 2022					
Expected credit loss rate	100.0%	100.0%	100.0%	—	100.0%
Gross carrying amount	379	183	4,763	—	5,325
Expected credit losses	<u>379</u>	<u>183</u>	<u>4,763</u>	<u>—</u>	<u>5,325</u>
As at 31 December 2023					
Expected credit loss rate	100.0%	100.0%	100.0%	—	100.0%
Gross carrying amount	—	—	543	—	543
Expected credit losses	<u>—</u>	<u>—</u>	<u>543</u>	<u>—</u>	<u>543</u>

20. CONTRACT ASSETS

	As at 31 December		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Contract assets	—	—	275
Impairment	—	—	(7)
	<u>—</u>	<u>—</u>	<u>268</u>

Contract assets are initially recognised for revenue earned from the provision of cross-border direct delivery services as the receipt of consideration is conditional on successful completion of delivering to the overseas destination designated by the end consumers.. Upon completion and acceptance by the end consumers, the amounts recognised as contract assets are reclassified to trade receivables. The increase in contract assets as at 31 December 2023 was the result of the business development with a new customer that has different billing arrangement during the year ended 31 December 2023.

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During the year ended 31 December 2023, RMB7,000 was recognised as an allowance for expected credit losses on contract assets. The Group’s trading terms and credit policy with customers are disclosed in note 19 to the Historical Financial Information.

The expected timing of recovery or settlement for contract assets is within one year.

The movements in the loss allowance for impairment of contract assets are as follows:

	As at 31 December		
	2021	2022	2023
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
At beginning of year	—	—	—
Impairment losses	—	—	7
At end of year	<u>—</u>	<u>—</u>	<u>7</u>

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates for the measurement of the expected credit losses of the contract assets are based on those of the trade receivables as the contract assets and the trade receivables are from the same customer bases. The provision rates of contract assets are based on days past due of trade receivables for groupings of various customer segments with similar loss patterns (i.e., by customer type and service type). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Set out below is the information about the credit risk exposure on the Group’s contract assets using a provision matrix:

	As at 31 December		
	2021	2022	2023
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Expected credit loss rate	—	—	2.7%
Gross carrying amount	—	—	275
Expected credit losses	<u>—</u>	<u>—</u>	<u>7</u>

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21. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

The Company

	As at 31 December		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Amount due from subsidiaries	70,041	70,048	91,996
Amount due from the immediate holding company	—	—	605
Prepayments	—	—	2,090
Other receivables	8	8	8
	<u>70,049</u>	<u>70,056</u>	<u>94,699</u>

The Group

	<i>Notes</i>	As at 31 December		
		2021	2022	2023
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Prepayments		50,475	10,084	21,317
Deposits		10,065	13,801	21,754
Value-added tax recoverable		4,997	8,039	7,550
Tax recoverable		—	—	766
Advances to employees		1,168	1,389	32
Loans to directors and employees	<i>(i)</i>	5,200	19,836	—
Loan receivables	<i>(ii)</i>	2,391	10,856	—
Payment on behalf of customers for custom duties		595	4,852	4,787
Amount due from the immediate holding company		—	—	605
Other receivables		669	133	1,841
		<u>75,560</u>	<u>68,990</u>	<u>58,652</u>
Portion classified as non-current		(500)	—	—
Current portion		<u>75,060</u>	<u>68,990</u>	<u>58,652</u>

Notes:

- (i) The loans to directors and employees as at 31 December 2021 are unsecured, interest-free and had maturity of three months and two years, respectively.

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The loans to directors and employees as at 31 December 2022 are unsecured, had an interest rate ranging from 0% to 5% and maturity ranging from one month to two years.

- (ii) The loan receivables as at 31 December 2021 are unsecured, interest-free and had maturity of six months.

The loan receivables as at 31 December 2022 are unsecured, had an interest rate ranging from 0% to 8% and maturity ranging from six months to one year.

- (iii) The financial assets included in the above balances relate to receivables for which there was no recent history of default and past due amounts. As at the end of each of the Relevant Periods, the loss allowance was assessed to be not material.

22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December		
	2021	2022	2023
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Wealth management products	30,165	3,061	—

The Group’s wealth management products at 31 December 2021, 2022 and 2023, were issued by banks in Chinese Mainland. They are classified as financial assets at fair value through profit or loss as their contractual cash flows do not qualify for solely payments of principal and interest.

23. CASH AND CASH EQUIVALENTS

The Company

	As at 31 December		
	2021	2022	2023
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Cash and bank balances	36	13	165
Denominated in:			
RMB (<i>note</i>)	36	13	7
US\$.	—	—	154
HK\$	—	—	4
	36	13	165

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The Group

	As at 31 December		
	2021	2022	2023
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Cash and bank balances	44,640	102,745	211,427
Time deposit	10,000	10,000	10,000
Cash and cash equivalents	<u>54,640</u>	<u>112,745</u>	<u>221,427</u>
Denominated in:			
RMB (<i>note</i>)	45,725	91,093	127,610
US\$.	7,405	16,052	86,873
HK\$	413	16	23
EUR	1	1,531	511
GBP	538	1,782	4,440
AUD	95	142	346
CAD	463	2,129	1,624
	<u>54,640</u>	<u>112,745</u>	<u>221,427</u>

Note: The RMB is not freely convertible into other currencies, however, under Chinese Mainland’s Foreign Exchange Control Regulations and Administration of Settlement, and Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Time deposit is made for a period of three years and earn interest at the respective time deposit rate. However, the Group can withdraw the time deposit in a period less than the pre-determined period of three years and such time deposit then earns interest at floating rates based on daily bank deposit rates. Therefore, management considers that such time deposit is held for short term cash commitment. The bank balances and time deposit are deposited with creditworthy banks with no recent history of default.

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24. TRADE PAYABLES

The Group

	As at 31 December		
	2021	2022	2023
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Trade payables			
— Related parties (<i>note 31</i>)	539	154	166
— Third parties.	83,393	61,655	127,709
	<u>83,932</u>	<u>61,809</u>	<u>127,875</u>

An ageing analysis of the trade payables at the end of each of the Relevant Periods, based on the invoice date, is as follows:

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

Trade payables are unsecured, interest-free and normally settled on terms of 30 to 60 days.

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25. OTHER PAYABLES AND ACCRUALS

The Company

	As at 31 December		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Amount due to the immediate holding company	70,144	153	—
Amount due to an intermediate holding company	—	11	—
Amounts due to subsidiaries	—	—	17,757
Accruals	—	—	1,324
Other payables	22	180	—
	<u>70,166</u>	<u>344</u>	<u>19,081</u>

The Group

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

Notes:

- (i) Contract liabilities include short-term advances received to render first-mile international freight services and last-mile fulfillment services. The increase in contract liabilities as at 31 December 2021 was mainly due to the business combination of Shenzhen EDA and the increase as at 31 December 2022 was mainly due to business

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development and the increase in customer base. The decrease as at 31 December 2023 was mainly due to the significant increase in service orders during the year ended 31 December 2023 and resulting in more consumption of the contract liabilities.

- (ii) Other payables and accruals are unsecured, interest-free and repayable on demand.

26. BORROWINGS

	31 December 2021			31 December 2022			31 December 2023		
	Effective interest rate		RMB'000	Effective interest rate		RMB'000	Effective interest rate		RMB'000
	(%)	Maturity		(%)	Maturity		(%)	Maturity	
Current									
Bank overdrafts — unsecured	3.3%-19.9%	On demand	5,899	3.3%-19.9%	On demand	689	19.9%	On demand	418
Bank loans — unsecured	3.85%-5.8%	2022	11,850	3.85%	2023	34,250	3.6%-4.47%	2024	51,800
Current portion of long term bank loans — unsecured	2.8%	2022	300	2.8%	2023	102	2.8%	2024	106
Other borrowing	—	—	—	—	2023	6,782	—	—	—
			18,049			41,823			52,324
Non-current									
Bank loans — unsecured	2.8%	2023-2025	291	2.8%	2024-2025	196	2.8%	2025	98
			18,340			42,019			52,422

As at 31 December

	2021	2022	2023
	RMB'000	RMB'000	RMB'000

Analysed into:

Bank loans and overdrafts repayable:

Within one year or on demand	18,049	35,041	52,324
In the second year	100	102	98
In the third to fifth years, inclusive	191	94	—
	18,340	35,237	52,422

Other borrowings repayable:

Within one year or on demand	—	6,782	—
	18,340	42,019	52,422

Notes:

- (a) The Group’s overdraft facilities amounting to RMB12,654,000, RMB13,685,000 and RMB9,479,000, of which RMB5,899,000, RMB689,000 and RMB418,000 had been utilised as at 31 December 2021, 2022 and 2023.
- (b) Certain of the Group’s bank loans are guaranteed by:
 - (i) a personal guarantee provided by a shareholder of the Company and his spouse;

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- (ii) a personal guarantee provided by the legal representative of a subsidiary of the Company; and
 - (iii) a guarantee provided by third-party financing guarantee corporations.
- (c) The Group’s borrowings are denominated in:

	As at 31 December		
	2021	2022	2023
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
RMB	11,850	34,250	51,800
US\$	5,758	6,878	—
CAD	732	891	622
	<u>18,340</u>	<u>42,019</u>	<u>52,422</u>

- (d) As at 31 December 2022, the Group’s other borrowings are loans from a fellow subsidiary, which is one of the subsidiaries of the Lesso Group, the ultimate holding company of the Company. The loans are unsecured, interest-free and are repayable in one year.

27. SHARE CAPITAL

	As at 31 December		
	2021	2022	2023
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Issued and fully paid:			
Number of ordinary shares	228,210	228,210	228,210
Nominal value of ordinary shares (<i>RMB’000</i>)	<u>15</u>	<u>15</u>	<u>15</u>

A summary of movements in the Company’s share capital is as follows:

	Number of ordinary shares	Share capital
		<i>RMB’000</i>
At 1 January 2021 (<i>note (a)</i>)	100,000	7
Issuance of ordinary shares (<i>note (b)</i>)	<u>128,210</u>	<u>8</u>
At 31 December 2021, 31 December 2022 and 31 December 2023	<u>228,210</u>	<u>15</u>

Notes:

- (a) On 17 September 2020, the Company issued 100,000 ordinary shares at USD0.01 each to Samanea China Holdings Limited.

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- (b) On 24 December 2021, 128,210 ordinary shares were issued and allotted by the Company to an individual and various holding platforms at the issue prices of US\$0.01 each, with a total nominal value of RMB8,000.

28. RESERVES

The amounts of the Group’s reserves and the movements therein for the Relevant Periods are presented in the consolidated statements of changes in equity.

(a) Share premium

The share premium account represents the amount paid by shareholders for capital injection in excess of its nominal value.

(b) Merger reserve

Deemed capital contribution arising from transferring one of the subsidiaries of the ultimate holding company to the Company without consideration.

(c) Capital reserve

Capital reserve represents contribution of certain equity interests of Shenzhen EDA from former shareholders/shareholders of Shenzhen EDA for certain equity interests of the Company and the deemed contribution from shareholders of the Group by way of discharge of liability.

(d) Statutory surplus reserve

In accordance with the PRC Company Law and the articles of association of the group companies established in the PRC, these companies are required to appropriate 10% of their net profit after tax, as determined under the Chinese Accounting Standards, to the statutory surplus reserve until the reserve balance reaches 50% of their registered capital. Subject to certain restrictions set out in the relevant PRC regulations and in the articles of association of the group companies, the statutory surplus reserve may be used either to offset losses, or to be converted to increase the share capital of the group companies provided that the balance after such conversion is not less than 25% of the registered capital of them. The reserve cannot be used for purposes other than those for which it is created and is not distributable as cash dividends.

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(e) Exchange fluctuation reserve

The exchange fluctuation reserve comprises all foreign exchange differences arising from the translation of the financial statements of companies whose functional currency is not RMB. The reserve is dealt with in accordance with the accounting policy set out in note 2.4 to the Historical Financial Information.

(f) A summary of statements of changes in equity of the Company is as follows:

	Share capital	Share premium	Capital reserve	Accumulated losses	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2021	7	—	—	(73)	(66)
Loss for the year and total					
comprehensive expense for the year . .	—	—	—	(16)	(16)
Capital injection	8	—	—	—	8
At 31 December 2021 and					
1 January 2022	15	—	—	(89)	(74)
Loss for the year and total					
comprehensive expense for the year . .	—	—	—	(194)	(194)
Deemed capital contributions by way of discharge of liability due to the immediate holding company	—	—	70,000	—	70,000
At 31 December 2022 and 1 January					
2023	15	—	70,000	(283)	69,732
Loss for the year and total					
comprehensive expense for the year . .	—	—	—	(15,942)	(15,942)
Deemed capital contributions by way of discharge of liability due to a shareholder	—	—	25,000	—	25,000
Capital injection	—	20,000	—	—	20,000
Dividend recognised as distributions to owners	—	(20,000)	(3,000)	—	(23,000)
At 31 December 2023	15	—	92,000	(16,225)	75,790

29. BUSINESS COMBINATION

On 28 February 2020, the Group acquired 20.83% equity interest in Shenzhen EDA at a total consideration of RMB25,000,000 and the investment is accounted as interest in an associate.

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In January 2021, the Company entered into investment agreements with the former controlling shareholders of Shenzhen EDA to acquire the remaining 79.17% equity interest, after which Shenzhen EDA became a wholly owned subsidiary of the Group. The acquisition of Shenzhen EDA was completed on 24 December 2021.

The fair values of the identifiable assets and liabilities of Shenzhen EDA at the date of acquisition were as follows:

	<i>Notes</i>	Fair value recognised on acquisition
		<i>RMB’000</i>
Property, plant and equipment	<i>13</i>	9,150
Right-of-use assets	<i>14(a)</i>	162,172
Other intangible assets	<i>16</i>	73,300
Investment in an associate		2,904
Deferred tax assets	<i>18</i>	6,373
Other non-current assets		500
Financial assets at fair value through profit or loss		30,165
Trade receivables		44,206
Prepayments, deposits and other receivables		75,054
Cash and cash equivalents		54,549
Trade payables		(83,932)
Other payables and accruals		(23,253)
Borrowings — current		(18,049)
Tax payable		(2,962)
Borrowings — non-current		(291)
Lease liabilities	<i>14(b)</i>	(171,023)
Deferred tax liabilities	<i>18</i>	(11,028)
Total identifiable net assets at fair value		<u>147,835</u>
Goodwill on acquisition	<i>15</i>	<u>76,443</u>
Satisfied by:		
Cash		69,970
Other payable		2,218
Capital reserve arising from acquisition		122,130
Carrying amount of the Group’s former investment in an associate		35,616
Remeasurement of the pre-existing investment in an associate	<i>7</i>	<u>(5,656)</u>
		<u><u>224,278</u></u>

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The fair value of the capital reserve arising from acquisition of RMB122,130,000 was estimated by using Black-Scholes-Merton Model and was within Level 3 of the fair value hierarchy as the valuations were arrived at by reference to certain significant unobservable inputs. Set out below is a summary of significant unobservable inputs to the valuation together with a quantitative sensitivity analysis as at 31 December 2021:

	Valuation technique	Significant unobservable input	Range	Sensitivity of fair value to the input
Capital reserve arising from acquisition	Black-Scholes-Merton Model	Recent transaction price	1,001.34-1,223.87 per share	A change in recent transaction price by +/- 10% will result in a change in fair value by +/-RMB12,213,000

The fair values of trade receivables and financial assets included in prepayments, deposits and other receivables as at the date of acquisition amounted to RMB44,206,000 and RMB20,082,000, respectively. The gross contractual amount of trade receivables and financial assets included in prepayments, deposits and other receivables as at the date of acquisition amounted to RMB69,559,000 and RMB20,082,000 respectively, of which trade receivables of RMB25,353,000 and no financial assets included in prepayments, deposits and other receivables are expected to be uncollectible.

The transaction costs incurred for this acquisition have been expensed and are included in administrative expenses in the consolidated statements of profit or loss and other comprehensive income.

The Group measured the acquired lease liabilities using the present value of the remaining lease payments at the date of acquisition. The right-of-use assets were measured at an amount equal to the lease liabilities.

An analysis of the cash flows in respect of the above acquisition is as follows:

	<i>RMB'000</i>
Cash consideration	(69,970)
Cash and bank balances acquired	54,549
Bank overdrafts held by Shenzhen EDA	<u>(5,899)</u>
Net outflow of cash and cash equivalents included in cash flows from investing activities	<u><u>(21,320)</u></u>

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No revenue and profit were contributed to the Group’s consolidated revenue and consolidated profit since the acquisition for the year ended 31 December 2021.

Had the combination taken place at the beginning of the year of 2021, the revenue of the Group and the profit of the Group for the year ended 31 December 2021 would have been RMB631,882,000 and RMB46,411,000, respectively.

30. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Major non-cash transactions

During the year ended 31 December 2022, the immediate holding company of the Company, Samanea China Holdings Limited, waived the liability amounted to RMB70,000,000 due from the Company, accordingly, the Group accounted for the liability discharge by the immediate holding company as a deemed contribution from the immediate holding company, which increased the capital reserve of the Company.

During the year ended 31 December 2023, a shareholder of the Company, LS DiDi Network Technology Limited, waived the liability amounted to RMB25,000,000 due from the Company, accordingly, the Group accounted for the liability discharge by a shareholder as a deemed contribution from a shareholder, which increased the capital reserve of the Company.

During the year ended 31 December 2023, the Group had offset the loan receivables with trade payables of RMB4,728,000, in respect of the offsetting arrangements with this supplier.

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(b) Changes in liabilities arising from financing activities

Years ended 31 December 2021, 2022 and 2023

	Amounts due to related parties included in other payables and accruals	Interest-bearing borrowings	Lease liabilities	Interest payable included in other payables and accruals
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2021	60,207	—	—	—
Changes from financing cash flows . . .	35,069	—	—	—
Acquisition of subsidiaries	—	12,441	171,023	578
At 31 December 2021 and 1 January 2022	95,276	12,441	171,023	578
Interest expenses	—	—	10,193	851
Changes from financing cash flows . . .	2,345	28,689	(38,619)	(1,429)
Other non-cash movements	(70,000)	200	11,194	—
At 31 December 2022 and 1 January 2023	27,621	41,330	153,791	—
Interest expenses	—	—	8,820	1,632
Changes from financing cash flows . . .	(2,621)	10,531	(40,741)	(1,632)
Other non-cash movements	(25,000)	143	2,529	—
At 31 December 2023	—	52,004	124,399	—

(c) Total cash outflow for leases

The total cash outflow for leases included in the consolidated statements of cash flows is as follows:

	Year ended 31 December		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within operating activities	—	1,121	2,571
Within financing activities	—	38,619	40,741
	—	39,740	43,312

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31. RELATED PARTY TRANSACTIONS

(a) Name and relationship of related parties

Name	Relationship with the Group
Liu Yong	Director of the Company
Li Qin	Director of the Company
Samanea China Holdings Limited	Immediate holding company of the Company
Lesso Home International Holdings Limited	Intermediate holding company of the Company
LS DiDi Network Technology Limited	A shareholder of the Company
Flextrade Holdings Limited	Fellow subsidiary of the Company
Sea Lark Technology Co., Ltd.	Fellow subsidiary of the Company
Guangzhou LS DiDi Technology Co., Ltd.	Fellow subsidiary of the Company
Xparcel Technology Co., Ltd.	Fellow subsidiary of the Company
Lesso Mall Development (Auburn) Pty Ltd	Fellow subsidiary of the Company
Lesso Mall Development (Long Island), Inc.	Fellow subsidiary of the Company
Sea Lark Solution Limited	Fellow subsidiary of the Company
Lesso Home Logistic Services L.L.C	Fellow subsidiary of the Company
Xparcel Solution Limited	Fellow subsidiary of the Company
Lesso Building Material Trading (Sydney) Pty Ltd	Fellow subsidiary of the Company
Shenzhen Qianhai Lesso Commercial Factoring Co., Ltd.	Fellow subsidiary of the Company
Liansu Group Company Limited	Fellow subsidiary of the Company
Foshan Liansu Building Material Trading Co., Ltd.	Fellow subsidiary of the Company
YESY International Limited	Company controlled by Ms. Tang Jiajia, a director of the Group’s subsidiary

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(b) Transactions with related parties

The Group had the following material transactions with related parties during the Relevant Periods:

	Notes	Year ended 31 December		
		2021	2022	2023
		RMB’000	RMB’000	RMB’000
Fellow subsidiaries:				
Revenue from first-mile international				
freight services	(i)	—	—	2,544
IT service income	(i)	—	189	—
Cost of provision of last-mile				
fulfillment services	(ii)	—	3,354	2,045
Short-term borrowings	(iii)	—	8,081	23,153
Loan to a fellow subsidiary	(v)	—	—	17,229
Amount due to the immediate holding				
company	(iv)	35,069	2,310	—
Amount due from the immediate holding				
company	(iv)	—	—	697
Amount due to a shareholder	(iv)	—	2	—
Amount due to an intermediate holding				
company	(iv)	—	33	—
Loan to the company controlled by a				
director of the Group’s subsidiary	(vi)	—	2,535	—
Loans to directors	(vii)	—	11,436	—
Repayment from directors		—	1,200	11,423

Notes:

- (i) The services provided to fellow subsidiaries were made with reference to the prices and conditions offered by the Group to third-party consumers.
- (ii) The Group entered into lease agreements to lease warehousing units in buildings in the United States and Australia.
- (iii) The Group entered into three loan agreements with a carrying amount in aggregate of CAD100,000, US\$100,000 and US\$1,000,000 during the year ended 31 December 2022, and three loan agreements with a carrying amount of US\$1,000,000, US\$1,000,000 and US\$1,273,000 during the year ended 31 December 2023, respectively, with a fellow subsidiary to meet its short-term funding needs. The aforesaid loans were unsecured, interest-free and had maturity of one year. All of the loans have been repaid before the end of 2023.

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- (iv) The amounts due to a shareholder, immediate holding company and intermediate holding company are for the Group’s daily operation and investment. The amounts were unsecured, interest-free and repayable on demand.
- (v) A fellow subsidiary borrowed two loans from the Group with a carrying amount of US\$1,450,000 and US\$1,000,000, respectively, during the year ended 31 December 2023. The aforesaid loans were unsecured, interest-free and had maturity of one year. Both of these loans was early repaid by the fellow subsidiary before the end of 2023.
- (vi) YESY International Limited, the company controlled by a director of the Group’s subsidiary, borrowed US\$350,000 from the Group at an interest rate of 8% per annum and had maturity of six months. The loan was unsecured and fully settled in January 2023.
- (vii) The Group entered into a series of loan agreements with Mr. Liu Yong and Ms. Li Qin. The aforesaid loans were unsecured, interest-free and had maturity ranging from 1 to 2 years.

The details of loans to directors, including advances to a director, are as follows:

	Maximum amount outstanding			Maximum amount outstanding			
	At 1 January 2021	during the year	At 31 December 2021	during the year	At 31 December 2022	during the year	At 31 December 2023
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Liu Yong	—	500	500	9,936	9,936	9,938	—
Li Qin	—	928	623	2,623	1,423	1,423	—
	—	1,428	1,123	12,559	11,359	11,361	—

The prices for the above transactions were determined in accordance with the terms mutually agreed by the contract parties.

(c) Outstanding balances with related parties

	<i>Notes</i>	As at 31 December		
		2021	2022	2023
		<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Trade receivables	(i)	2,524	443	—
Prepayments and other receivables	(i)	1,813	16,288	923
Trade payables	(ii)	539	154	166
Other payables	(ii)	95,854	27,621	—
Borrowings		—	6,782	—

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Notes:

- (i) The credit term for trade receivables are the same as those for independent third parties, which is set out in note 19 to the Historical Financial Information. The detail information of credit terms for other receivables is set out in note 21 to the Historical Financial Information.
- (ii) Save as disclosed in notes 24 and 25 to the Historical Financial Information, these balances are unsecured, interest-free and the normally settled on terms same as independent third parties.
- (iii) As at 31 December 2021, 2022 and 2023, the outstanding balances with related parties included in the balances of trade receivables and trade payables are all trade in nature, and the outstanding balances with related parties included in the balances of prepayment and other receivables amounted of RMB270,000, RMB275,000 and RMB280,000, respectively, represent the deposit of leasing warehouse in overseas, which are also trade in nature. The remaining outstanding balances with related parties as at the end of each of the Relevant Periods are non-trade in nature.
- (d) As at 31 December 2021, 2022 and 2023, the Group’s bank loans of RMB9,200,000, RMB20,000,000 and RMB6,800,000 were guaranteed by a personal guarantee by Mr. Liu Yong and his spouse, respectively, as required under the scheme.
- (e) **Compensation of key management personnel of the Group**

	Year ended 31 December		
	2021	2022	2023
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Salaries, allowances and benefits in kind . .	—	2,517	2,480
Pension scheme contributions	—	246	277
Performance related bonuses	—	950	2,272
	—	3,713	5,029

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32. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of each of the Relevant Periods are as follows:

Financial assets

		As at 31 December		
		2021	2022	2023
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>Notes</i>			
Financial assets at amortised cost				
Trade receivables	19	44,206	70,401	142,431
Financial assets included in prepayments, deposits and other receivables	21	20,088	50,867	29,019
Cash and cash equivalents	23	54,640	112,745	221,427
		<u>118,934</u>	<u>234,013</u>	<u>392,877</u>
Financial assets at fair value through profit or loss				
Wealth management products	22	30,165	3,061	—
		<u>149,099</u>	<u>237,074</u>	<u>392,877</u>

Financial liabilities

		As at 31 December		
		2021	2022	2023
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>Notes</i>			
Financial liabilities at amortised cost				
Trade payables	24	83,932	61,809	127,875
Financial liabilities included in other payables and accruals	25	100,287	29,942	4,265
Borrowings	26	18,340	42,019	52,422
Lease liabilities	14	171,023	153,791	124,399
		<u>373,582</u>	<u>287,561</u>	<u>308,961</u>

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33. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group’s financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts			Fair values		
	31 December			31 December		
	2021	2022	2023	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets						
Wealth management products	30,165	3,061	—	30,165	3,061	—

Management has assessed that the fair values of cash and cash equivalents, trade receivables, trade payables, financial assets included in prepayments, deposits and other receivables, and financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group’s finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the chief financial officer. At the end of each of the Relevant Periods, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of interest-bearing borrowings and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The changes in fair value as a result of the Group’s own non-performance risk for interest-bearing borrowings and other borrowings as at 31 December 2021, 2022 and 2023 were assessed to be insignificant. The carrying amounts of interest-bearing borrowings and other borrowings approximate to their fair values.

The fair values of wealth management products issued by banks in Chinese Mainland have been estimated by using a discounted cash flow valuation model based on the market interest rates of instruments with similar terms and risks.

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Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group’s financial instruments:

Assets measured at fair value:

As at 31 December 2021

	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Wealth management products	—	30,165	—	30,165

As at 31 December 2022

	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Wealth management products	—	3,061	—	3,061

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group’s principal financial instruments comprise cash and cash equivalents, trade and other receivables, financial assets at fair value through profit or loss, trade and other payables, and borrowings, which arise directly from its operations. The main purpose of these financial instruments is to raise finance for the Group’s operations.

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The main risks arising from the Group’s financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. Generally, the Group introduces conservative strategies on its risk management. To keep the Group’s exposure to these risks at a minimum, the Group has not used any derivatives and other instruments for hedging purposes. The Group does not hold or issue derivative financial instruments for trading purposes. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below:

(a) Interest rate risk

In respect of the floating interest rate instruments, the Group is subject to the cash flow interest rate risk, while for the fixed interest rate instruments, the Group is subject to fair value interest rate risk. The Group currently does not have an interest rate hedging policy to mitigate interest rate risk; nevertheless, the management monitors interest rate exposure and will consider hedging significant interest rate risk should the need arise.

The following table demonstrates the sensitivity to a reasonably possible change in interest rate, with all other variables held constant, of the Group’s profit before tax by assuming the floating rate borrowings outstanding at the end of each of the Relevant Periods were outstanding for the whole year.

	Increase/(decrease) in basis points	Increase/(decrease) in profit before tax
		<i>RMB’000</i>
Year ended 31 December 2021	50	(29)
Year ended 31 December 2021	(50)	29
Year ended 31 December 2022	50	(152)
Year ended 31 December 2022	(50)	152
Year ended 31 December 2023	50	(176)
Year ended 31 December 2023	(50)	176

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(b) Foreign currency risk

The Group’s main businesses are located in Chinese Mainland and most of the transactions are conducted in Renminbi. Most of the Group’s assets and liabilities are denominated in Renminbi, except for certain cash and cash equivalents, trade and other receivables, right-of-use assets, lease liabilities and borrowings denominated in HK\$, US\$, GBP and CAD. The Group has not hedged its foreign exchange rate risk; nevertheless, the management monitors foreign exchange rate exposure and will consider hedging significant foreign currency risk should the need arise.

The following table demonstrates the sensitivity at the end of each of the Relevant Periods to a reasonably possible change in the Renminbi against the relevant currencies, with all other variables held constant, of the Group’s profit before tax (due to changes in the translated value of monetary assets and loans).

	Increase/(decrease) in exchange rate	Increase/(decrease) in profit before tax
	<i>%</i>	<i>RMB’000</i>
Year ended 31 December 2021		
If the RMB weakens against the US\$	5	766
If the RMB strengthens against the US\$	(5)	(766)
If the RMB weakens against the GBP	5	78
If the RMB strengthens against the GBP	(5)	(78)
If the RMB weakens against the CAD	5	(127)
If the RMB strengthens against the CAD	(5)	127
Year ended 31 December 2022		
If the RMB weakens against the US\$	5	2,132
If the RMB strengthens against the US\$	(5)	(2,132)
If the RMB weakens against the GBP	5	218
If the RMB strengthens against the GBP	(5)	(218)
If the RMB weakens against the CAD	5	(106)
If the RMB strengthens against the CAD	(5)	106

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	Increase/(decrease) in exchange rate	Increase/(decrease) in profit before tax
	%	RMB’000
Year ended 31 December 2023		
If the RMB weakens against the US\$	5	3,436
If the RMB strengthens against the US\$	(5)	(3,436)
If the RMB weakens against the GBP	5	86
If the RMB strengthens against the GBP	(5)	(86)
If the RMB weakens against the CAD	5	(279)
If the RMB strengthens against the CAD	(5)	279

(c) Credit risk

The Group is exposed to credit risk in relation to its trade receivables, contract assets, financial assets included in prepayments, deposits and other receivables, and cash and cash equivalents.

The Group expects that there is no significant credit risk associated with cash and cash equivalents since they are substantially deposited at state-owned banks and other medium or large-sized listed banks in Chinese Mainland. Management does not expect that there will be any significant losses from non-performance by these banks.

The Group expects that the credit risk associated with trade receivables and other receivables from related parties is considered to be low, since related parties have strong financial capacity and commitment to meet contractual cash flow obligation in the near term.

The Group trades only with recognised and creditworthy third parties. Concentrations of credit risk are managed by analysis by customer/counterparty. There are no significant concentrations of credit risk for trade receivables and other receivables from third parties as the customer bases of the Group’s trade receivables and other receivables from third parties are widely dispersed. In addition, receivable balances are monitored on an ongoing basis.

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group’s credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December 2021, 2022 and 2023. The amounts presented are gross carrying amounts for financial assets.

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As at 31 December 2021

	12-month	Lifetime ECLs			Simplified approach	Total
	ECLs	Stage 2	Stage 3	Simplified approach		
	Stage 1					
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Trade receivables*	—	—	—	69,559	69,559	
Financial assets included in prepayments, deposits and other receivables						
— Normal**	20,088	—	—	—	20,088	
Cash and cash equivalents						
— Not yet past due.	54,640	—	—	—	54,640	
	<u>74,728</u>	<u>—</u>	<u>—</u>	<u>69,559</u>	<u>144,287</u>	

As at 31 December 2022

	12-month	Lifetime ECLs			Simplified approach	Total
	ECLs	Stage 2	Stage 3	Simplified approach		
	Stage 1					
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Trade receivables*	—	—	—	88,308	88,308	
Financial assets included in prepayments, deposits and other receivables						
— Normal**	50,867	—	—	—	50,867	
Cash and cash equivalents.						
— Not yet past due.	112,745	—	—	—	112,745	
	<u>163,612</u>	<u>—</u>	<u>—</u>	<u>88,308</u>	<u>251,920</u>	

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As at 31 December 2023

	12-month		Lifetime ECLs		
	ECLs				
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables*	—	—	—	151,459	151,459
Contract assets*	—	—	—	275	275
Financial assets included in prepayments, deposits and other receivables					
— Normal**	29,019	—	—	—	29,019
Cash and cash equivalents.					
— Not yet past due.	221,427	—	—	—	221,427
	<u>250,446</u>	<u>—</u>	<u>—</u>	<u>151,734</u>	<u>402,180</u>

* For trade receivables and contract assets to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 19 and note 20 to the Historical Financial Information.

** The credit quality of the financial assets included in prepayments, deposits and other receivables is considered to be “normal” when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be “doubtful”.

(d) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulties in meeting financial obligations due to shortage of funds. The Group’s exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group’s objective is to maintain a balance between continuity of funding to finance its working capital needs as well as capital expenditure.

The tables below analyse the maturity profile of the Group’s financial liabilities as at the end of each of the Relevant Periods, which is based on contractual undiscounted payments.

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31 December 2021

	On demand	Less than 1 year	1 to 5 years	Over 5 years	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables	—	83,932	—	—	83,932
Financial liabilities included in					
other payables and accruals . . .	100,287	—	—	—	100,287
Lease liabilities	—	37,347	127,574	42,382	207,303
Borrowings	5,899	12,488	333	—	18,720
	<u>106,186</u>	<u>133,767</u>	<u>127,907</u>	<u>42,382</u>	<u>410,242</u>

31 December 2022

	On demand	Less than 1 year	1 to 5 years	Over 5 years	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables	—	61,809	—	—	61,809
Financial liabilities included in					
other payables and accruals . . .	29,942	—	—	—	29,942
Lease liabilities	—	40,050	113,063	29,474	182,587
Borrowings	7,471	35,104	224	—	42,799
	<u>37,413</u>	<u>136,963</u>	<u>113,287</u>	<u>29,474</u>	<u>317,137</u>

31 December 2023

	On demand	Less than 1 year	1 to 5 years	Over 5 years	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables	—	127,875	—	—	127,875
Financial liabilities included in					
other payables and accruals . . .	4,265	—	—	—	4,265
Lease liabilities	—	41,581	82,667	20,945	145,193
Borrowings	418	53,366	110	—	53,894
	<u>4,683</u>	<u>222,822</u>	<u>82,777</u>	<u>20,945</u>	<u>331,227</u>

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(e) Capital management

The Group’s primary objectives for managing capital are to safeguard the Group’s ability to continue as a going concern and to maintain healthy capital ratio in order to support its business and maximise shareholders’ value.

The Group regards equity attributable to owners of the parent as capital and manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or return capital to shareholders. No change was made in the objectives, policies or processes for managing capital during the Relevant Periods.

The Group monitors capital using the gearing ratio, which is total debt divided by total equity attributable to owners. The gearing ratios at the end of each of the Relevant Periods are as follows:

		As at 31 December		
	<i>Note</i>	2021	2022	2023
		<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Borrowings	26	18,340	42,019	52,422
Equity attributable to owners of the parent		126,819	232,393	324,044
Gearing ratio		14.5%	18.1%	16.2%

35. EVENTS AFTER THE RELEVANT PERIODS

There were no significant events subsequent to the end of the Relevant Periods.

36. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company, the Group or any of the companies now comprising the Group in respect of any period subsequent to 31 December 2023.