

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



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

Introduction

We report on the historical financial information of Shenzhen EDA Cloud Technology Co., Ltd. (“**Shenzhen EDA**”) and its subsidiaries (together, the “**Shenzhen EDA Group**”) set out on pages IB-4 to IB-80, which comprises the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows of Shenzhen EDA Group for the year ended 31 December 2021 (the “**Predecessor Track Record Period**”) and the consolidated statement of financial position of Shenzhen EDA Group and the statement of financial position of Shenzhen EDA as at 31 December 2021 and material accounting policy information and other explanatory information (together, the “**Shenzhen EDA Historical Financial Information**”). The Shenzhen EDA Historical Financial Information set out on pages IB-4 to IB-80 forms an integral part of this report, which has been prepared for inclusion in the prospectus of EDA Group Holdings Limited (the “**Company**”) dated 20 May 2024 (the “**Prospectus**”) in connection with the initial listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

Directors' responsibility for the Shenzhen EDA Historical Financial Information

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

Reporting accountants' responsibility

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

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

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

Opinion

In our opinion, the Shenzhen EDA Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the financial position of Shenzhen EDA Group and Shenzhen EDA as at 31 December 2021 and of the financial performance and cash flows of Shenzhen EDA Group for the Predecessor Track Record Period in accordance with the basis of preparation set out in note 2.1 to the Shenzhen EDA Historical Financial Information.

APPENDIX IB ACCOUNTANTS' REPORT OF SHENZHEN EDA GROUP

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

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

Dividends

No dividends have been paid by Shenzhen EDA in respect of the Predecessor Track Record Period.

Certified Public Accountants

Hong Kong
20 May 2024

I SHENZHEN EDA HISTORICAL FINANCIAL INFORMATION

Preparation of the Shenzhen EDA Historical Financial Information

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

The financial statements of Shenzhen EDA Group for the Predecessor Track Record Period, on which the Shenzhen EDA Historical Financial Information is based, were audited by Ernst & Young in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the "**Shenzhen EDA Underlying Financial Statements**").

The Shenzhen EDA Historical Financial Information is presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

APPENDIX IB ACCOUNTANTS' REPORT OF SHENZHEN EDA GROUP

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	<i>Notes</i>	Year ended 31 December 2021
		<i>RMB'000</i>
REVENUE	5	631,882
Cost of sales		<u>(525,027)</u>
Gross profit		106,855
Selling and distribution expenses		(7,643)
Administrative expenses		(18,752)
Research and development expenses		(17,956)
Impairment losses on financial assets, net	7	(5,480)
Other income and gains	5	8,083
Other expenses		(2,751)
Finance costs	6	(10,651)
Share of results of an associate		<u>(96)</u>
PROFIT BEFORE TAX	7	51,609
Income tax expense	10	<u>(5,198)</u>
PROFIT FOR THE YEAR		<u><u>46,411</u></u>
OTHER COMPREHENSIVE INCOME		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations		<u>(423)</u>
OTHER COMPREHENSIVE INCOME		
FOR THE YEAR		<u>(423)</u>
TOTAL COMPREHENSIVE INCOME		<u><u>45,988</u></u>
Profit attributable to:		
Owners of the parent		<u><u>46,411</u></u>
Total comprehensive income attributable to:		
Owners of the parent		<u><u>45,988</u></u>

APPENDIX IB ACCOUNTANTS' REPORT OF SHENZHEN EDA GROUP

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Notes</i>	As at 31 December 2021
		<i>RMB'000</i>
NON-CURRENT ASSETS		
Property, plant and equipment	<i>13</i>	9,150
Right-of-use assets	<i>14</i>	162,172
Investment in an associate	<i>15</i>	2,904
Deferred tax assets	<i>16</i>	6,373
Other non-current assets	<i>18</i>	500
Total non-current assets		<u>181,099</u>
CURRENT ASSETS		
Trade receivables	<i>17</i>	44,206
Prepayments, deposits and other receivables	<i>18</i>	75,054
Financial assets at fair value through profit or loss	<i>19</i>	30,165
Cash and cash equivalents	<i>20</i>	54,549
Total current assets		<u>203,974</u>
CURRENT LIABILITIES		
Trade payables	<i>21</i>	83,932
Other payables and accruals	<i>22</i>	23,253
Borrowings	<i>23</i>	18,049
Lease liabilities	<i>14</i>	27,586
Income tax payable		2,962
Total current liabilities		<u>155,782</u>
NET CURRENT ASSETS		<u>48,192</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>229,291</u>
NON-CURRENT LIABILITIES		
Lease liabilities	<i>14</i>	143,437
Deferred tax liabilities	<i>16</i>	33
Borrowings	<i>23</i>	291
Total non-current liabilities		<u>143,761</u>
Net assets		<u>85,530</u>
EQUITY		
Share capital	<i>24</i>	56,311
Reserves	<i>25</i>	29,219
Total equity		<u>85,530</u>

APPENDIX IB ACCOUNTANTS' REPORT OF SHENZHEN EDA GROUP

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium*	Capital reserve*	Statutory surplus reserve*	Exchange fluctuation reserve*	(Accumulated losses)/ retained profits*	(Deficiency in assets)/ total equity
	RMB'000 (note 24)	RMB'000 (note 25(a))	RMB'000 (note 25(b))	RMB'000 (note 25(c))	RMB'000 (note 25(d))	RMB'000	RMB'000
At 1 January 2021	6,316	26,184	34,145	—	531	(77,629)	(10,453)
Profit for the year	—	—	—	—	—	46,411	46,411
Other comprehensive income for the year:							
Exchange differences on translation of foreign operations	—	—	—	—	(423)	—	(423)
Total comprehensive income for the year	—	—	—	—	(423)	46,411	45,988
Capital injection	49,995	—	—	—	—	—	49,995
Appropriation of retained profits . .	—	—	—	1,488	—	(1,488)	—
At 31 December 2021	<u>56,311</u>	<u>26,184</u>	<u>34,145</u>	<u>1,488</u>	<u>108</u>	<u>(32,706)</u>	<u>85,530</u>

* These reserve accounts comprised the reserves of RMB29,219,000 in the consolidated statement of financial position as at 31 December 2021.

APPENDIX IB ACCOUNTANTS' REPORT OF SHENZHEN EDA GROUP

CONSOLIDATED STATEMENT OF CASH FLOWS

	<i>Notes</i>	Year ended 31 December 2021
		<i>RMB'000</i>
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax		51,609
Adjustments for:		
Interest income	5	(693)
Finance costs	6	10,651
Share of results of an associate		96
Depreciation of property, plant and equipment	7	2,503
Depreciation of right-of-use assets	7	31,811
Impairment losses on financial assets, net	7	5,480
Fair value changes of financial assets at fair value through profit or loss	5	(165)
Gain on early termination of lease arrangement	5	(859)
		100,433
Increase in trade receivables		(9,629)
Increase in prepayments, deposits and other receivables		(24,202)
Increase in trade payables		1,349
Increase in other payables and accruals		6,587
Cash generated from operations		74,538
Interest received		590
Income tax paid		(3,793)
Net cash flows from operating activities		71,335
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of items of property, plant and equipment		(9,360)
Proceeds from disposal of items of property, plant and equipment		142
Purchase of financial assets at fair value through profit or loss		(40,000)
Proceeds from disposal of financial assets at fair value through profit or loss		20,200
Capital injection to an associate		(3,000)
Increase in loans to directors, employees and third parties		(22,591)
Decrease in loans to directors, employees and third parties		17,000
Interest received from financial assets at fair value through profit or loss		138
Net cash flows used in investing activities		(37,471)

APPENDIX IB ACCOUNTANTS' REPORT OF SHENZHEN EDA GROUP

	<i>Notes</i>	Year ended 31 December 2021
		<i>RMB'000</i>
CASH FLOWS FROM FINANCING ACTIVITIES		
New borrowings	<i>26(b)</i>	20,553
Repayment of borrowings	<i>26(b)</i>	(28,807)
Interest paid	<i>26(b)</i>	(494)
Repayment of lease liabilities	<i>26(b)</i>	(34,420)
Proceeds from capital injection		49,995
Net cash flows from financing activities		<u>6,827</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS		
Cash and cash equivalents at beginning of year		40,691
Effect of foreign exchange rate changes, net		8,093
		<u>(134)</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR		
		<u><u>48,650</u></u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	<i>20</i>	44,549
Time deposit	<i>20</i>	10,000
Cash and cash equivalents as stated in the consolidated statement of financial position		<u>54,549</u>
Bank overdrafts	<i>23</i>	(5,899)
Cash and cash equivalents as stated in the consolidated statement of cash flows		<u><u>48,650</u></u>

APPENDIX IB ACCOUNTANTS' REPORT OF SHENZHEN EDA GROUP

STATEMENT OF FINANCIAL POSITION

	<i>Notes</i>	As at 31 December 2021
		<i>RMB'000</i>
NON-CURRENT ASSETS		
Property, plant and equipment	13	4,190
Right-of-use assets	14	8,804
Investments in subsidiaries		5,516
Investment in an associate	15	2,904
Deferred tax assets	16	3,642
Total non-current assets		25,056
CURRENT ASSETS		
Trade receivables	17	43,650
Prepayments, deposits and other receivables	18	66,859
Financial assets at fair value through profit or loss	19	30,165
Cash and cash equivalents	20	43,030
Total current assets		183,704
CURRENT LIABILITIES		
Trade payables	21	40,684
Other payables and accruals	22	34,377
Borrowings	23	11,850
Lease liabilities	14	2,214
Income tax payable		1,979
Total current liabilities		91,104
NET CURRENT ASSETS		92,600
TOTAL ASSETS LESS CURRENT LIABILITIES		117,656
NON-CURRENT LIABILITIES		
Lease liabilities	14	7,276
Total non-current liabilities		7,276
Net assets		110,380
EQUITY		
Share capital	24	56,311
Reserves	25	54,069
Total equity		110,380

APPENDIX IB ACCOUNTANTS' REPORT OF SHENZHEN EDA GROUP

II NOTES TO THE SHENZHEN EDA HISTORICAL FINANCIAL INFORMATION

1. CORPORATE INFORMATION

Shenzhen EDA is a limited liability company incorporated in Chinese Mainland and is principally engaged in the provision of first-mile international freight services and last-mile fulfillment services, including overseas warehousing, other value-added services and deliveries for the cross-border e-commerce participants based in Chinese Mainland.

Since 24 December 2021, EDA Cloud Technology Holdings Limited (the predecessor of EDA Group Holdings Limited) has become the holding company of Shenzhen EDA along with its subsidiaries. The Shenzhen EDA Historical Financial Information incorporates the consolidated financial statements of Shenzhen EDA and its subsidiaries for the year ended 31 December 2021 to present the results and financial position of Shenzhen EDA Group.

Information about subsidiaries

Particulars of subsidiaries of Shenzhen EDA are as follows:

Name	Place and date of incorporation and place of operations	Registered capital	Percentage of equity interests attributable to Shenzhen EDA		Principal activities
			Direct	Indirect	
深圳市昊聯供應鏈管理有限公司 (前稱“深圳市昊聯科技有限公司”) Shenzhen Haolian Supply Chain Management Co., Ltd. [#] (Formerly as “Shenzhen Haolian Technology Co., Ltd.”) [#]	PRC/Chinese Mainland 1 September 2014	RMB5,000,000	100	—	Provision of IT services and Internet solutions
易達雲(香港)發展有限公司 EDA DEVELOPMENT (HK) LIMITED.	Hong Kong 18 November 2015	Hong Kong dollar (“HK\$”) 625,000	100	—	Provision of logistics and warehousing services
8987947 CANADA INC.	Canada 14 August 2014	Canadian dollar (“CAD”)100	—	100	Provision of logistics and warehousing services
EDA INTERNATIONAL, INC.	The United States 4 December 2013	United States Dollar (“US\$”) 1,000,000	—	100	Provision of logistics and warehousing services
EDA CLOUD INTERNATIONAL, INC.	The United States 25 January 2016	US\$100,000	—	100	Provision of logistics and warehousing services

APPENDIX IB ACCOUNTANTS' REPORT OF SHENZHEN EDA GROUP

Name	Place and date of incorporation and place of operations	Registered capital	Percentage of equity interests attributable to Shenzhen EDA		Principal activities
			Direct	Indirect	
EDA AU PTY LTD	Australia 3 December 2019	Australian dollar ("AUD") 100	—	100	Provision of logistics and warehousing services
EDA CLOUD UK LTD	The United Kingdom 21 June 2016	Great Britain pound ("GBP") 100	—	100	Provision of logistics and warehousing services

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

2. ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

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

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

Basis of consolidation

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

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

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) Shenzhen EDA Group's voting rights and potential voting rights.

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

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

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

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

2.2 ISSUED BUT NOT YET EFFECTIVE HKFRSS

Shenzhen EDA Group has not applied the following revised HKFRSSs, that have been issued but are not yet effective, in the Shenzhen EDA Historical Financial Information.

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

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

² Effective for annual periods beginning on or after 1 January 2025

³ No mandatory effective date yet determined but available for adoption

⁴ As a consequence of the 2020 Amendments and 2022 Amendments, Hong Kong Interpretation 5 *Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised to align the corresponding wording with no change in conclusion

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

2.3 MATERIAL ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by Shenzhen EDA. Control is achieved when Shenzhen EDA is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give Shenzhen EDA the current ability to direct the relevant activities of the investee).

When Shenzhen EDA has, directly or indirectly, less than a majority of the voting or similar rights of an investee, Shenzhen EDA considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (i) the contractual arrangement with the other vote holders of the investee;
- (ii) rights arising from other contractual arrangements; and
- (iii) Shenzhen EDA's voting rights and potential voting rights.

Shenzhen EDA's investment in subsidiaries presented in Shenzhen EDA's statement of financial position is stated at cost less any impairment losses.

Investments in associates

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

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

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

Fair value measurement

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

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

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

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

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

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

Impairment of non-financial assets

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

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

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

Related parties

A party is considered to be related to Shenzhen EDA Group if:

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

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

or

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

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

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

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

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

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

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

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

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

Property, plant and equipment and depreciation

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

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, Shenzhen EDA Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

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

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

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

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

Research and development expenses

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

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

Leases

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

Group as a lessee

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

(a) Right-of-use assets

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

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

(b) Lease liabilities

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

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

(c) Short-term leases

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

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

Investments and other financial assets

Initial recognition and measurement

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

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

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

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

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

Subsequent measurement

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

Financial assets at amortised cost (debt instruments)

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

Financial assets at fair value through profit or loss

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

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

Derecognition of financial assets

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

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

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

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

Impairment of financial assets

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

General approach

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

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

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

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

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

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

Simplified approach

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

Financial liabilities

Initial recognition and measurement

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

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

Subsequent measurement

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

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

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

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

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

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

Cash and cash equivalents

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

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

Income tax

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

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

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

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

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

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

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

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

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

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

Government grants

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

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

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

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

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

(i) First-mile services

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

(ii) Last-mile fulfillment services

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

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

Other income

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

Contract liabilities

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

Employee benefits*Pension schemes*

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

Housing benefits, medical insurances and other social insurances

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

Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme")

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

Borrowing costs

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

Dividends

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

Foreign currencies

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Judgments

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

Identifying performance obligations in provision of last-mile fulfillment services

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

Deferred tax assets

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

Estimation uncertainty

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

Provision for expected credit losses on trade receivables

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

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

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. Shenzhen EDA Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on Shenzhen EDA Group's trade receivables is disclosed in note 17 to the Shenzhen EDA Historical Financial Information.

Leases — estimating the incremental borrowing rate

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

4. OPERATING SEGMENT INFORMATION

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

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

Geographical information

(a) Revenue from external customers

	Year ended 31 December 2021
	<i>RMB'000</i>
China	170,109
The United States	355,993
The United Kingdom.....	49,620
Canada	49,438
Germany	5,099
Australia	1,623
	<u>631,882</u>

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

(b) Non-current assets

	Year ended 31 December 2021
	<i>RMB'000</i>
China	16,389
The United States	125,554
The United Kingdom.....	19,457
Canada	13,326
	<u>174,726</u>

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

Information about major customers

For the year ended 31 December 2021, revenue from a single customer, including sales to a group of entities which are known to be under common control with that customer, contributed 12.1% to Shenzhen EDA Group's revenue.

5. REVENUE, OTHER INCOME AND GAINS

Revenue

An analysis of revenue is as follows:

	Year ended 31 December 2021
	<i>RMB'000</i>
Revenue from contracts with customers	631,882

(a) Disaggregated revenue information

	Year ended 31 December 2021
	<i>RMB'000</i>
Type of services	
First-mile international freight services	170,109
Last-mile fulfillment services	461,773
	<u>631,882</u>
Timing of revenue recognition	
Services transferred over time	<u>631,882</u>

The following table shows the amounts of revenue recognised in the Predecessor Track Record Period that were included in the contract liabilities at the beginning of the respective periods:

	Year ended 31 December 2021
	<i>RMB'000</i>
Revenue recognised that was included in contract liabilities at the beginning of the year:	
First-mile international freight services	1,825
Last-mile fulfillment services	3,746
	<u>5,571</u>

(b) Performance obligations

Information about Shenzhen EDA Group's performance obligations is summarised below:

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

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

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

Other income and gains

	Year ended 31 December 2021
	<i>RMB'000</i>
Interest income	693
Government grants	4,027
Fair value changes of financial assets at fair value through profit or loss	165
Gain on early termination of lease	859
Surcharges from customers for overdue balances.	676
Compensation	1,479
Others	184
	<u>8,083</u>

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

6. FINANCE COSTS

An analysis of finance costs is as follows:

	Year ended 31 December 2021
	<i>RMB'000</i>
Interest expenses on borrowings	785
Interest expenses on lease liabilities	9,866
	<u>10,651</u>

7. PROFIT BEFORE TAX

		Year ended 31 December 2021
		<i>RMB'000</i>
	<i>Notes</i>	
Cost of provision of first-mile international freight services		163,829
Cost of provision of last-mile fulfillment services		361,198
Depreciation of property, plant and equipment	<i>13</i>	2,503
Depreciation of right-of-use assets	<i>14(c)</i>	31,811
Total depreciation and amortisation		<u>34,314</u>
Lease payments not included in the measurement of lease liabilities	<i>14(c)</i>	349
Auditors' remuneration		141
Employee benefit expenses*		
(excluding directors' and chief executive's remuneration (<i>note 8</i>)):		
Wages and salaries		77,645
Pension scheme contributions**		1,668
		<u>79,313</u>
Research and development expenses		17,956
Impairment losses on financial assets, net		5,480
Fair value changes of financial instruments at fair value through profit or loss		(165)
Foreign exchange differences, net***		<u>1,326</u>

* Amounts of RMB53,113,000 of employee benefit expenses were included in cost of provision of first-mile international freight services and last-mile fulfillment services during the year ended 31 December 2021.

** During the Predecessor Track Record Period, Shenzhen EDA Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years.

*** Included in "Other expenses" in the consolidated statement of profit or loss and other comprehensive income.

APPENDIX IB ACCOUNTANTS' REPORT OF SHENZHEN EDA GROUP

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

The directors of Shenzhen EDA during the Predecessor Track Record Period are as follows:

Mr. Liu Yong was appointed as an executive director of Shenzhen EDA on 16 January 2019.

Ms. Li Qin, Mr. Zhang Yingfa, Ms. Tang Jiajia and Mr. Liu Chao were appointed as executive directors of Shenzhen EDA on 28 February 2020.

Mr. Liu Chao resigned as an executive director of Shenzhen EDA on 1 September 2020.

Mr. Liu Mingsong was appointed as an executive director of Shenzhen EDA on 1 September 2020.

Directors' remuneration for the Predecessor Track Record Period is as follows:

	Year ended 31 December 2021
	<i>RMB'000</i>
Fees	—
Other emoluments:	
Salaries, allowances and benefits in kind	1,491
Pension scheme contributions	150
Performance related bonuses	1,100
	2,741

(a) Executive directors and the chief executive

Year ended 31 December 2021

	Salaries, allowances and benefits in kind	Pension scheme contributions	Performance related bonuses	Total remuneration
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Executive directors:				
Mr. Liu Yong	780	75	550	1,405
Ms. Li Qin	711	75	550	1,336
Mr. Zhang Yingfa	—	—	—	—
Ms. Tang Jiajia	—	—	—	—
Mr. Liu Mingsong	—	—	—	—
	1,491	150	1,100	2,741

APPENDIX IB ACCOUNTANTS' REPORT OF SHENZHEN EDA GROUP

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

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees for the year ended 31 December 2021 included 2 directors, details of whose remuneration are set out in note 8 above. Details of the remuneration for the year ended 31 December 2021 of the remaining 3 highest paid employees who are neither a director nor chief executive of Shenzhen EDA, are as follows:

	Year ended 31 December 2021
	<i>RMB'000</i>
Salaries, allowances and benefits in kind	2,122
Pension scheme contributions	98
Performance related bonuses	895
	<u>3,115</u>

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

	Number of employees
	2021
Nil to HK\$1,000,000	1
HK\$1,000,001 to HK\$1,500,000	2
	<u>3</u>

10. INCOME TAX

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

Hong Kong profits tax

Hong Kong profits tax has been provided at a rate of 16.5% on the estimated assessable profits arising in Hong Kong for the Predecessor Track Record Period. In 2021, one Hong Kong subsidiary of Shenzhen EDA Group is a qualifying entity under the two-tiered profits tax rates regime. The first HK\$2,000,000 of assessable profits of this subsidiary are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%.

PRC corporate income tax

Shenzhen EDA Group's income tax provision in respect of its operations in Chinese Mainland has been calculated at the statutory tax rate of 25% on the taxable profits for the Predecessor Track Record Period, based on the existing legislation, interpretations and practices in respect thereof.

Shenzhen EDA is qualified as High and New Technology Enterprises and is entitled to a preferential corporate income tax rate of 15% for the year ended 31 December 2021.

Income tax for other jurisdictions

During the Predecessor Track Record Period, income tax of other jurisdictions mainly arose from the United States, the United Kingdom, Canada and Australia.

Shenzhen EDA's subsidiaries incorporated in the United States were subject to the federal tax at a rate of 21% and the state tax at the rate ranging from 8.8% to 11.5% for the year ended 31 December 2021. In addition, the United Kingdom profits tax has been provided at a rate of 19%, Canada profits tax has been provided at a rate of 26.5% and Australia profits tax has been provided at a rate of 30% on the estimated assessable profits arising in the respective jurisdictions during the year ended 31 December 2021.

	Year ended 31 December 2021
	<i>RMB'000</i>
Current:	
Chinese Mainland	5,236
Hong Kong	181
The United States	328
The United Kingdom	162
Canada	220
	<u>6,127</u>
Deferred (<i>note 16</i>).	(929)
	<u><u>5,198</u></u>

A reconciliation of the tax expense applicable to profit/(loss) before tax at the statutory rate for the jurisdictions in which Shenzhen EDA and the majority of its subsidiaries are domiciled to the income tax expense at the effective income tax rate of the Predecessor Track Record Period and a reconciliation of the applicable rates (i.e., the statutory tax rates) to the effective rates of the Predecessor Track Record Period, are as follows:

2021

	Chinese Mainland		Hong Kong		The United States		The United Kingdom		Canada		Australia		Total	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Profit/(loss) before tax	36,642		8,818		3,463		921		1,778		(13)		51,609	
Tax at the statutory tax rates.	9,161	25.0	1,455	16.5	1,039	30.0	175	19.0	471	26.5	(4)	30.0	12,297	23.8
Lower tax rates for specific jurisdictions or enacted by local authority	(4,746)	(13.0)	(145)	(1.6)	—	—	—	—	—	—	—	—	(4,891)	(9.6)
Expenses not deductible for tax	196	0.5	18	0.2	—	—	—	—	—	—	—	—	214	0.4
Income not subject to tax	—	—	(55)	(0.7)	(184)	(5.3)	—	—	(24)	(1.4)	—	—	(263)	(0.4)
Tax incentive on eligible expenses	(2,159)	(5.8)	—	—	—	—	—	—	—	—	—	—	(2,159)	(4.1)
Tax charge at Shenzhen EDA Group's effective rate .	2,452	6.7	1,273	14.4	855	24.7	175	19.0	447	25.1	(4)	30.0	5,198	10.1

APPENDIX IB ACCOUNTANTS' REPORT OF SHENZHEN EDA GROUP

The share of tax attributable to an associate for the year ended 31 December 2021 which is included in "Share of results of an associate" in the consolidated statement of profit or loss and other comprehensive income was nil.

11. DIVIDENDS

No dividends have been paid or declared by Shenzhen EDA since its date of incorporation.

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

Information about earnings per share is not presented as such information is not meaningful for the purpose of this report.

13. PROPERTY, PLANT AND EQUIPMENT

Shenzhen EDA

	Leasehold improvements	Motor vehicles	Furniture and office equipment	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
31 December 2021				
At 1 January 2021:				
Cost	119	9	1,423	1,551
Accumulated depreciation	(44)	(7)	(1,084)	(1,135)
Net carrying amount	<u>75</u>	<u>2</u>	<u>339</u>	<u>416</u>
At 1 January 2021, net of				
accumulated depreciation.	75	2	339	416
Additions.	2,677	1,604	575	4,856
Disposals.	—	(1)	(98)	(99)
Depreciation provided during the year	(516)	(246)	(221)	(983)
At 31 December 2021, net of accumulated depreciation	<u>2,236</u>	<u>1,359</u>	<u>595</u>	<u>4,190</u>
At 31 December 2021:				
Cost	2,796	1,609	959	5,364
Accumulated depreciation	(560)	(250)	(364)	(1,174)
Net carrying amount	<u>2,236</u>	<u>1,359</u>	<u>595</u>	<u>4,190</u>

APPENDIX IB ACCOUNTANTS' REPORT OF SHENZHEN EDA GROUP

Shenzhen EDA Group

	Leasehold improvements	Plant and machinery	Motor vehicles	Furniture and office equipment	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
31 December 2021					
At 1 January 2021:					
Cost	119	1,932	799	2,023	4,873
Accumulated depreciation	(44)	(600)	(195)	(1,499)	(2,338)
Net carrying amount	<u>75</u>	<u>1,332</u>	<u>604</u>	<u>524</u>	<u>2,535</u>
At 1 January 2021, net of					
accumulated depreciation	75	1,332	604	524	2,535
Additions	2,799	2,482	2,954	1,125	9,360
Disposals	—	—	(9)	(133)	(142)
Depreciation provided during the year (<i>note 7</i>)	(565)	(993)	(613)	(332)	(2,503)
Exchange realignment	(3)	(62)	(27)	(8)	(100)
At 31 December 2021, net of					
accumulated depreciation	<u>2,306</u>	<u>2,759</u>	<u>2,909</u>	<u>1,176</u>	<u>9,150</u>
At 31 December 2021:					
Cost	2,914	4,311	3,674	2,045	12,944
Accumulated depreciation	(608)	(1,552)	(765)	(869)	(3,794)
Net carrying amount	<u>2,306</u>	<u>2,759</u>	<u>2,909</u>	<u>1,176</u>	<u>9,150</u>

14. LEASES

Shenzhen EDA and Shenzhen EDA Group as a lessee

Shenzhen EDA has lease contracts for offices with lease terms of 2 years to 5 years. Shenzhen EDA Group has lease contracts for some warehouses and offices used in its operations. Leases of warehouses and offices generally have lease terms of 19 months to 10 years. Generally, Shenzhen EDA Group is restricted from assigning and subleasing the leased assets outside Shenzhen EDA Group.

APPENDIX IB ACCOUNTANTS' REPORT OF SHENZHEN EDA GROUP

(a) Right-of-use assets

The carrying amounts of right-of-use assets and the movement during the year ended 31 December 2021 are as follows:

Shenzhen EDA

	<u>2021</u>
	<i>RMB'000</i>
At beginning of year	1,117
Additions	11,246
Depreciation charge	(2,925)
Termination	(634)
At end of year	<u>8,804</u>

Shenzhen EDA Group

	<u>2021</u>
	<i>RMB'000</i>
At beginning of year	98,729
Additions	109,958
Depreciation charge	(31,811)
Termination	(10,437)
Exchange realignment	(4,267)
At end of year	<u>162,172</u>

(b) Lease liabilities

The carrying amount of lease liabilities and the movements during the year ended 31 December 2021 are as follows:

Shenzhen EDA

	2021
	<i>RMB'000</i>
At beginning of year	1,230
New leases	11,246
Accretion of interest recognised during the year	514
Payment	(2,794)
Termination	(706)
At end of year	<u>9,490</u>
Analysed into:	
Within one year	2,214
In the second year	2,101
In the third to fifth years, inclusive	5,175
	<u>9,490</u>

APPENDIX IB ACCOUNTANTS' REPORT OF SHENZHEN EDA GROUP

Shenzhen EDA Group

	2021
	<i>RMB'000</i>
At beginning of year	101,323
New leases	109,958
Accretion of interest recognised during the year (<i>note 6</i>)	9,866
Payment	(34,420)
Termination	(11,296)
Exchange realignment	(4,408)
At end of year	<u>171,023</u>
Analysed into:	
Within one year	27,586
In the second year	29,685
In the third to fifth years, inclusive	76,516
Beyond five years	37,236
	<u>171,023</u>

The maturity analysis of lease liabilities is disclosed in note 30 to the Shenzhen EDA Historical Financial Information.

(c) The amounts recognised in Shenzhen EDA Group's profit or loss in relation to leases are as follows:

		Year ended 31 December 2021
	<i>Notes</i>	<i>RMB'000</i>
Interest on lease liabilities	6	9,866
Depreciation charge of right-of-use assets	7	31,811
Expense relating to short-term leases	7	349
Gain on early termination of lease	5	(859)
Total amount recognised in Shenzhen EDA Group's profit or loss . . .		<u>41,167</u>

APPENDIX IB ACCOUNTANTS' REPORT OF SHENZHEN EDA GROUP

(d) The total cash outflow for leases of Shenzhen EDA Group is disclosed in note 26 to the Shenzhen EDA Historical Financial Information.

15. INVESTMENT IN AN ASSOCIATE

Shenzhen EDA and Shenzhen EDA Group

	As at 31 December 2021
	<i>RMB'000</i>
Share of net assets	2,904

Particulars of the associate are as follows:

Name	Particulars of issued shares held	Place of incorporation/ registration and business	Percentage of ownership interest attributable to Shenzhen EDA/ Shenzhen EDA Group	Principal activity
Hangzhou Yuehui Venture Capital Partnership [#] ("Hangzhou Yuehui") ⁽¹⁾	Partnership shares	PRC/ Chinese Mainland	16.13	Capital investment

Notes:

(1) Hangzhou Yuehui was incorporated on 15 September 2021. Shenzhen EDA/Shenzhen EDA Group consider it has significant influence over Hangzhou Yuehui even though it owns less than 20% of the equity interests because Shenzhen EDA/Shenzhen EDA Group is the limited partner and has the voting power in Hangzhou Yuehui.

[#] The English name of this entity represents the best efforts made by the directors of Shenzhen EDA to translate the Chinese name as the entity does not have an official English name.

APPENDIX IB ACCOUNTANTS' REPORT OF SHENZHEN EDA GROUP

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

Hangzhou Yuehui

	As at
	31 December
	2021
	<i>RMB'000</i>
Current assets	9,489
Non-current assets	9,000
Net assets	<u>18,489</u>
Reconciliation to Shenzhen EDA/Shenzhen EDA Group's interest in the associate:	
Proportion of Shenzhen EDA/Shenzhen EDA Group's ownership (<i>note</i>)	15.71%
Shenzhen EDA/Shenzhen EDA Group's share of net assets of the associate	<u>2,904</u>
	Year ended
	31 December
	2021
	<i>RMB'000</i>
Loss and total comprehensive expense for the year	<u>(611)</u>

Note:

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

16. DEFERRED TAX

The movements in deferred tax liabilities and assets during the Predecessor Track Record Period are as follows:

Deferred tax liabilities

Shenzhen EDA

	Right-of-use assets
	<i>RMB'000</i>
At 1 January 2021.....	168
Deferred tax charged to profit or loss during the year.....	1,153
At 31 December 2021.....	<u>1,321</u>

Shenzhen EDA Group

	Accelerated tax depreciation	Right-of-use assets	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2021.....	—	28,234	28,234
Deferred tax charged to profit or loss during the year.....	33	16,582	16,615
Exchange realignment.....	—	18	18
At 31 December 2021.....	<u>33</u>	<u>44,834</u>	<u>44,867</u>

APPENDIX IB ACCOUNTANTS' REPORT OF SHENZHEN EDA GROUP

Deferred tax assets

Shenzhen EDA

	<u>Lease liabilities</u>	<u>Provision for impairment losses of financial assets</u>	<u>Total</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2021.....	184	2,707	2,891
Deferred tax credited to profit or loss during the year	<u>1,240</u>	<u>832</u>	<u>2,072</u>
At 31 December 2021	<u><u>1,424</u></u>	<u><u>3,539</u></u>	<u><u>4,963</u></u>

Shenzhen EDA Group

	<u>Lease liabilities</u>	<u>Loss available for offsetting against future taxable profit</u>	<u>Provision for impairment losses of financial assets</u>	<u>Total</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2021.....	28,962	1,673	3,068	33,703
Deferred tax credited/(charged) to profit or loss during the year.....	18,346	(1,545)	743	17,544
Exchange realignment	<u>(21)</u>	<u>(19)</u>	<u>—</u>	<u>(40)</u>
At 31 December 2021	<u><u>47,287</u></u>	<u><u>109</u></u>	<u><u>3,811</u></u>	<u><u>51,207</u></u>

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

Shenzhen EDA

	As at 31 December 2021
	<i>RMB'000</i>
Net deferred tax assets recognised In the statement of financial position.....	3,642
	3,642

Shenzhen EDA Group

	As at 31 December 2021
	<i>RMB'000</i>
Net deferred tax assets recognised in the consolidated statement of financial position.....	6,373
Net deferred tax liabilities recognised in the consolidated statement of financial position.....	33
	33

17. TRADE RECEIVABLES

Shenzhen EDA

	As at 31 December 2021
	<i>RMB'000</i>
Related parties.....	2,524
Third parties.....	64,717
	67,241
Impairment.....	(23,591)
	43,650

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Shenzhen EDA Group

	As at 31 December
	<i>RMB'000</i>
Related parties	2,524
Third parties	67,035
	<u>69,559</u>
Impairment	(25,353)
	<u><u>44,206</u></u>

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

An ageing analysis of the trade receivable as at the end of the Predecessor Track Record Period, based on the invoice date and net of loss allowance, is as follows:

Shenzhen EDA

	As at 31 December 2021
	<i>RMB'000</i>
Within 3 months	43,079
3 to 6 months	398
Over 6 months	173
	<u><u>43,650</u></u>

Shenzhen EDA Group

	As at 31 December 2021
	<i>RMB'000</i>
Within 3 months	43,108
3 to 6 months	398
Over 6 months	700
	<u>44,206</u>

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

Shenzhen EDA

	As at 31 December 2021
	<i>RMB'000</i>
At beginning of year	18,046
Impairment losses	5,545
At end of year	<u>23,591</u>

Shenzhen EDA Group

	As at 31 December 2021
	<i>RMB'000</i>
At beginning of year	20,235
Impairment losses	5,480
Exchange realignment	(362)
At end of year	<u>25,353</u>

An impairment analysis is performed at each reporting date. Shenzhen EDA and Shenzhen EDA Group use a provision matrix to measure expected credit losses for trade receivables. The provision rates are based on groupings of various customer segments with similar loss patterns (i.e., by customer type and service type). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at

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the reporting date about past events, current conditions and forecasts of future economic conditions. Besides, for balances in relation to individual customers which bear specific credit risk depending on the repayment history, financial position and other external or internal information, management estimates the amounts recoverable by taking into account any credit enhancement held by Shenzhen EDA and Shenzhen EDA Group and recognises provision against the difference between the net remaining balance and the amount recoverable.

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

Shenzhen EDA

Group A

	Third parties			Related parties	Total
	Within 3 months	3 to 6 months	Over 6 months	Within 3 months	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	
As at 31 December 2021					
Expected credit loss rate	4.0%	57.4%	97.1%	4.0%	15.8%
Gross carrying amount	42,333	935	6,026	2,524	51,818
Expected credit losses	1,678	537	5,853	100	8,168

Group B

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

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Shenzhen EDA Group

Group A

	Third parties			Related parties	
	Within 3 months	3 to 6 months	Over 6 months	Within 3 months	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
As at 31 December 2021					
Expected credit loss rate	4.0%	57.4%	91.6%	4.0%	18.3%
Gross carrying amount	42,364	935	8,313	2,524	54,136
Expected credit losses	1,680	537	7,613	100	9,930
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Group B

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

18. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Shenzhen EDA

	<i>Notes</i>	As at
		31 December 2021
		<i>RMB'000</i>
Prepayments		39,033
Deposits		735
Advances to employees		1,131
Loans to directors and employees	(i)	4,700
Amounts due from subsidiaries	(ii)	20,544
Payment on behalf of customers for custom duties		595
Other receivables		121
		<u> </u>
		<u>66,859</u>

APPENDIX IB ACCOUNTANTS' REPORT OF SHENZHEN EDA GROUP

Shenzhen EDA Group

	<i>Notes</i>	As at 31 December 2021
		<i>RMB'000</i>
Prepayments		50,475
Deposits		10,065
Advances to employees		1,168
Loans to directors and employees	<i>(i)</i>	5,200
Loan receivables	<i>(iii)</i>	2,391
Value-added tax recoverable		4,997
Payment on behalf of customers for custom duties		595
Other receivables		663
		<u>75,554</u>
Portion classified as non-current		(500)
		<u><u>75,054</u></u>

Notes:

- (i) The loans to directors and employees are unsecured, interest-free and had maturity of three months and two years, respectively.
- (ii) Amounts due from subsidiaries are unsecured, interest-free and repayable on demand.
- (iii) The loan receivables are unsecured, interest-free and had maturity of six months.
- (iv) As at 31 December 2021, the outstanding balances of Shenzhen EDA Group with related parties included in the balances of prepayment and other receivables amounted of RMB270,000, represented the rental deposit of warehouse leasing in the overseas, which were trade in nature. The remaining outstanding balances with related parties included in the balances of prepayment and other receivables as at the end of 31 December 2021 were non-trade in nature and further details of which are set out in note 27 to Shenzhen EDA Historical Financial Information.

19. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Shenzhen EDA and Shenzhen EDA Group

	As at 31 December 2021
	<i>RMB'000</i>
Wealth management products	30,165

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

20. CASH AND CASH EQUIVALENTS

Shenzhen EDA

	As at 31 December 2021
	<i>RMB'000</i>
Cash and bank balances	33,030
Time deposit	10,000
Cash and cash equivalents	43,030
Denominated in:	
RMB (<i>note</i>)	42,983
US\$	46
EURO	1
	43,030

Shenzhen EDA Group

	As at 31 December 2021
	<i>RMB'000</i>
Cash and bank balances	44,549
Time deposit	10,000
Cash and cash equivalents	<u>54,549</u>
Denominated in:	
RMB (<i>note</i>)	45,638
US\$.	7,405
HK\$	409
EURO	1
GBP	538
AUD	95
CAD	463
	<u>54,549</u>

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

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

APPENDIX IB ACCOUNTANTS' REPORT OF SHENZHEN EDA GROUP

21. TRADE PAYABLES**Shenzhen EDA**

	As at 31 December 2021
	<i>RMB'000</i>
Third parties	40,684

Shenzhen EDA Group

	As at 31 December 2021
	<i>RMB'000</i>
Related parties (<i>note 27</i>)	539
Third parties	83,393
	<u>83,932</u>

An ageing analysis of the trade payables at the end of the Predecessor Track Record Period, based on the invoice date, is as follows:

Shenzhen EDA

	As at 31 December 2021
	<i>RMB'000</i>
Within 1 year	40,354
Over 2 years	330
	<u>40,684</u>

Shenzhen EDA Group

	As at 31 December 2021
	<i>RMB'000</i>
Within 1 year	83,226
1 to 2 years	307
Over 2 years	399
	<u>83,932</u>

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

22. OTHER PAYABLES AND ACCRUALS

Shenzhen EDA

	<i>Notes</i>	As at 31 December 2021
		<i>RMB'000</i>
Contract liabilities	(i)	10,377
Payroll and welfare payables		9,131
Other tax payables		223
Amounts due to subsidiaries	(ii)	13,859
Accruals		209
Other payables	(iii)	578
		<u>34,377</u>

APPENDIX IB ACCOUNTANTS' REPORT OF SHENZHEN EDA GROUP

Shenzhen EDA Group

	<i>Notes</i>	As at 31 December 2021
		<i>RMB'000</i>
Contract liabilities	(i)	10,393
Payroll and welfare payables		9,884
Other tax payables		245
Accruals		271
Other payables	(iii)	2,460
		23,253

Notes:

- (i) Contract liabilities include short-term advances received to render first-mile international freight services and last-mile fulfillment services. As at 1 January 2021, contract liabilities of Shenzhen EDA and Shenzhen EDA Group were amounted to RMB6,237,000 and RMB6,653,000, respectively. The increase in contract liabilities as at 31 December 2021 were mainly due to the business development and the increase in customer base.
- (ii) Amounts due to subsidiaries are unsecured, interest-free and repayable on demand.
- (iii) Other payables and accruals are unsecured, interest-free and repayable on demand.
- (iv) As at 31 December 2021, all the outstanding balances of Shenzhen EDA Group with related parties included in the balances of other payables and accruals were non-trade in nature and further details of which are set out in note 27 to Shenzhen EDA Historical Financial Information.

23. BORROWINGS

Shenzhen EDA

	31 December 2021		
	<i>Effective interest rate (%)</i>	<i>Maturity</i>	<i>RMB'000</i>
Current			
Bank loans-unsecured	3.85%-5.8%	2022	11,850

APPENDIX IB ACCOUNTANTS' REPORT OF SHENZHEN EDA GROUP

	As at 31 December 2021
	<i>RMB'000</i>
Analysed into:	
Within one year or on demand	11,850

Shenzhen EDA Group

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

	As at 31 December 2021
	<i>RMB'000</i>
Analysed into:	
Within one year or on demand	18,049
In the second year	100
In the third to fifth years, inclusive	191
	18,340

Notes:

- (a) Shenzhen EDA Group's overdraft facilities amounting to RMB12,654,000, of which RMB5,899,000 had been utilised as at 31 December 2021.

APPENDIX IB ACCOUNTANTS' REPORT OF SHENZHEN EDA GROUP

- (b) Certain of Shenzhen EDA and Shenzhen EDA Group's bank loans are guaranteed by:
- (i) a personal guarantee provided by a shareholder of Shenzhen EDA and his spouse;
 - (ii) a personal guarantee provided by the legal representative of a subsidiary of Shenzhen EDA; and
 - (iii) a guarantee provided by third-party financing guarantee corporations.
- (c) Shenzhen EDA's borrowings are denominated in:

	As at 31 December 2021
	<i>RMB'000</i>
RMB.	11,850

Shenzhen EDA Group's borrowings are denominated in:

	As at 31 December 2021
	<i>RMB'000</i>
RMB.	11,850
HK\$.	5,758
CAD.	732
	18,340

- (d) Shenzhen EDA Group's other borrowings are shareholder's loans and loans from the legal representative of a Shenzhen EDA's subsidiary and third parties. The shareholder's loans are unsecured, had an interest rate of 10% per annum and are repayable on demand. The loans from the legal representative of a Shenzhen EDA's subsidiary are unsecured, had an interest rate ranging from 8% to 9% per annum, and are repayable on demand. The loans from third parties are unsecured, had an interest rate of 10% per annum and maturity of ten months.

24. SHARE CAPITAL

A summary of movements in Shenzhen EDA's share capital and share premium is as follows:

	Share capital	Share premium
	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2021.	6,316	26,184
Capital injection (<i>note (a)</i>)	49,995	—
At 31 December 2021	56,311	26,184

Notes:

- (a) On 28 February 2021, Global Logistics Services Limited injected capital of RMB49,995,000 to Shenzhen EDA and obtained 88.78% equity interest of Shenzhen EDA. The registered capital of Shenzhen EDA was increased to RMB56,311,000.

25. RESERVES

The amounts of Shenzhen EDA Group's reserves and the movements therein for the Predecessor Track Record Period are presented in the consolidated statement of changes in equity.

(a) Share premium

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

(b) Capital reserve

The capital reserve of Shenzhen EDA Group represents the capital contributions from the then equity holders of Shenzhen EDA Group's subsidiaries, after elimination of investments in subsidiaries.

(c) Statutory surplus reserve

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

(d) Exchange fluctuation reserve

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

APPENDIX IB ACCOUNTANTS' REPORT OF SHENZHEN EDA GROUP

(e) A summary of statement of changes in equity of Shenzhen EDA is as follows:

	Share capital	Share premium	Statutory reserve	Capital reserve	Accumulated losses	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2021.	6,316	26,184	—	34,050	(42,901)	23,649
Profit for the year and total comprehensive income for the year	—	—	—	—	36,736	36,736
Appropriation of retained profits . .	—	—	1,488	—	(1,488)	—
Capital injection	49,995	—	—	—	—	49,995
At 31 December 2021	<u>56,311</u>	<u>26,184</u>	<u>1,488</u>	<u>34,050</u>	<u>(7,653)</u>	<u>110,380</u>

26. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year ended 31 December 2021, Shenzhen EDA Group had non-cash additions to right-of-use assets and lease liabilities of RMB109,958,000, in respect of lease arrangements for warehouses and offices.

During the year ended 31 December 2021, Shenzhen EDA Group had non-cash reduction to right-of-use assets of RMB10,437,000 and lease liabilities of RMB11,296,000, in respect of early termination of a lease contract.

(b) Changes in liabilities arising from financing activities

Year ended 31 December 2021

	Interest payables included in other payables and accruals	Interest-bearing borrowings	Lease liabilities
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2021.	287	20,723	101,323
New leases	—	—	109,958
Interest expenses	785	—	9,866
Changes from financing cash flows	(494)	(8,254)	(34,420)
Other non-cash movements	—	—	(11,296)
Foreign exchange movement	—	(28)	(4,408)
At 31 December 2021	<u>578</u>	<u>12,441</u>	<u>171,023</u>

APPENDIX IB ACCOUNTANTS' REPORT OF SHENZHEN EDA GROUP

(c) Total cash outflow for leases

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

	Year ended 31 December 2021
	<i>RMB'000</i>
Within operating activities.	349
Within financing activities.	34,420
	<u>34,769</u>

27. RELATED PARTY TRANSACTIONS**(a) Name and relationship of related parties**

<u>Name</u>	<u>Relationship with Shenzhen EDA Group</u>
Liu Yong	Director of Shenzhen EDA
Li Qin	Director of Shenzhen EDA
Flextrade Holdings Limited	Fellow subsidiary of Shenzhen EDA*
Sea Lark Technology Co., Ltd.	Fellow subsidiary of Shenzhen EDA*
Guangzhou LS DiDi Technology Co., Ltd.	Fellow subsidiary of Shenzhen EDA*
Xparcel Technology Co., Ltd.	Fellow subsidiary of Shenzhen EDA*
Lesso Mall Development (Auburn) Pty Ltd	Fellow subsidiary of Shenzhen EDA*
Lesso Mall Development (Long Island), Inc.	Fellow subsidiary of Shenzhen EDA*
Sea Lark Solution Limited	Fellow subsidiary of Shenzhen EDA*
Lesso Home Logistic Services L.L.C	Fellow subsidiary of Shenzhen EDA*
Xparcel Solution Limited	Fellow subsidiary of Shenzhen EDA*
Lesso Building Material Trading (Sydney) Pty Ltd	Fellow subsidiary of Shenzhen EDA*
Shenzhen Qianhai Lesso Commercial Factoring Co., Ltd.	Fellow subsidiary of Shenzhen EDA*
LS DiDi Network Technology Limited	Intermediate holding company of Shenzhen EDA*

* On 24 December 2021, Lesso Group, the ultimate holding company of Shenzhen EDA, completed the acquisition of Shenzhen EDA and these companies which are controlled by Lesso Group became the intermediate holding company and fellow subsidiaries of Shenzhen EDA since that date.

APPENDIX IB ACCOUNTANTS' REPORT OF SHENZHEN EDA GROUP

(b) Transactions with related parties

Shenzhen EDA Group had the following material transactions with related parties during the Predecessor Track Record Period:

	<i>Notes</i>	Year ended 31 December 2021
		<i>RMB'000</i>
Loan to a director	<i>(i)</i>	500
Repayment of advance payment from a director	<i>(ii)</i>	305
Interest expenses for shareholder's loans	<i>(iii)</i>	245
Repayment to shareholder's loans and interests		<u>15,294</u>

Notes:

- (i) Shenzhen EDA Group entered into a loan agreement of CAD100,000 with Mr. Liu Yong. The loan was unsecured, interest-free and had maturity of two years.
- (ii) The advance payment to Ms. Li Qin is for daily business expenses anticipated to be incurred for Shenzhen EDA Group

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

	At 1 January 2021	Maximum amount outstanding during the year	At 31 December 2021
		<i>RMB'000</i>	<i>RMB'000</i>
Liu Yong	—	500	500
Li Qin	928	928	623
	<u>928</u>	<u>1,428</u>	<u>1,123</u>

- (iii) The loans from a shareholder are unsecured, with an effective interest rate of 10% per annum, and are repayable on demand.

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

(c) Outstanding balances with related parties

Shenzhen EDA

	<i>Notes</i>	31 December 2021
		<i>RMB'000</i>
Trade receivables	<i>(i)</i>	2,424
Prepayments and other receivables	<i>(i)</i>	21,277
Other payables	<i>(ii)</i>	<u>14,437</u>

Shenzhen EDA Group

	<i>Notes</i>	As at 31 December 2021
		<i>RMB'000</i>
Trade receivables	<i>(i)</i>	2,424
Prepayments and other receivables	<i>(i)</i>	1,813
Trade payables	<i>(ii)</i>	539
Other payables	<i>(ii)</i>	<u>578</u>

Notes:

- (i) The credit term for trade receivables are the same as those for independent third parties, which is set out in note 17 to the Shenzhen EDA Historical Financial Information. The detail information of credit terms for other receivables is set out in note 18 to the Shenzhen EDA Historical Financial Information.
- (ii) Save as disclosed in notes 21 and 22 to the Shenzhen EDA Historical Financial Information, these balances are unsecured, interest-free and normally settled on terms same as independent third parties.
- (iii) As at 31 December 2021, the outstanding balances with related parties included in the balances of trade receivables and trade payables are all trade in nature, and the outstanding balances with related parties included in the balances of prepayment and other receivables amounted of RMB270,000 represent the deposit of leasing warehouse in overseas, which are also trade in nature. The remaining outstanding balances with related parties are non-trade in nature. All the outstanding non-trade balances have been subsequently settled.

APPENDIX IB ACCOUNTANTS' REPORT OF SHENZHEN EDA GROUP

(d) As at 31 December 2021, Shenzhen EDA Group's bank loans of RMB9,200,000 were guaranteed by a personal guarantee by Mr. Liu Yong, as required under the scheme.

(e) Compensation of key management personnel of Shenzhen EDA Group

	Year ended 31 December 2021
	<i>RMB'000</i>
Salaries, allowances and benefits in kind	1,653
Pension scheme contributions	157
Performance related bonuses	1,180
	2,990

28. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the Predecessor Track Record Period are as follows:

Financial assets

Shenzhen EDA

	<i>Notes</i>	As at 31 December 2021
		<i>RMB'000</i>
Financial assets at amortised cost		
Trade receivables	17	43,650
Financial assets included in prepayments, deposits and other receivables	18	27,826
Cash and cash equivalents	20	43,030
		114,506
Financial assets at fair value through profit or loss		
Wealth management products	19	30,165
		144,671

APPENDIX IB ACCOUNTANTS' REPORT OF SHENZHEN EDA GROUP

Shenzhen EDA Group

	<i>Notes</i>	As at 31 December 2021
		<i>RMB'000</i>
Financial assets at amortised cost		
Trade receivables	<i>17</i>	44,206
Financial assets included in prepayments, deposits and other receivables.	<i>18</i>	20,082
Cash and cash equivalents.	<i>20</i>	54,549
		<u>118,837</u>
Financial assets at fair value through profit or loss		
Wealth management products	<i>19</i>	30,165
		<u>149,002</u>

Financial liabilities

Shenzhen EDA

	<i>Notes</i>	As at 31 December 2021
		<i>RMB'000</i>
Financial liabilities at amortised cost		
Trade payables	<i>21</i>	40,684
Financial liabilities included in other payables and accruals	<i>22</i>	14,646
Lease liabilities.	<i>14</i>	9,490
Borrowings	<i>23</i>	11,850
		<u>76,670</u>

Shenzhen EDA Group

	<i>Notes</i>	As at 31 December 2021
		<i>RMB'000</i>
Financial liabilities at amortised cost		
Trade payables	21	83,932
Financial liabilities included in other payables and accruals	22	2,731
Lease liabilities	14	171,023
Borrowings	23	18,340
		<u>276,026</u>

29. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

Shenzhen EDA and Shenzhen EDA Group

	<u>Carrying amounts</u>	<u>Fair values</u>
	31 December 2021	31 December 2021
	<i>RMB'000</i>	<i>RMB'000</i>
Financial assets		
Wealth management products	<u>30,165</u>	<u>30,165</u>

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

Shenzhen EDA Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the chief financial officer. At the end of the Predecessor Track Record Period, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer.

APPENDIX IB ACCOUNTANTS' REPORT OF SHENZHEN EDA GROUP

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

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

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

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of Shenzhen EDA and Shenzhen EDA Group's financial instruments:

Assets measured at fair value:

Shenzhen EDA and Shenzhen EDA Group

As at 31 December 2021

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

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

APPENDIX IB ACCOUNTANTS' REPORT OF SHENZHEN EDA GROUP

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

(a) Interest rate risk

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

The following table demonstrates the sensitivity to a reasonably possible change in interest rate, with all other variables held constant, of Shenzhen EDA Group's profit before tax by assuming the floating rate borrowings outstanding at the end of the Predecessor Track Record Period were outstanding for the whole year.

	<u>Increase/ (decrease) in basis points</u>	<u>Increase/ (decrease) in profit before tax</u>
		<i>RMB'000</i>
Year ended 31 December 2021	50	(29)
Year ended 31 December 2021	(50)	29

(b) Foreign currency risk

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

APPENDIX IB ACCOUNTANTS' REPORT OF SHENZHEN EDA GROUP

The following table demonstrates the sensitivity at the end of the Predecessor Track Record Period to a reasonably possible change in the RMB against the relevant currencies, with all other variables held constant, of Shenzhen EDA Group's profit before tax (due to changes in the translated value of monetary assets and loans).

	<u>Increase/ (decrease) in exchange rate</u>	<u>Increase/ (decrease) in profit before tax</u>
	%	RMB'000
2021		
If the RMB weakens against the US\$	5	(6,190)
If the RMB strengthens against the US\$	(5)	6,190
If the RMB weakens against the GBP	5	(873)
If the RMB strengthens against the GBP	(5)	873
If the RMB weakens against the CAD	5	(731)
If the RMB strengthens against the CAD	(5)	731

(c) Credit risk

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

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

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

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

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Maximum exposure and year-end staging

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

Shenzhen EDA

As at 31 December 2021

	12-month ECLs		Lifetime ECLs		
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables*	—	—	—	67,241	67,241
Financial assets included in prepayments, deposits and other receivables					
— Normal**	27,826	—	—	—	27,826
Cash and cash equivalents					
— Not yet past due	43,030	—	—	—	43,030
	70,856	—	—	67,241	138,097

Shenzhen EDA Group

As at 31 December 2021

	12-month ECLs		Lifetime ECLs		
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables*	—	—	—	69,559	69,559
Financial assets included in prepayments, deposits and other receivables					
— Normal**	20,082	—	—	—	20,082
Cash and cash equivalents					
— Not yet past due	54,549	—	—	—	54,549
	74,631	—	—	69,559	144,190

APPENDIX IB ACCOUNTANTS' REPORT OF SHENZHEN EDA GROUP

* For trade receivables to which Shenzhen EDA Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 17 to the Shenzhen EDA Historical Financial Information.

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

(d) Liquidity risk

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

The tables below analyse the maturity profile of Shenzhen EDA and Shenzhen EDA Group's financial liabilities as at the end of the Predecessor Track Record Period, which is based on contractual undiscounted payments.

Shenzhen EDA

31 December 2021

	On demand	Less than 1 year	1 to 5 years	Over 5 year	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables	—	40,684	—	—	40,684
Financial liabilities included in other payables and accruals	14,646	—	—	—	14,646
Lease liabilities	—	2,613	7,655	—	10,268
Borrowings	—	12,172	—	—	12,172
	<u>14,646</u>	<u>55,469</u>	<u>7,655</u>	<u>—</u>	<u>77,770</u>

Shenzhen EDA Group

31 December 2021

	<u>On demand</u>	<u>Less than 1 year</u>	<u>1 to 5 years</u>	<u>Over 5 years</u>	<u>Total</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables	—	83,932	—	—	83,932
Financial liabilities included in other payables and accruals	2,731	—	—	—	2,731
Lease liabilities	—	37,347	127,574	42,382	207,303
Borrowings	5,899	12,488	333	—	18,720
	<u>8,630</u>	<u>133,767</u>	<u>127,907</u>	<u>42,382</u>	<u>312,686</u>

(e) Capital management

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

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

APPENDIX IB ACCOUNTANTS' REPORT OF SHENZHEN EDA GROUP

Shenzhen EDA monitors capital using the gearing ratio of Shenzhen EDA Group, which is total debt divided by total equity attributable to owners. The gearing ratios at the end of the Predecessor Track Record Period are as follows:

Shenzhen EDA Group

	<i>Note</i>	<u>As at 31 December 2021</u> <i>RMB'000</i>
Borrowings	23	<u>18,340</u>
Equity attributable to owners of the parent		<u>85,530</u>
Gearing ratio		<u>21.4%</u>

31. EVENTS AFTER THE PREDECESSOR TRACK RECORD PERIOD

On 21 June 2023, Hangzhou Yuehui was subsequently disposed by Shenzhen EDA Group to a related party at a consideration of RMB12,000,000.