Edianyun Limited
易點雲有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 2416)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED JUNE 30, 2023

The board (the "**Board**") of directors (the "**Directors**") of Edianyun Limited (the "**Company**") is pleased to announce the unaudited condensed interim consolidated results (the "**Interim Results**") of the Company and its subsidiaries (the "**Group**") for the six months ended June 30, 2023 (the "**Reporting Period**"), together with the comparative figures for the corresponding period in 2022. The Interim Results were prepared in accordance with International Financial Reporting Standards ("**IFRSs**"). These Interim Results have been reviewed by the audit committee of the Company.

In this announcement, "we," "us," and "our" refer to the Company and where the context otherwise requires, the Group.

FINANCIAL PERFORMANCE HIGHLIGHTS

	For the six months ended June 30,		
	2023	2022	Change (%)
	(RMB in thousands, except for percentages)		
	(unaudited)	(unaudited)	
Revenue	**635,963**	655,473	-3.0
Cost of sales	**(353,194)**	(322,047)	9.7
Gross profit	**282,769**	333,426	-15.2
Loss before tax	**(876,353)**	(609,526)	43.8
Loss and total comprehensive loss for the period	**(881,683)**	(624,504)	41.2
Adjusted net profit*	**28,328**	73,734	-61.6
Adjusted EBITDA*	**303,546**	366,234	-17.1

* To supplement our condensed consolidated financial statements that are presented in accordance with IFRS, we also use adjusted net profit (non-IFRS measure) adjusted EBITDA (non-IFRS measure) as additional financial measures, which are not required by, or presented in accordance with, IFRS. We define adjusted net profit for the period (non-IFRS measure) as net profit for the period adjusted by adding back (i) share-based payment expense; (ii) fair value changes on financial liabilities at fair value through profit or loss for the period; and (iii) listing expenses. We define EBITDA as the net loss for the period after adding back (i) net finance costs; (ii) income tax expense; (iii) depreciation; and (iv) amortisation. We added back share-based payment expense, changes in fair value of financial liabilities at fair value through profit or loss and listing expenses to EBITDA to arrive at the adjusted EBITDA (non-IFRS measure). We believe that these measures provide useful information to investors and others in understanding and evaluating our consolidated results of operations in the same manner as they help our management. However, our presentation of adjusted net profit (non-IFRS measure) and adjusted EBITDA (non-IFRS measure) may not be comparable to similarly titled measures presented by other companies. The use of such non-IFRS measures has limitations as an analytical tool, and you should not consider them in isolation from, or as substitute for analysis of, our results of operations or financial condition as reported under IFRS.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED JUNE 30, 2023

		Six months ended	
	Notes	**June 30, 2023** ***RMB'000*** **(unaudited)**	June 30, 2022 *RMB'000* (unaudited)
Revenue	*4*	**635,963**	655,473
Cost of sales		**(353,194)**	(322,047)
Gross profit		**282,769**	333,426
Selling and marketing expenses		**(78,112)**	(76,401)
Research and development expenses		**(39,546)**	(36,743)
General and administrative expenses		**(53,583)**	(48,184)
Other income	*5*	**11,729**	38,837
Other gains and losses, net	*6*	**(12,070)**	(8,951)
Loss on changes in fair value of financial liabilities at fair value through profit or loss ("**FVTPL**")		**(887,983)**	(681,064)
Impairment losses under expected credit loss ("**ECL**") model, net of reversal	*7*	**(14,614)**	(32,279)
Listing expenses		**(13,230)**	(13,660)
Finance costs	*8*	**(71,713)**	(84,507)
Loss before tax		**(876,353)**	(609,526)
Income tax expense	*9*	**(5,330)**	(14,978)
Loss and total comprehensive loss for the period		**(881,683)**	(624,504)
Loss per share			
–Basic (RMB Yuan)	*10*	**(4.07)**	(5.30)
–Diluted (RMB Yuan)	*10*	**(4.07)**	(5.30)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30, 2023

	Notes	**As at June 30, 2023** ***RMB'000*** **(unaudited)**	As at December 31, 2022 *RMB'000* (audited)
Assets			
Non-current Assets			
Rental computer devices		**1,368,853**	1,456,992
Right-of-use assets		**554,237**	495,220
Intangible assets		**444**	649
Trade and other receivables and prepayments	*12*	**184,663**	220,442
Pledged bank deposits and time deposits		**44,221**	45,504
Deferred tax assets		**33,930**	39,182
		2,186,348	2,257,989
Current Assets			
Inventories		**4,147**	3,929
Contract costs		**–**	1,337
Trade and other receivables and prepayments	*12*	**256,927**	214,118
Amounts due from shareholders		**–**	41
Financial assets at FVTPL		**306,611**	–
Pledged bank deposits and time deposits		**54,436**	54,376
Cash and cash equivalents		**602,109**	505,803
		1,224,230	779,604
Total Assets		**3,410,578**	3,037,593
EQUITY AND LIABILITIES			
Capital and Reserves			
Share capital	*14*	**198**	43
Reserves		**4,131,591**	97,496
Accumulated losses		**(2,889,570)**	(2,007,887)
Total Equity (Net Deficits)		**1,242,219**	(1,910,348)

	Notes	As at June 30, 2023 RMB'000 (unaudited)	As at December 31, 2022 RMB'000 (audited)
Non-current Liabilities			
Borrowings		**424,902**	320,586
Lease liabilities		**149,191**	103,362
Financial liabilities at FVTPL		**–**	2,984,358
		574,093	3,408,306
Current Liabilities			
Trade and other payables	*13*	**266,713**	188,563
Amounts due to shareholders		**–**	1,841
Deposits received for rental computer devices		**14,430**	12,032
Advance lease payments		**51,871**	51,285
Contract liabilities		**12,780**	12,385
Income tax payable		**3,838**	3,838
Borrowings		**1,054,819**	1,072,717
Lease liabilities		**186,072**	185,934
Bond payable		**3,743**	11,040
		1,594,266	1,539,635
Total Liabilities		**2,168,359**	4,947,941
Total Equity and Liabilities		**3,410,578**	3,037,593

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED JUNE 30, 2023

1. GENERAL INFORMATION

The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong limited (the "**SEHK**") with effect from May 25, 2023.

The condensed consolidated financial statements are presented in Renminbi ("**RMB**") which is also the functional currency of the Company.

2. BASIS OF PREPARATION AND PRESENTATION OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" issued by the International Accounting Standards Board ("**IASB**") as well as the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on SEHK.

As at June 30, 2023, the Group had current assets less than current liabilities by RMB370,036,000. The Group assesses its liquidity by its ability to generate cash from operating activities and attract additional capital and/or finance funding. Based on the Group's historical performance and management's operating and financing plans, the Group has performed a working capital forecast for the next twelve months. Taking into account the financial resources available to the Group, including cash and cash equivalents on hand, operating and financing cash flows, the directors of the Company believe that the Group will have sufficient financial resources to satisfy its future working capital in the next twelve months from the end of the reporting period. The directors of the Company consider that it is appropriate that the condensed consolidated financial statements are prepared on a going concern basis.

3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments, which are measured at fair value, as appropriate.

Other than the accounting policies resulting from application of new and amendments to IFRSs, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended June 30, 2023 are the same as those followed the Group's audited financial statements for the year ended December 31, 2022.

Application of amendments to IFRSs

In the current interim period, the Group has applied the following new and amendments to IFRSs issued by the IASB, for the first time, which are mandatorily effective for the Group's annual period beginning on January 1, 2023 for the preparation of the Group's condensed consolidated financial statements:

IFRS17 (including the June 2020 and December 2021 Amendments to IFRS 17)	Insurance Contracts
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to IAS 12	International Tax Reform-Pillar Two model Rules

Except as described below, the application of the new and amendments to IFRSs in the current interim period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

Impacts and changes in accounting policies on application of Amendments to IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 "Income Taxes" requirements to the lease liabilities and the related assets separately. The Group recognises a deferred tax asset related to lease liabilities to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized and a deferred tax liability for all taxable temporary differences.

As disclosed in the Group's underlying financial statements for the year ended December 31, 2022, the Group previously applied the IAS 12 requirements to assets and liabilities arising from a single transaction as a whole and temporary differences relating to the relevant assets and liabilities were assessed on a net basis. Upon the application of the amendments, the Group assessed the relevant assets and liabilities separately. In accordance with the transition provision:

(i) the Group has applied the new accounting policy retrospectively to leasing transactions that occurred on or after January 1, 2022; and

(ii) as at January 1, 2022, the Group also recognised a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized) and a deferred tax liability for all deductible and taxable temporary difference associated with right-of-use-assets and lease liabilities.

The application of the amendments has had no material impact on the Group's financial position and performance, except that the Group recognised the related deferred tax liabilities of RMB56,932,000 and deferred tax assets of RMB39,987,000 on a gross basis but it has no impact on the retained earnings at the earliest period presented.

4. REVENUE AND SEGMENT INFORMATION

The Group's principal business is engaged in providing office Internet Technology ("**IT**") integrated solution and other services to its customers.

The Group's chief operating decision maker, who has been identified as the Chief Executive Officer, reviews the consolidated results when making decisions about allocating resources and assessing performance of the Group as a whole and hence, the Group has only one reportable segment.

As the Group's non-current assets are all located in the People's Republic of China (the "**PRC**") and all the Group's revenue are derived from the PRC, no geographical information is presented. During the current interim period, there was no revenue derived from transactions with a single external customer which amounted to 10% or more of the Group's revenue.

	Six months ended	
	June 30, 2023	June 30, 2022
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Revenue		
Pay-as-you-go* office IT integrated solution revenue recognised as lease income under IFRS 16 "Lease"	**553,364**	582,712
Sales of devices	**73,861**	67,161
Software-as-a-Service ("**SaaS**") and others	**8,738**	5,600
Total	**635,963**	655,473

* Pay-as-you-go described the subscription method of the Group where customers can subscribe and unsubscribe for the office IT integrated solution which contains hardware and service based on their ever-changing actual needs.

(a) Disaggregation of revenue from contracts with customers

Types of goods or service

	Six months ended	
	June 30, 2023	June 30, 2022
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Sales of devices		
Devices	**73,063**	66,404
Computer accessories	**798**	757
Total	**73,861**	67,161
SaaS and others		
SaaS	**2,880**	2,838
Other services	**5,858**	2,762
Total	**8,738**	5,600
Timing of revenue recognition		
A point in time	**75,562**	67,161
Over time	**7,037**	5,600
Total	**82,599**	72,761

(b) Performance obligations for contracts with customers

Sales of devices

The Group sells devices and computer accessories directly to customers through internet sales.

Revenue is recognised when the customer obtains control of the goods, being at the point the goods are delivered to the customer. Delivery occurs when the goods have been shipped to the customer's specific location. When the customer initially purchases the goods online, the transaction price received by the Group is recognised as contract liabilities until the goods have been delivered to the customer.

SaaS and others

The SaaS services arise from the Group's self-developed "Epandian" system which is designed to provide SaaS to enterprise customers in managing their assets and inventories.

Other services mainly include the maintenance support and assistance to customers of the Group.

Except for software development service which is recognised at a point in time, SaaS and other remaining services are satisfied over time as services are rendered, which are measured based on output method. Short term advances are normally required before rendering the services. SaaS and other services provided are for periods of one year or less.

(c) Transaction price allocated to the remaining performance obligations for contracts with customers

The Group applies the practical expedient of not disclosing the transaction price allocated to the remaining performance obligation as the original expected duration of all the contracts from customers of the Group are within one year or less.

(d) Pay-as-you-go office IT integrated solution revenue recognised as lease income under IFRS 16

	Six months ended	
	June 30, 2023	June 30, 2022
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
For operating leases:		
Lease payments that are fixed	**553,364**	582,712

The Group leases out self-owned or leased-in computer devices under the pay-as-you-go subscription method, which affords customers the freedom of subscribing for a flexible term, generally on a monthly basis, or up to three years, at a monthly fixed fee subject to termination penalties. Subscription deposits are waived as long as the enterprise customer met the required credit information and passed the Group's internal risk assessment. Monthly payments are automatically withdrawn on the payment dates from the customers' accounts. The Group normally grant a credit period up to 5 days after the issuance of billing to customers.

5. OTHER INCOME

	Six months ended June 30, 2023 RMB'000 (unaudited)	June 30, 2022 RMB'000 (unaudited)
Interest income from banks	**5,570**	2,237
Interest income from trade receivable under installment sales	**1,138**	2,798
Government grants	**740**	365
Compensation income	**572**	451
Additional value added tax ("**VAT**") input deduction *(Note i)*	**3,709**	32,986
Total	**11,729**	38,837

Note:

(i) Additional VAT input deduction were recognised in profit or loss due to the VAT reform. In accordance with Taxation Announcement No. 11 of 2022, the Group is eligible for additional VAT input deduction by 10% of the current period VAT payable from January 1, 2022 to December 31, 2022. In accordance with Taxation Announcement No.1 of 2023, the Group is eligible for additional VAT input deduction by 5% of the current period VAT payable from January 1, 2023 to December 31, 2023. The decrease in percentage of deduction from 10% to 5% together with decrease in amounts of purchase of rental computer devices, resulted in a decrease in the amounts of additional VAT input deduction being recognised during the six months ended June 30, 2023.

6. OTHER GAINS AND LOSSES, NET

	Six months ended June 30, 2023 RMB'000 (unaudited)	June 30, 2022 RMB'000 (unaudited)
Gain on changes in fair value of financial assets at FVTPL	**6,073**	432
Subscription fee of financial assets at FVTPL *(Note i)*	**(2,814)**	–
Loss on written-off of rental computer devices *(Note ii)*	**(18,700)**	(14,085)
Others	**3,371**	4,702
Total	**(12,070)**	(8,951)

Notes:

(i) The subscription fee is the initial fee paid to acquire cash management portfolio linked note and the investment in a private fund.

(ii) For the customers with six months overdue billings, the Group ceases to recognise revenue and recognises loss on written-off of rental computer devices held by the customers, which the management of the Group believed are unable to be recovered.

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

	Six months ended	
	June 30, 2023	June 30, 2022
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Impairment losses, net of reversal, recognised on:		
Trade receivables	**13,577**	32,175
Other receivables	**1,037**	104
Total	**14,614**	32,279

8. FINANCE COSTS

	Six months ended	
	June 30, 2023	June 30, 2022
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Interest on borrowings	**56,348**	68,875
Interest on lease liabilities	**14,997**	15,008
Interest on bond payable	**368**	624
Total	**71,713**	84,507

9. INCOME TAX EXPENSE

	Six months ended	
	June 30, 2023	June 30, 2022
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Current enterprise income tax	**78**	795
Deferred tax	**5,252**	14,183
Total	**5,330**	14,978

10. LOSS PER SHARE

	Six months ended June 30, 2023 RMB'000 (unaudited)	June 30, 2022 RMB'000 (unaudited)
Loss for the period attributable to the owners of the Company for the purpose of calculating basic and diluted loss per share (RMB'000)	**(881,683)**	(624,504)
Weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share*	**216,731,998**	117,920,720

The weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share has been determined on the assumption that the share subdivision as described in Note 14 had been effective since January 1, 2022.

The computation of diluted loss per share for the six months ended June 30, 2023 and 2022 did not assume conversion of the preferred shares for both periods, and the exercise of the over-allotment option for the six months ended June 30, 2023 since their assumed conversion and exercise would result in a decrease in loss per share. Accordingly, diluted loss per share for the six months ended June 30, 2023 and 2022 are the same as basic loss per share of the respective periods.

* The weighted average number of ordinary shares for six months ended June 30, 2022 were excluded 16,954,640 shares which are not entitled to participate in dividend.

11. DIVIDEND

No dividends were paid, declared or proposed during the current interim period (2022: nil).

12. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	As at June 30, 2023 *RMB'000* **(unaudited)**	As at December 31, 2022 *RMB'000* (audited)
Trade receivables	**153,412**	162,818
Other receivables and prepayments	**288,178**	271,742
Total	**441,590**	434,560
Analysed as:		
Total current portion	**256,927**	214,118
Total non-current portion	**184,663**	220,442

The following is an aged analysis of trade receivables, net of impairment losses under ECL model, presented based on the date of billing issued to customers at the end of each relevant period:

	As at June 30, 2023 *RMB'000* **(unaudited)**	As at December 31, 2022 *RMB'000* (audited)
Within 30 days	**137,225**	149,959
31 to 60 days	**4,748**	3,529
61 to 90 days	**1,768**	1,932
91 to 180 days	**4,215**	2,962
181 to 270 days	**2,106**	1,263
271 to 360 days	**1,233**	1,216
Over 360 days	**2,117**	1,957
	153,412	162,818

The Group granted a credit period up to 5 days after the issuance of billing to customers.

13. TRADE AND OTHER PAYABLES

	As at June 30, 2023	As at December 31, 2022
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Trade payables	**41,212**	103,709
Salary and welfare payables	**28,626**	40,295
Payable to former shareholders *(Note i)*	**153,858**	–
Others	**43,017**	44,559
Total	**266,713**	188,563

Note:

(i) The amount represents the proceeds from the shares offered for purchase by the former shareholders at the offer price under the global offering.

The following is an aged analysis on trade payables of the Group presented based on the invoice date:

	As at June 30, 2023	As at December 31, 2022
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Within 12 months	**32,588**	95,741
1 to 2 years	**2,683**	1,101
2 to 3 years	**1,243**	1,289
Over 3 years	**4,698**	5,578
Total	**41,212**	103,709

14. SHARE CAPITAL

	Number of Shares	Amount *USD*	Amount *RMB'000*
Authorised ordinary shares			
At January 1, 2022 and December 31, 2022 of United States dollars ("**USD**") 0.0005 each (audited)	140,000,000	70,000	460
Subdivision *(Note i)*	1,260,000,000	–	–
As of June 30, 2023 of USD0.00005 each (unaudited)	1,400,000,000	70,000	460
Issued			
At January 1, 2022 and December 31, 2022 (audited)	13,487,536	6,744	43
Subdivision *(Note i)*	121,387,824	–	–
Issuance of new shares upon global offering	17,572,500	879	6
Automatic conversion of preferred shares into ordinary shares upon global offering	421,811,170	21,091	149
As of June 30, 2023 (unaudited)	574,259,030	28,714	198

Note:

(i) On May 25, 2023, the Company underwent a share subdivision whereby each issued and unissued share of nominal value USD0.0005 each in the Company's authorised share capital was subdivided into 10 shares of USD0.00005 nominal value each.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

In the first half of 2023, we endeavor to make office IT easier and aim to become the go-to partner for enterprises for improved IT productivity and efficiency. We distinguish ourselves from our competitors by offering reliable and flexible office IT service packs with one-stop office IT solutions that deliver IT devices installed with systems and software as well as managed IT services. We enjoy a number of competitive advantages over traditional device rental service providers, primarily in that (i) we offer broad technical support for ongoing operations to meet the customer's expected service levels; and (ii) we offer other value-added services such as asset and device stock management tools and offerings of accessory packages. As such, our services meet the majority of clients' operational needs, offering more convenience and better customer experience. As of June 30, 2023, the Group had 45,040 active customers, representing a year-on-year increase of 11.8%. We also maintained a high customer retention rate, largely unchanged from the same period last year. In the first half of 2023, we continued to make efforts in digital transformation and environmental, social and corporate governance ("**ESG**") practice. Our self-developed remanufacturing technology won the "National Enterprise Digital Transformation and Empowerment Excellent Cases (全國企業數字化轉型與賦能優秀案例)" at the "2023 Global Digital Economy Conference and the Second National Enterprise Digital Transformation Summit Forum (2023全球數字經濟大會第二屆全國企業數字化轉型高峰論壇)", won the "2022 Excellent Practice Cases of Green and Low-carbon Development of Enterprises (2022企業綠色低碳發展優秀實踐案例)" at the "2023 Industrial Green Development Conference (2023工業綠色發展大會)", and won the "Top Ten Scientific and Technological Innovation Achievements of Digital Technology Empowering Green Transformation (數字技術賦能綠色轉型十大科技創新成果)" at the "First Digital Technology Empowering Green Transformation Promotion Conference (第一屆數字技術賦能綠色轉型推進會)". On May 25, 2023, the Company was listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") with the stock code "2416".

We primarily provide one-stop office IT services on a subscription basis to enterprise customers consisting mainly of SMEs. In the first half of 2023, we have mainly generated revenue from pay-as-you-go office IT integrated solutions, sales of devices, and SaaS and other services.

- **Pay-as-you-go office IT integrated solutions:** We provide our office IT integrated solutions primarily via the pay-as-you-go subscription method. The pay-as-you-go subscription method is a flexible arrangement through which we provide hardware and handle device configuration, device/engineer deployment, operation and maintenance support, performance optimization, and device management services, such as order placement, subscription management, on-site inspection and bulk shipment of the devices, all under one service pack while customers can subscribe and unsubscribe to the office IT service flexibly based on their evolving needs.

- **Sales of devices:** In addition to our pay-as-you-go office IT integrated solutions, we offer customers the opportunity to purchase our devices, in response to certain customers' needs. Customers can purchase the devices in installments, and the ownership of the devices are transferred to the customers when the devices are delivered to customers. Existing subscribing customers can also initiate the requests to us to purchase our devices directly. In addition, we may sell pre-owned devices at commercially favorable prices through our online bidding platform, Epaiji, to optimize our device portfolio, and supplement our revenue streams.

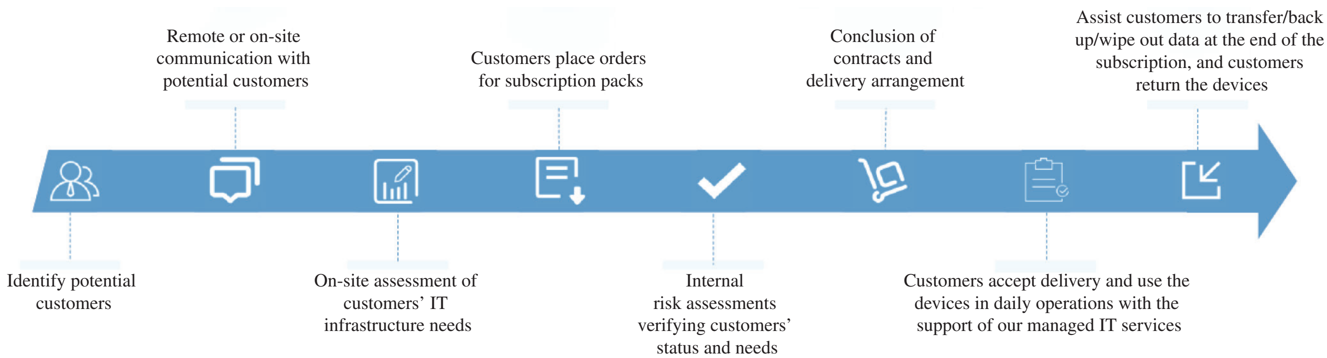
- **SaaS and other services:** We developed our SaaS product to meet customers' multiple digitalization needs. Our SaaS product, Epandian, is designed to help enterprise customers manage their assets and inventories from asset procurement and storage to usage and disposal for an annual subscription fee. Epandian allows customers to visualize and streamline assets and inventories operations and enables customers to track and manage portfolios of assets and inventories with transparency.

In particular, focusing on customers' IT experience, we provide office IT integrated solutions, covering (a) IT devices, such as desktops, laptops and monitors, pre-installed with operating systems, selected software including, but not limited to, office suite, drivers, anti-virus programs, instant messengers and our self-developed office IT management tools such as printer auto-configuration programs; and (b) managed IT services, including device configuration, device/engineer deployment, operation and maintenance support, performance optimization, data migration, back-up and erasing, and various device management services, such as order placement, subscription management, on-site inspection and bulk shipment of the devices, to address our customers' needs through all stages of the use of the devices. We have also developed a SaaS product, Epandian, to meet customers' digitalization needs.

Leveraging our nationwide service capability, self-developed system named "Nebula" and industry-leading remanufacturing technology, we provide one-stop, stable and flexible services to help our customers maximize office IT uptime, improve efficiency, enhance employee productivity and drive business growth. Differentiated from device repair and replacement/maintenance process, our remanufacturing process involves precise identification of the cause of the malfunction, and repair of only the faulty unit as necessary, reconditioning a device to at least its original performance specifications and default configurations and extending the device's service life. For example, we might replace only the broken LED component on a laptop screen, which is more cost-efficient than traditional refurbishment method, which typically replaces the defective screen as a whole. Furthermore, to improve our operational efficiency, we have developed Nebula system, containing a collection of internal management functions such as visualization for devices, capacity planning, customer relationship management, and service capability, connecting our operations from front-end to backend. As of June 30, 2023, we had approximately 45,000 active enterprise customers and approximately 1.15 million devices under service.

Our Business Flows

Business flow of our office IT integrated solutions



The operational process of our office IT integrated solutions includes the following steps: (i) our salespeople identify potential customers; (ii) we communicate with potential customers through our sales team either remotely or through on-site visits; (iii) we conduct on-site assessment of customers' needs for IT devices installed with systems and software through our sales team, customer success team, and engineers; (iv) customers place orders for subscription packs with subscription term on a monthly basis, usually ranging from one month to three years; (v) we conduct internal risk assessments verifying a customer' status and needs; (vi) we sign contracts with customers and arrange delivery of the devices; (vii) customers inspect and accept delivery; (viii) customers use the devices during daily operations with the support of our managed IT services; and (ix) customers return the devices at the end of the subscription and we offer on-site return services to those customers who have a large number of devices under subscription, from on-site device inspection to bulk shipment. Such services are contained in our subscription packs and we do not charge customers based on different elements of our services.

We provide an array of IT hardware and devices for the use of our customers' employees at work, such as desktops, laptops and monitors, under our subscription packs. Most of the IT hardware and devices provided are owned by ourselves. We purchase new IT hardware and devices from third parties such as personal computer and other hardware brands or distributors and in turn offer both brand new devices and used devices to our customers as part of the subscription package. We also provide a portion of leased-in devices which we acquire from third parties through finance leasing arrangements. As of June 30, 2023, the net carrying amount of our self-owned devices amounted to RMB1,368.85 million, and the net carrying amount of our leased-in rental computer devices amounted to RMB536.40 million.

Business flow of our sales of devices

We offer customers the opportunity to purchase our devices. The operational process for sales of our devices includes the following steps: (i) our existing subscribing customers initiate the requests to our salespeople or customer success team to buy out their devices in-use, or new or existing customers initiate the requests to our salespeople or customer success team to purchase our devices directly; (ii) we sign contracts with customers; (iii) for the customers who are not buying out the devices already in their possession, we arrange delivery of the devices and customers inspect and accept delivery; and (iv) customers who purchase in installments use the devices during daily operation with the support of our managed IT services.

In addition, we also sell pre-owned devices at commercially favorable prices through our online bidding platform, Epaiji. The operational process for sales of our devices on Epaiji includes the following steps: (i) we first sort our surplus devices into different categories, such as laptops, desktops, and device components; (ii) we post the information of such devices on our platform with an opening bid; (iii) after at least ten bidding rounds with over five participants, the customer offering the highest bid wins and receives the devices at the second highest bid price; and (iv) we sign contracts with the customers and arrange delivery of the devices.

Business flow of our SaaS and other services

The operational process of our SaaS includes the following steps: (i) our salespeople identify potential customers; (ii) we communicate with potential customers through our sales team either remotely or through on-site visits; (iii) we sign contracts with customers; and (iv) we provide product knowledge training sessions to the subscribing customers.

Disclosure of Key Operating Data

The following tables set forth certain of our key operating metrics for the periods specified:

	As of June 30, 2022	As of December 31, 2022	**As of June 30, 2023**
Number of active customers[(1)]	40,282	43,313	**45,040**
– Number of subscribing customers[(2)]	39,525	42,343	**43,976**
– Number of non-subscribing customers who purchased device(s) in installments[(3)]	757	970	**1,064**
Number of SaaS customers	2,018	2,060	**2,080**
Number of devices under service	1,139,654	1,115,468	**1,149,932**
– Number of devices under subscription	1,110,573	1,092,857	**1,131,523**
– Number of devices under installment purchase	29,081	22,611	**18,409**

	Six months ended June 30,	
	2022	**2023**
Average subscription fee per subscribing customer[(4)]	2,457	**2,097**
– Customer retention rate[(5)]	85%	**85%**
Number of devices sold[(6)]	58,136	**66,324**
– Number of additional devices sold under installments	9,206	**6,564**
– Number of devices sold under buyout of subscribing customer	16,034	**19,611**
– Number of devices disposed of through Epaiji platform	32,896	**40,149**
Number of remanufactured devices[(7)]	334,622	**396,194**
Average remanufacturing cost/unit	65	**66**

Notes:

(1) The number of active customers as of the end of a month is calculated as the number of customers who have made payments during the month, substantially all of whom are customers of our pay-as-you-go office IT integrated solutions.

(2) The number of subscribing customers includes 2,218, 2,062 and 1,828 subscribing customers who also purchased devices in installments and had not completed full payments as of June 30, 2022, December 31, 2022 and June 30, 2023, respectively.

(3) The number of non-subscribing customers who purchased devices in installments represents non-subscribing customers who had purchased our devices in installments and had not completed full payments as of June 30, 2022, December 31, 2022 and June 30, 2023.

(4) The average monthly subscription fee per subscribing customer is calculated by dividing our revenue from pay-as-you-go office IT integrated solutions in the respective period by the number of subscribing customers in the respective period and then by the number of months. The average monthly subscription fee per subscribing customer as of June 30, 2023 was lower than that of the same period, primarily due to a decrease in number of devices each subscribing customer subscribed to on average as impacted by the COVID-19 pandemic.

(5) The customer retention rate is calculated by dividing the number of original subscribing customers at the end of the period by the number of subscribing customers at the beginning of the period. The number of original subscribing customers at the end of the period is calculated by subcontracting the number of customers whose subscription terminated/expired from the number of subscribing customers at the beginning of the period.

(6) In addition to our pay-as-you-go office IT integrated solutions, we offer customers the opportunity to purchase our devices, in response to certain customers' needs. We sell devices in three ways: (i) new devices for customers purchasing in installments; (ii) used devices for customers under the subscription pack who are willing to buy out the devices; and (iii) pre-owned devices that we sell through Epaiji. During the Reporting Period, most of devices we sold were used devices.

(7) The number of remanufactured devices in a period represents the total production volume of our remanufacturing factory network during the same period. The increase of the number of remanufactured devices during the Reporting Period was primarily due to our increasing need for remanufactured devices, as a growing number of devices were procured and utilized to meet the customer demand driven up by our enlarged customer base and business expansion.

We have the ability to optimize our device portfolio by disposing of devices at commercially favorable prices through our online bidding platform, Epaiji, which in turn lowers the volume of idle devices and increases our device utilization and operational efficiency. In the first half of 2023, we have implemented comprehensive inventory management measures and have achieved a utilization rate of our devices, being approximately 89%. We closely monitor the changes in inventory levels to ensure smooth operations with low inventories. In addition, we dynamically adjust our inventory of different types of devices and components, and determine local inventory levels based on the actual needs of our customers in that region.

Increase in the number of customers and improvement in the quality of new customers

During the first half of 2023, the number of our active customers experienced a continuous increase. Such growth was driven by, among others, (i) the growing number of SMEs in China, their adoption and acceptance of managed IT services and the resulting growth of demand for digitalization; (ii) our enhanced brand image resulting from our listing on the Main Board of the Stock Exchange and improved customer experience; (iii) our diversified service offerings and deepening penetration into office IT service scenarios, such as development of self-service office IT management tools, including automated network diagnostic softwares, automatic printer installation tools and smart technical support tools; and (iv) our adoption of a more effective sales strategy, which has helped us to acquire better quality customers.

We leveraged our well-established reputation and extensive sales network to further expand our customer base. We continue to expand our sales network to better acquire customers across the country and adopt a new customer go-to strategy to increase market penetration and improve the quality of potential customers. Under the new customer go-to strategy, we divide a target city market into smaller units considering both existing geographical boundaries and the density of potential enterprise customers. We then assign an individual salesperson to each unit and such salesperson is responsible for expanding all customers in such area.

In the first half of 2023, under the new customer go-to strategy, the number of our active customers increased, the average number of devices under subscription of new customers increased year-on-year simultaneously. The number of our new subscribing customers increased from 7,426 for the half year ended June 30, 2022 to 8,150 for the half year ended June 30, 2023, and the average number of devices under subscription of our new subscribing customers increased from 13 units per customer for the half year ended June 30, 2022 to 15 units per customer for the half year ended June 30, 2023.

The impact of COVID

In early 2023, as our repeat customers ceased and reduced their business activities during the concentrated outbreak of COVID-19, many of our customers, especially those from industries that required on-site or face-to-face operations like the retail industry and education industry, although they basically maintained business relationships with us, experienced a sharp decline in their business operations and even layoffs, resulting in a shrinking demand for devices under subscriptions and a reduction in number of device under subscription. Such reduction in the number of devices under service was primarily concentrated at the beginning of the year, which had a negative cumulative impact on our results for the first half of the year.

However, in the next several months, with the recovery of the economic environment, the rebound of market demand, and the smooth development of our new customers, the number of our devices under service has rebounded month by month. During the six months ended June 30, 2023, our cumulative annual net increase in devices under service was approximately 35,000 units, reaching approximately 1.15 million units, higher than the historical level for the same period. As our devices under service experienced a reduction and gradual ramp-up in the first half of the year, which will be reflected in a lagged effect on the revenue side, it is expected to provide a good foundation for the results in the second half of 2023.

Outlook

Our customers are targeting a large number of small and medium-sized enterprises across the country, and our performance is closely related to their business performance. Despite facing certain challenges in the first half of 2023, the growth in the number of active customers and devices under service indicates that we have gradually overcome the adverse effects left over by COVID-19 and economic recovery.

Recently, the Chinese government has implemented various measures to stimulate China's economic development, which is conducive to the development of small and medium-sized enterprises. Meanwhile, the digital economy and ESG practices, which represent more modern, green and sustainable development concepts, are receiving more and more attention and recognition. The impact of COVID-19 has prompted business owners to adopt asset-light and highly flexible business concepts, and to change the concept of one-off purchasing expenditures. We believe that the penetration rate of the office IT integrated solutions market will continue to increase.

Office IT equipment is a rigid demand for most enterprises and has a relatively stable replacement cycle. As a leading office IT integrated solution provider in China, the Group will continue to dedicate itself to its mission and vision of making office IT easier by expanding customer base and improving market penetration, enriching service offerings and promoting service innovation, enhancing our remanufacturing capability and expanding our SaaS product offerings.

Remanufacturing capability is one of the Group's core competencies. We have been exploring and have recently made breakthroughs in the fields of technology and automation, among which an independently developed keyboard inspection robot will soon be put into operation, which will significantly optimize the inspection efficiency and improve the yield rate of keyboards. In the future, we will continue to increase investment and enhance research and development to further boost our remanufacturing digitalization capabilities and reduce average unit costs of remanufacturing, in order to provide our customers with a higher quality of equipment experience.

At the same time, we remain committed to making a lasting and positive ESG impact on our customers, partners and the wider community. We achieve high levels of energy efficiency and control of greenhouse gas emissions while adhering to social value and sustainability. Our remanufacturing technology extends the service lives of devices and promotes reuse, not only reducing waste and carbon emissions, but also saving on material and energy costs. In addition, in response to the growing awareness of carbon neutrality and the acceptance of remanufactured devices among enterprises, we consciously promote the environmental sustainability features of our subscription packages to potential customers, not only catering to their green business philosophies, but also creating social and economic value for them. ESG integrates into all aspects of our business model, driving our business profitability.

Listed in Hong Kong

On May 25, 2023 (the "**Listing Date**"), the Company was listed on the Main Board of the Stock Exchange and completed the initial public offering and global offering of 58,575,000 ordinary shares at the offer price of HKD10.19 per share with the stock code of "2416".

Material Events after the Reporting Period

Save as disclosed in this announcement, there have been no events subsequent to the Reporting Period and up to the date of this announcement which may have a material impact on the Company and the subsidiaries of the Company.

Financial Analysis

Revenue

For the six months ended June 30, 2023, our revenue was derived from three business areas, namely (i) pay-as-you-go office IT integrated solutions; (ii) sales of devices; and (iii) SaaS and other services.

For the six months ended June 30, 2023, our revenue was RMB636.0 million, representing a decrease of 3.0% as compared with RMB655.5 million for the six months ended June 30, 2022, which was primarily due to the decrease in revenue from our pay-as-you-go office IT integrated solutions.

The following table sets forth a breakdown of our revenue by segment for the periods indicated:

	For the six months ended June 30,			
	2023		2022	
	(unaudited)		(unaudited)	
	RMB'000	*%*	*RMB'000*	*%*
Pay-as-you-go office IT integrated solutions	**553,364**	**87.0%**	582,712	88.9%
Sales of devices	**73,861**	**11.6%**	67,161	10.2%
SaaS and other services	**8,738**	**1.4%**	5,600	0.9%
	635,963	**100.0%**	655,473	100.0%

Pay-as-you-go office IT integrated solutions

For the six months ended June 30, 2023, our revenue from pay-as-you-go office IT integrated solutions was RMB553.4 million, representing a decrease of 5.0% as compared with that of RMB582.7 million for the six months ended June 30, 2022, which was primarily because the Company reduced the subscription fees for mainstream equipment based on the market situation to obtain an increase in the number of devices under subscription.

Sales of devices

For the six months ended June 30, 2023, revenue from our sales of devices was RMB73.9 million, representing an increase of 10.0% as compared with RMB67.2 million for the six months ended June 30, 2022, which was mainly attributable to the increase in sales of devices as compared with that of the corresponding period.

SaaS and other services

For the six months ended June 30, 2023, revenue from our SaaS and other services was RMB8.7 million, representing an increase of 56.0% as compared with that of RMB5.6 million for the six months ended June 30, 2022, which was mainly attributable to the increase in system development revenue and IT maintenance services.

Cost of Sales

Our cost of sales represents costs incurred directly in the pay-as-you-go office IT integrated solutions, sales of devices and SaaS and other services. The cost of pay-as-you-go office IT integrated solutions consists primarily of depreciation costs of devices, staff and other costs related to maintenance, risk control and operation. The cost of sales for our sales of devices mainly represents the residual value of the devices. The cost of sales for our SaaS and other services is primarily staff costs for maintenance and operation.

For the six months ended June 30, 2023, our cost of sales was RMB353.2 million, representing an increase of 9.7% as compared to RMB322.0 million for the six months ended June 30, 2022. This was mainly due to the increase in cost of sales of pay-as-you-go office IT integrated solutions and sales of devices.

The following table sets forth a breakdown of our cost of sales by segment for the periods indicated:

	For the six months ended June 30,			
	2023		2022	
	(unaudited)		(unaudited)	
	RMB'000	*%*	*RMB'000*	*%*
Pay-as-you-go office IT integrated solutions	**271,987**	**77.0%**	255,807	79.5%
Sales of devices	**80,257**	**22.7%**	65,455	20.3%
SaaS and other services	**950**	**0.3%**	785	0.2%
	353,194	**100.0%**	322,047	100.0%

Pay-as-you-go office IT integrated solutions

For the six months ended June 30, 2023, cost of sales of our pay-as-you-go office IT integrated solutions amounted to RMB272.0 million, representing an increase of 6.3% as compared to RMB255.8 million for the six months ended June 30, 2022, which was primarily due to the increase in depreciation costs caused by growth in the volumes of devices.

Sales of devices

For the six months ended June 30, 2023, cost of our sales of devices was RMB80.3 million, representing an increase of 22.6% as compared to RMB65.5 million for the six months ended June 30, 2022, which was primarily due to the increase in the amount of devices sold during the same period.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit decreased by 15.2% from RMB333.4 million for the six months ended June 30, 2022 to RMB282.8 million for the six months ended June 30, 2023.

Gross profit margin is calculated based on gross profit divided by revenue. For the six months ended June 30, 2023 and June 30, 2022, the Group's gross profit margin was 44.5% and 50.9%, respectively.

The following table sets out a breakdown of our gross profit/(loss) and gross profit/(loss) margin by segment for the periods indicated:

	For the six months ended June 30,			
	2023		2022	
	Gross profit/(loss)	**Gross profit/ (loss) margin**	Gross profit	Gross profit margin
	RMB'000	*%*	*RMB'000*	*%*
	(unaudited)		(unaudited)	
Pay-as-you-go office IT integrated solutions	**281,377**	**50.8%**	326,905	56.1%
Sales of devices	**(6,396)**	**(8.7%)**	1,706	2.5%
SaaS and other services	**7,788**	**89.1%**	4,815	86.0%
Total gross profit/Overall gross profit margin	**282,769**	**44.5%**	333,426	50.9%

Pay-as-you-go office IT integrated solutions

For the six months ended June 30, 2023, the gross profit of our pay-as-you-go office IT integrated solutions was RMB281.4 million, representing a decrease of 13.9% as compared with that of RMB326.9 million for the six months ended June 30, 2022, and the gross profit margin decreased to 50.8% for the six months ended June 30, 2023 from 56.1% for the six months ended June 30, 2022, primarily due to the combined effect of price reduction of mainstream devices under subscription and the increase in depreciation cost as a result of growth in the number of devices.

Sales of devices

The Group's gross profit on sales of devices decreased by 474.9% from a gross profit of RMB1.7 million for the six months ended June 30, 2022 to a loss of RMB6.4 million for the six months ended June 30, 2023, and the gross profit margin decreased from 2.5% for the six months ended June 30, 2022 to a loss margin of 8.7% for the six months ended June 30, 2023, primarily due to the declined demand in the personal computer market, lower purchase price of sales of devices and lower profit margins.

SaaS and other services

For the six months ended June 30, 2023, the Group's gross profit from SaaS and other services was RMB7.8 million, representing an increase of 61.7% as compared to RMB4.8 million for the six months ended June 30, 2022, and the gross profit margin increased from 86.0% for the six months ended June 30, 2022 to 89.1% for the six months ended June 30, 2023, mainly due to the combined effect of the increase in the number of customers and cost savings from economies of scale.

Cost Control

Our selling and marketing expenses, research and development expenses and general and administrative expenses mainly comprise employee salaries and benefit expenses. For the six months ended June 30, 2023, our selling and marketing expenses, research and development expenses and general and administrative expenses amounted to RMB78.1 million, RMB39.5 million and RMB53.6 million, respectively, representing an increase of RMB1.7 million, RMB2.8 million and RMB5.4 million as compared with RMB76.4 million, RMB36.7 million and RMB48.2 million for the six months ended June 30, 2022, which was mainly due to the increase in employee salaries, share-based compensation and rental expenses.

Other Income

Our other income primarily consists of: (i) interest income from banks and trade receivable; (ii) government grants which mainly represent subsidies received from local governments in various cities, including Beijing and Wuhan, for encouraging and rewarding innovative enterprises; (iii) compensation income representing device damage compensation paid by our customers; and (iv) additional VAT input deduction that were recognized in profit or loss due to the VAT reform.

For the six months ended June 30, 2023, our other income amounted to RMB11.7 million, representing a decrease of 69.8% as compared to RMB38.8 million for the six months ended June 30, 2022, which was mainly due to the decrease in percentage of deduction from 10% to 5% together with decrease in amounts of purchase of rental computer devices, resulting in a decrease in the amounts of additional VAT input deduction being recognized during the six months ended June 30, 2023.

Other Gains and Losses

Our other gains and losses primarily consist of: (i) fair value changes of financial assets at FVTPL in connection with financial assets we purchased; and (ii) loss on written-off of rental computer devices.

For the six months ended June 30, 2023, the Group's net loss amounted to RMB12.1 million, representing an increase of 34.8% from RMB9.0 million for the six months ended June 30, 2022. The above increase was mainly attributable to the increased loss on written-off of rental computer devices during the Reporting Period.

Loss on Changes in Fair Value of Financial Liabilities at FVTPL

The Group's financial liabilities at FVTPL mainly refer to the preferred shares issued by the Group to investors through share subscription agreements. For the six months ended June 30, 2023, the Group's loss on fair value changes on financial liabilities at FVTPL amounted to RMB888.0 million, representing an increase of RMB206.9 million from RMB681.1 million for the six months ended June 30, 2022, mainly due to the increase in the valuation of the Group.

Impairment Losses under ECL Model, Net of Reversal

For the six months ended June 30, 2023, the Group's impairment losses under ECL model, net of reversal amounted to RMB14.6 million, representing a decrease of RMB17.7 million from RMB32.3 million for the six months ended June 30, 2022, primarily due to our strengthened risk control measures which reduce the amount of long-term trade receivables and alleviate the credit risk we are exposed to.

Finance Costs

Our finance costs primarily consist of: (i) interest on interest-bearing loans from banks and other borrowings; (ii) interest on lease liabilities for the leased-in computer devices, buildings and warehouses we leased; and (iii) interest on bond payable.

For the six months ended June 30, 2023, the Group's finance costs amounted to RMB71.7 million, representing a decrease of RMB12.8 million from RMB84.5 million for the six months ended June 30, 2022, primarily because the Group's average balance of interest-bearing liabilities (the average of the opening and closing balances of current borrowings, non-current borrowings, lease liabilities and bond payable) amounted to RMB1,756.2 million for the period ended June 30, 2023, representing a decrease of 6.5% from RMB1,878.5 million for the period ended June 30, 2022. In addition, the Group's average finance cost ratio (the average of the current period's finance costs divided by the balance of interest-bearing liabilities at the beginning and end of the period) also decreased from 9.0% for the period ended June 30, 2022 to 8.2% for the period ended June 30, 2023.

In addition, being listed on the Main Board of the Stock Exchange will also help us obtain more favorable terms of finance terms. According to statistics, in the first half of 2023, the weighted average term of our newly signed finance contracts for procurement was approximately 34 months, representing an increase of approximately 8 months compared to approximately 26 months in the first half of 2022.

Income Tax Expense

For the six months ended June 30, 2023, the Group's income tax expense amounted to RMB5.3 million, while the income tax expense for the six months ended June 30, 2022 amounted to RMB15.0 million. The tax expense recorded during the Reporting Period was mainly due to the deferred tax recognized by the Group.

Loss and Total Comprehensive Loss for the Period

As a result of the above, the Group's loss for the period increased from RMB624.5 million for the six months ended June 30, 2022 to RMB881.7 million for the six months ended June 30, 2023.

Adjusted Profits (non-IFRS measure)

The following table sets forth the reconciliation of adjusted net profits (non-IFRS measure) to the most directly comparable financial measure (loss for the period) calculated and presented in accordance with IFRS for the periods indicated:

	For the six months ended June 30,	
	2023	2022
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Loss and total comprehensive loss for the period	**(881,683)**	(624,504)
Add:		
Share-based payment expenses	**8,798**	3,514
Loss on changes in fair value of financial liabilities at FVTPL	**887,983**	681,064
Listing expenses	**13,230**	13,660
Adjusted net profit for the period (non-IFRS measure)	**28,328**	73,734

EBITDA and Adjusted EBITDA (non-IFRS measure)

We define EBITDA (non-IFRS measure) as net loss for the period by adding back (i) net finance costs; (ii) income tax expense; (iii) depreciation; and (iv) amortization. We add back share-based payment expenses, fair value changes of financial liabilities at FVTPL and listing expenses to EBITDA to derive adjusted EBITDA (non-IFRS measure). The following table sets out EBITDA and adjusted EBITDA (non-IFRS measures) and a reconciliation from loss for the periods to EBITDA and adjusted EBITDA (non-IFRS measures) for the periods indicated:

	For the six months ended June 30,	
	2023	2022
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Loss and total comprehensive loss for the period	**(881,683)**	(624,504)
Add:		
Net finance costs	**66,143**	82,270
Income tax expense	**5,330**	14,978
Depreciation	**203,540**	195,047
Amortization	**205**	205
EBITDA (non-IFRS measure)	**(606,465)**	(332,004)
Add:		
Share-based payment expenses	**8,798**	3,514
Loss on changes in fair value of financial liabilities at FVTPL	**887,983**	681,064
Listing expenses	**13,230**	13,660
Adjusted EBITDA (non-IFRS measure)	**303,546**	366,234

Capital Management, Funding and Financial Policies

The Group's main objectives when managing capital are to maintain the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to enhance shareholders' value in the long term. The management of the Group reviews the capital structure regularly. As part of this review, the management of the Group considers and adjusts the cost of capital and the risks associated with each class of capital. In order to maintain or adjust the capital structure, the Group may issue new shares, issue bonds and raise bank and other borrowings.

The Group adopts prudent funding and financial policies and strives to maintain sufficient cash flow to support business expansion, capital expenditure and general working capital requirements. The Group may raise bank and other borrowings according to its operating conditions and procurement plans. In addition, there are no major seasonal borrowing requirements.

Cash and Cash Equivalents

As of June 30, 2023, the Group's cash and cash equivalents increased by RMB96.3 million to RMB602.1 million from RMB505.8 million as of December 31, 2022. The Group's cash and cash equivalents are mainly denominated in RMB, Hong Kong dollar ("**HKD**") and USD.

Borrowings

Borrowings of the Group refer to borrowings and other loans. For the period ended June 30, 2023, the Group's borrowing rates ranged from 3.3% to 12.1% (the borrowing rates from banks ranged from 3.3% to 9.0% and those from other financial institutions ranged from 5.3% to 12.1%) (all denominated in RMB). For the period ended June 30, 2022, the Group's borrowing rates ranged from 3.7% to 12.6% (the borrowing rates from banks ranged from 3.7% to 11.9% and those from other financial institutions ranged from 4.6% to 12.6%) (all denominated in RMB).

For the period ended June 30, 2023, the Group's average current borrowings balance and non-current borrowings balance (the average of the opening and closing borrowings balances) amounted to RMB1,436.5 million, representing a decrease of 7.1% from RMB1,547.0 million for the period ended June 30, 2022.

Gearing Ratio

As of June 30, 2023, the Group's gearing ratio (calculated by dividing the total amount of borrowings, lease liabilities and bond payable by total equity) was 146.4%. As of December 31, 2022, total equity was a net deficit with no basis for comparison.

Foreign Exchange and Exchange Rate Risk

The Group mainly operates its business in the PRC and most of its revenue and expenses are denominated in RMB. Certain of our bank balances, other financial assets, other payables and other financial liabilities are denominated in foreign currencies and are therefore exposed to foreign exchange risk. We currently do not have a foreign currency hedging policy. However, our management monitors foreign exchange risk and will consider suitable hedging measures in the future if necessary.

Contingent Liabilities

As of June 30, 2023, the Company did not have any material contingent liabilities.

Capital Expenditure

As of the first half of 2023 and 2022, our capital expenditure amounted to RMB259.3 million and RMB299.6 million, respectively, consisted of (i) additions to rental computer devices of RMB78.5 million and RMB147.3 million, respectively; and (ii) additions to right-of-use assets of RMB180.8 million and RMB152.3 million, respectively. We finance capital expenditure mainly through cash flow from customers' subscription fees and bank and other borrowings.

Significant Investments Held

During the first half of the year, the Group subscribed for a redeemable cash management type of wealth management product (the "**Wealth Management Product**") issued by Shenwan Hongyuan Financial Products Company Limited with cash from its own surplus for a subscription amount of USD29.47 million. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Shenwan Hongyuan Financial Products Company Limited and its ultimate beneficial owner are third parties independent of the Company or its connected persons.

The Directors are of the view that (i) appropriate wealth management with low risk exposure is conducive to enhancing the utilization of capital and increasing income from idle funds of the Group; (ii) diversified, readily redeemable investments in cash management products are conducive to enhancing the safety and flexibility of cash management; and (iii) the subscription was funded by the Group's surplus cash reserves, and thus would not affect the Group's working capital position or operation. Accordingly, the Directors consider that the subscription is on normal commercial terms which are fair and reasonable and in the interests of the Company and the Shareholders as a whole. For further details of the Wealth Management Product, please refer to the announcement of the Company dated May 30, 2023.

As of June 30, 2023, the fair value of the Wealth Management Product was USD29,537,873, which recorded a gain on changes in fair value of USD67,873.

Except as disclosed above, we did not have any significant investment in investees with a value of 5% or more of total assets of the Company.

Material Acquisitions and Disposals

The Company had no material acquisitions or disposals of subsidiaries, associates or joint ventures for the six months ended June 30, 2023.

Future Plans for Material Investments or Capital Assets

As of June 30, 2023, we did not have detailed future plans for material investments or capital assets.

Employees and Remuneration

As of June 30, 2023, the Group had 1,770 full-time employees (as of June 30, 2022: 1,763 full-time employees). We recognize the importance of talent in business development and maintenance of our competitive edge. As part of our human resources strategy, we offer competitive salaries, performance bonuses and other incentives to our employees. In the first half of 2023, employee remuneration (excluding Directors' remuneration) amounted to approximately RMB148 million (as of half year ended June 30, 2022: approximately RMB136 million).

We offer regular in-house trainings to employees at all levels in accordance with their functions, positions and responsibilities, covering both soft skills and technical skills. For example, for engineers with different levels of expertise, we provide diverse training courses lasting four to six months targeting junior, mid-level, and senior engineers to ensure that they are equipped with the necessary skills and knowledge to perform their duties. The subjects of training courses cover different aspects of IT operations, including device installation, troubleshooting, network connection, operating system and server management, hardware repair and replacement, and printer maintenance. We also provide induction training to all new employees to ensure that they understand the Company's business, vision and values, and are equipped with basic IT knowledge and operational skills. We believe our training program helps us recruit and retain qualified employees and build a cohesive organization by promoting and agreeing on our vision and values.

In order to incentivize the Directors, senior management and other employees for their contribution to our Group and to attract and retain suitable personnel to our Group, the Group adopted the Pre-IPO Option Plan. Please refer to "Appendix IV – Statutory and General Information – D. Pre-IPO Option Plan" in the prospectus of the Company dated May 15, 2023 (the "**Prospectus**") for details.

Other Information

Interim Dividend

The Board does not recommend the payment of any interim dividend for the six months ended June 30, 2023.

Compliance with the Corporate Governance Code

Since the Listing Date and up to the date of this announcement, we have complied with all applicable code provisions of the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"), except as described below.

Pursuant to code provision C.2.1 of Part 2 of the CG Code, the roles of the chairman and the chief executive officer should be separate and should not be performed by the same individual, and companies listed on the Stock Exchange are expected to comply with this requirement but may choose to deviate from it. The roles of chairman of the Board and chief executive officer of the Company, which is similar to the role of the chief executive officer (as defined in the Listing Rules) who is responsible for the overall management of the Company, are currently performed by Dr. Ji Pengcheng ("**Dr. Ji**"). In view of Dr. Ji's substantial contribution to our Group since our establishment and his extensive experience, we consider that having Dr. Ji acting as both our chairman of the Board and chief executive officer will provide strong and consistent leadership to our Group and facilitate the efficient execution of our business strategies. We consider it appropriate and beneficial to our business development and prospects that Dr. Ji acts as both our chairman of the Board and chief executive officer, and therefore currently do not propose to separate the functions of the chairman of the Board and the chief executive officer.

While this would constitute a deviation from Code Provision C.2.1 of Part 2 of the CG Code, the Board believes that this structure will not impair the balance of power and authority between the Board and the management of our Company, given that: (i) there are sufficient checks and balances in the Board, as a decision to be made by our Board requires approval by at least a majority of the Directors, and our Board comprises four independent non-executive Directors, which is in compliance with the requirement under the Listing Rules; (ii) Dr. Ji and the other Directors are aware of and undertake to fulfil their fiduciary duties as Directors, which require, among other things, that they act for the benefit and in the best interests of our Company and will make decisions for our Group accordingly; and (iii) the balance of power and authority is ensured by the operations of the Board which comprises experienced and high calibre individuals who meet regularly to discuss issues affecting the operations of our Company. Moreover, the overall strategy and other key business, financial, and operational policies of our Group are made collectively after thorough discussion at both Board and senior management levels. The Board will continue to review the effectiveness of the corporate governance structure of our Group in order to assess whether separation of the roles of the chairman of the Board and the chief executive officer is necessary.

The Company will continue to review and monitor its corporate governance practice on a regular basis to ensure compliance with the CG Code.

Compliance with the Model Code for Securities Transaction by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding directors' securities transactions. Having made specific enquiry of all Directors, all Directors have confirmed that they have complied with the required standard set out in the Model Code since the Listing Date and up to the date of this announcement.

Audit Committee

The Audit Committee of the Board (the "**Audit Committee**") consists of three independent non-executive Directors, namely Mr. Wang Jingbo, Mr. Hong Weili and Ms. Li Dan, and Mr. Wang Jingbo serves as the chairman of the Audit Committee. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal controls system of the Group, review and approve connected transactions and to advise the Board.

The Audit Committee has reviewed the unaudited interim condensed consolidated financial statements of the Group for the six months ended June 30, 2023 and the interim results announcement with the Board.

The Company's independent auditor, Deloitte Touche Tohmatsu, has reviewed the condensed consolidated financial statements of the Group for the six months ended June 30, 2023 in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

Purchase, Sale or Redemption of the Company's Listed Securities

From the Listing Date to June 30, 2023, neither the Company nor any of the subsidiaries of the Group has purchased, redeemed or sold any of the listed securities of the Company or any of its subsidiaries.

Material Litigation

During the six months ended June 30, 2023, the Company was not involved in any litigation or arbitration of material importance. The Directors are also not aware of any material litigation or claim pending or threatened against the Company since the Listing Date and up to the date of this announcement.

Use of proceeds from the Global Offering

The Company was listed on the Main Board of the Stock Exchange on May 25, 2023 and issued 58,575,000 Shares (comprising 17,572,500 new shares and 41,002,500 sale shares) and the net proceeds from the Global Offering (as defined in the Prospectus), after deduction of the underwriting fees and commissions in connection with the Global Offering and the estimated expenses payable by the Company in connection with the Global Offering, amounted to approximately HKD97.0 million. The proceeds from the Listing were and will continue to be utilized in accordance with the plan disclosed in the section headed "Net Proceeds from the Global Offering" in the Company's announcement in relation to the offer price and allotment results dated May 24, 2023, as follows:

		Net proceeds (HKD million)			
Intended utilization	**Percentage (%)**	**Available**	**Utilized as of the date of this announcement**	**Unutilized as of the date of this announcement**	**Expected timeline for the unutilized balance**
Investment in market promotion and sales and service networks improvement	40.0	38.8	2.3	36.5	By the end of 2025
Research and development investment and diversification of our service offerings	30.0	29.1	1.1	28.0	By the end of 2025
Enhance remanufacturing capabilities and operational efficiency	20.0	19.4	4.3	15.1	By the end of 2025
Working capital and general corporate purposes	10.0	9.7	2.9	6.8	By the end of 2023
Total	**100.0**	**97.0**	**10.6**	**86.4**	

Note:

(1) Certain figures and percentage figures included in the above table have been subject to rounding adjustments.

In the event that the net proceeds are not immediately utilized for the purposes mentioned above, we intend to deposit the net proceeds into an interest-bearing account with a licensed commercial bank or financial institution in the PRC or Hong Kong. We will comply with the PRC laws in relation to foreign exchange registration and remittance of proceeds.

Publication of Interim Results Announcement and Interim Report

This interim results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (http://edianyun.com). The interim report for the six months ended June 30, 2023 will be dispatched to the shareholders of the Company in due course and will be available on the above websites.

By order of the Board
Edianyun Limited
Ji Pengcheng
Chairman and Chief Executive Officer

Beijing, the PRC, August 25, 2023

As at the date of this announcement, the Board comprises Dr. Ji Pengcheng, Mr. Zhang Bin, Mr. Zheng Tao and Mr. Xiang Zheng as executive Directors; and Mr. Hong Weili, Mr. Song Shiji, Mr. Wang Jingbo and Ms. Li Dan as independent non-executive Directors.