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

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED DECEMBER 31, 2023

The board (the "**Board**") of directors (the "**Directors**") of Edianyun Limited (the "**Company**") is pleased to announce the audited consolidated annual results (the "**Annual Results**") of the Company and its subsidiaries (the "**Group**") for the year ended December 31, 2023 (the "**Reporting Period**"), together with comparative figures for the corresponding period in 2022. The aforesaid Annual Results have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") and have been reviewed by the audit committee of the Company (the "**Audit Committee**").

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

FINANCIAL PERFORMANCE HIGHLIGHTS

	For the year ended December 31,		
	2023	2022	Change (%)
	(RMB in thousands, except for percentages)		
Revenue	**1,270,741**	1,371,889	-7.4
Cost of sales	**(718,393)**	(745,346)	-3.6
Gross profit	**552,348**	626,543	-11.8
Loss before tax	**(902,384)**	(646,265)	39.6
Loss and total comprehensive expense for the year	**(900,637)**	(611,607)	47.3
Adjusted net profit*	**15,213**	135,189	-88.7
Adjusted EBITDA*	**566,336**	660,264	-14.2

* To supplement our consolidated financial statements that are presented in accordance with IFRS, we also use adjusted net profit/(loss) (non-IFRS measure) and 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/(loss) for the year (non-IFRS measure) as net profit/(loss) for the year adjusted by adding back (i) share-based payment expense; (ii) fair value changes on financial liabilities at fair value through profit or loss; and (iii) listing expenses. We define EBITDA as the net loss for the year after adding back (i) net finance costs; (ii) income tax expense/(credit); (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/(loss) (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.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2023

	NOTES	**Year ended December 31,** **2023** ***RMB'000***	2022 *RMB'000*
Revenue	*4*	**1,270,741**	1,371,889
Cost of sales		**(718,393)**	(745,346)
Gross profit		**552,348**	626,543
Selling and marketing expenses		**(160,068)**	(164,711)
Research and development expenses		**(81,768)**	(84,026)
General and administrative expenses		**(132,634)**	(106,093)
Other income	*5*	**31,724**	48,903
Other gains and losses, net	*6*	**(25,601)**	(15,886)
Loss on changes in fair value of financial liabilities at fair value through profit or loss ("**FVTPL**")		**(887,983)**	(702,170)
Impairment losses under expected credit loss ("**ECL**") model, net of reversal	*7*	**(40,763)**	(51,113)
Listing expenses		**(13,230)**	(28,117)
Finance costs	*8*	**(144,409)**	(169,595)
Loss before tax		**(902,384)**	(646,265)
Income tax credit	*9*	**1,747**	34,658
Loss and total comprehensive expense for the year	*10*	**(900,637)**	(611,607)
Loss per share			
– Basic (RMB Yuan)	*11*	**(2.27)**	(5.19)
– Diluted (RMB Yuan)	*11*	**(2.27)**	(5.19)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2023

	NOTES	As at December 31, 2023 RMB'000	2022 RMB'000
ASSETS			
Non-current assets			
Rental computer devices		**1,480,945**	1,456,992
Right-of-use assets		**503,017**	495,220
Intangible assets		**240**	649
Trade and other receivables and prepayments	*13*	**190,130**	220,442
Pledged bank deposits and time deposits		**–**	45,504
Deferred tax assets		**41,247**	39,182
		2,215,579	2,257,989
Current assets			
Inventories		**1,604**	3,929
Contract costs		**–**	1,337
Trade and other receivables and prepayments	*13*	**320,098**	214,118
Amounts due from shareholders		**–**	41
Financial assets at FVTPL		**246,690**	–
Pledged bank deposits, time deposits and restricted cash		**37,513**	54,376
Cash and cash equivalents		**490,390**	505,803
		1,096,295	779,604
Total assets		**3,311,874**	3,037,593

	NOTES	As at December 31, 2023 RMB'000	2022 RMB'000
EQUITY AND LIABILITIES			
Equity			
Share capital	*15*	**199**	43
Reserves		**4,141,429**	97,496
Accumulated losses		**(2,909,641)**	(2,007,887)
Total equity (Net deficits)		**1,231,987**	(1,910,348)
Non-current liabilities			
Borrowings		**667,769**	320,586
Lease liabilities		**159,016**	103,362
Financial liabilities at FVTPL		**–**	2,984,358
		826,785	3,408,306
Current liabilities			
Trade and other payables	*14*	**132,062**	188,563
Amounts due to shareholders		**–**	1,841
Deposits received for rental computer devices		**12,591**	12,032
Advance lease payments		**61,853**	51,285
Contract liabilities		**12,341**	12,385
Income tax payable		**3,838**	3,838
Borrowings		**852,051**	1,072,717
Lease liabilities		**178,366**	185,934
Bond payable		**–**	11,040
		1,253,102	1,539,635
Total liabilities		**2,079,887**	4,947,941
Total equity and liabilities		**3,311,874**	3,037,593

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Edianyun Limited (the "**Company**") was incorporated in the Cayman Islands as an exempted company with limited liability. The address of the Company's registered office is Suite#4-210, Governors Square, 23 Lime Tree Bay Avenue, PO Box 32311, Grand Cayman KY1-1209, Cayman Islands. The principal place of business of the Company is Edianyun Building, No. 41, Xixiaokou Road, Haidian District, Beijing, the People's Republic of China (the "**PRC**"). The Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on May 25, 2023.

The Company is an investment holding company, the Company and its subsidiaries (collectively referred to as the "**Group**") are principally engaged in providing office Internet Technology ("**IT**") integrated solution to small and medium-sized enterprises in the PRC.

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

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

New and amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following new and amendments to IFRSs issued by the International Accounting Standards Board ("**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 consolidated financial statements:

IFRS 17 (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
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies

Except as described below, the application of the new and amendments to IFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these 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

The Group has applied the amendments for the first time in the current year. The amendments narrow the scope of the recognition exemption of deferred tax liabilities and deferred tax assets in paragraphs 15 and 24 of IAS 12 *Income Taxes* so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

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;

(ii) the Group also, as at January 1, 2022, 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 recognised) 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 disclosed the related deferred tax liabilities of RMB61,137,000 and deferred tax assets of RMB44,192,000 on a gross basis but it has no impact on the accumulated losses at the earliest period presented.

Impacts on application of Amendments to IAS 1 and IFRS Practice Statement 2 Disclosure of Accounting Policies

The Group has applied the amendments for the first time in the current year. IAS 1 Presentation of Financial Statements is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

IFRS Practice Statement 2 *Making Materiality Judgements* (the "**Practice Statement**") is also amended to illustrate how an entity applies the "four-step materiality process" to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments has had no material impact on the Group's financial positions and performance but has affected the disclosure of the Group's accounting policies.

The Group has not early applied the following amendments to IFRSs that have been issued but are not yet effective:

Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback[2]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[2]
Amendments to IAS 1	Non-current Liabilities with Covenants[2]
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements[2]
Amendments to IAS 21	Lack of Exchangeability[3]

[1] Effective for annual periods beginning on or after a date to be determined.

[2] Effective for annual periods beginning on or after January 1, 2024.

[3] Effective for annual periods beginning on or after January 1, 2025.

The directors of the Company anticipate that the application of all the amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements have been prepared in accordance with IFRSs issued by the IASB. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange ("**Listing Rules**") and by the Hong Kong Companies Ordinance.

As at December 31, 2023, the Group had current assets less than current liabilities by RMB156,807,000. The Group assesses its liquidity by its ability to generate cash from operating activities 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 consolidated financial statements are prepared on a going concern basis.

4. REVENUE AND SEGMENT INFORMATION

The Group's principal business is engaged in providing office 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 PRC and all the Group's revenue are derived from the PRC, no geographical information is presented. During the year ended December 31, 2023, there was no revenue derived from transactions with a single external customer which amounted to 10% or more of the Group's revenue (2022: none).

	Year ended December 31,	
	2023	2022
	RMB'000	*RMB'000*
Revenue		
Pay-as-you-go* office IT integrated solution revenue		
– device subscription services recognised as lease income under IFRS 16	**1,060,592**	1,165,159
– office IT technical subscription services	**55,087**	–
Sales of devices	**138,470**	193,461
Software-as-a-Service ("**SaaS**") and others	**16,592**	13,269
Total	**1,270,741**	1,371,889

* 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

	Year ended December 31,	
	2023	2022
	RMB'000	*RMB'000*
Pay-as-you-go office IT integrated solution revenue		
Office IT technical subscription services	**55,087**	–
Sales of devices		
Devices	**136,639**	190,386
Computer accessories	**1,831**	3,075
Total	**138,470**	193,461
SaaS and others		
SaaS	**5,798**	5,629
Other services	**10,794**	7,640
Total	**16,592**	13,269

	Year ended December 31,	
	2023	2022
	RMB'000	*RMB'000*
Timing of revenue recognition		
At a point in time	**138,470**	193,461
Over time	**71,679**	13,269
Total	**210,149**	206,730

(b) Performance obligations for contracts with customers and revenue recognition policies

Pay-as-you-go office IT integrated solution revenue – office IT technical subscription services

The Group provides office IT technical subscription services coupled with the device subscription services during the subscription period. Certain contracts are assessed to include both lease (as disclosed in Note 4(d) below) and non-lease components (office IT technical subscription services), the Group applies IFRS 15 to allocate the consideration to separate lease and non-lease components on a relative stand-alone selling price basis.

Revenue relating to office IT technical subscription services, which primarily include providing stand-ready services to solve problems and repairs and maintenance services in relation to the computer devices, is satisfied over time as services are rendered, which is measured based on output method.

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.

The performance obligation is satisfied over time as services are rendered, which is measured based on output method. Short term advances are normally required before rendering the services. Services provided are for periods of one year or less, and are billed based on the time incurred.

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

For office IT technical subscription services, the transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at December 31, 2023 and the expected timing of recognising revenue are as follows:

	2023 ***RMB'000***
Within one year	**78,997**
More than one year but not more than two years	**28,847**
More than two years	**10,805**
	118,649

For sales of devices and provision of SaaS and other services, 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 – device subscription services recognised as lease income under IFRS 16**

	Year ended December 31,	
	2023	2022
	RMB'000	*RMB'000*
For operating leases:		
Lease payments that are fixed	**1,060,592**	1,165,159

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

	Year ended December 31,	
	2023	2022
	RMB'000	*RMB'000*
Interest income from banks	**9,512**	6,561
Interest income from trade receivable under installment sales	**1,951**	5,096
Government grants *(Note i)*	**10,923**	1,766
Compensation income *(Note ii)*	**2,642**	575
Additional value added tax ("**VAT**") input deduction *(Note iii)*	**6,696**	34,905
Total	**31,724**	48,903

Notes:

i. Government grants mainly represent subsidies received from local governments for rewarding the innovative activities and subsidizing the job stabilization of certain subsidiaries of the Group.

ii. Compensation income represents devices damage compensations paid by the Group's customers.

iii. 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.

6. OTHER GAINS AND LOSSES, NET

	Year ended December 31, 2023 RMB'000	2022 RMB'000
Gain on changes in fair value of financial assets at FVTPL	**4,324**	911
Net exchange gain	**561**	6,211
Loss on written-off of rental computer devices *(Note i)*	**(26,503)**	(22,811)
Loss on termination of lease contract	**(657)**	–
Subscription fee of financial assets at FVTPL *(Note ii)*	**(2,814)**	–
Others	**(512)**	(197)
Total	**(25,601)**	(15,886)

Notes:

i. 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.

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

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

	Year ended December 31, 2023 RMB'000	2022 RMB'000
Impairment losses, net of reversal, recognised on:		
Trade receivables	**38,576**	51,066
Other receivables	**2,187**	47
Total	**40,763**	51,113

8. FINANCE COSTS

	Year ended December 31, 2023 RMB'000	2022 RMB'000
Interest on borrowings	**118,142**	131,325
Interest on lease liabilities	**25,749**	37,234
Interest on bond payable	**518**	1,036
Total	**144,409**	169,595

9. INCOME TAX CREDIT

	Year ended December 31, 2023 RMB'000	2022 RMB'000
Current enterprise income tax	**318**	901
Deferred tax	**(2,065)**	(35,559)
Total	**(1,747)**	(34,658)

10. LOSS AND TOTAL COMPREHENSIVE EXPENSE FOR THE YEAR

	Year ended December 31, 2023 RMB'000	2022 RMB'000
Cost of pay-as-you-go office IT integrated solution	**562,227**	524,873
Cost of sales of devices	**153,900**	218,706
Cost of SaaS and others	**2,266**	1,767
Promotion and advertising expenses	**6,416**	5,499
Employee benefit expenses		
– Salaries, allowances and benefits	**244,831**	260,775
– Retirement benefits	**48,613**	49,719
– Share-based payments	**14,637**	16,509
Total employee benefit expenses	**308,081**	327,003
Expenses related to short-term leases	**6,044**	4,669
Depreciation of other right-of-use assets	**23,733**	26,282
Amortisation of intangible assets	**409**	410
Auditor's remuneration	**3,200**	–

11. LOSS PER SHARE

	Year ended December 31, 2023 RMB'000	2022 RMB'000
Loss for the year attributable to the owners of the Company for the purpose of calculating basic and diluted loss per share	**(900,637)**	(611,607)

	Year ended December 31, 2023	2022
Weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share*	**397,105,826**	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 15 had been effective since January 1, 2022.

The computation of diluted loss per share for the years ended December 31, 2023 and 2022 did not assume conversion of the preferred shares and the exercise of the over-allotment option (set out in the prospectus of the Company dated May 15, 2023) for the year ended December 31, 2023 since their assumed conversion and exercise would result in a decrease in loss per share. Accordingly, diluted loss per share for the years ended December 31, 2023 and 2022 is the same as basic loss per share of the respective period.

* The weighted average number of ordinary shares for the year ended December 31, 2022 excluded 16,954,640 shares (adjusted for the effect of the share subdivision) which are not entitled to participate in dividend.

12. DIVIDEND

No dividend was paid or proposed for ordinary shareholders of the Company during the year ended December 31, 2023, nor has any dividend been proposed since the end of the reporting period (2022: nil).

13. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

		As at December 31,	
		2023	2022
		RMB'000	*RMB'000*
(a)	**Trade receivables**		
	Trade receivables – Pay-as-you-go office IT integrated solution	**163,975**	188,748
	Trade receivables – contracts with customers	**102,158**	133,638
	Less: allowance for credit losses	**(135,862)**	(159,568)
	Subtotal	**130,271**	162,818
(b)	**Other receivables and prepayments**		
	Staff advances	**2,036**	552
	Advance to suppliers	**41,684**	21,677
	Recoverable VAT	**11,568**	13,960
	Prepayments for listing expenses	**–**	2,330
	Deferred issue costs	**–**	1,339
	Rental and other deposits	**285,740**	228,182
	Others*	**39,777**	3,975
	Less: allowance for credit losses	**(848)**	(273)
	Subtotal	**379,957**	271,742
	Analysed as:		
	Total current portion	**320,098**	214,118
	Total non-current portion	**190,130**	220,442

* Amount included RMB34,047,000 which was receivable from a private fund for certain redeemed financial assets at FVTPL (2022: nil).

As at January 1, 2022, gross carrying amounts of trade receivables from contracts with customers amounted to RMB138,259.000.

The following is an aged analysis of trade receivables, net of allowance for credit losses, presented based on the date of billing issued to customers.

	As at December 31,	
	2023	2022
	RMB'000	*RMB'000*
Within 30 days	**120,942**	149,959
31 to 60 days	**4,645**	3,529
61 to 90 days	**1,924**	1,932
91 to 180 days	**2,144**	2,962
181 to 270 days	**437**	1,263
271 to 360 days	**67**	1,216
Over 360 days	**112**	1,957
	130,271	162,818

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

As at December 31, 2023, included in the Group's trade receivables balance before allowance for credit losses are debtors with aggregate carrying amount of RMB136,374,000 (2022: RMB164,544,000) which are past due 30 days and considered as default.

14. TRADE AND OTHER PAYABLES

	As at December 31,	
	2023	2022
	RMB'000	*RMB'000*
Trade payables	**61,578**	103,709
Salary and welfare payables	**42,475**	40,295
Other tax payables	**4,335**	17,230
Accrued expenses	**21,178**	19,858
Accrued listing expenses and issue costs	**1,370**	6,522
Others	**1,126**	949
Total	**132,062**	188,563

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

	As at December 31,	
	2023	2022
	RMB'000	*RMB'000*
Within 12 months	**49,410**	95,741
1 to 2 years	**6,658**	1,101
2 to 3 years	**689**	1,289
Over 3 years	**4,821**	5,578
	61,578	103,709

The Group's accrued listing expenses and issue costs that are denominated in currencies other than functional currency of the Company is set out below:

	As at December 31,	
	2023	2022
	RMB'000	*RMB'000*
USD	**1,370**	5,853
Total	**1,370**	5,853

15. SHARE CAPITAL

	Number of shares	Amount	Amount
		USD	*RMB'000*
Authorised			
At January 1, 2022 and December 31, 2022 of USD0.0005 each	140,000,000	70,000	460
Subdivision *(Note i)*	1,260,000,000	–	–
As of December 31, 2023 of USD0.00005 each	1,400,000,000	70,000	460
Issued			
At January 1, 2022 and December 31, 2022	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
Exercise of share options	1,660,430	83	1
At December 31, 2023	575,919,460	28,797	199

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

I. Business Review

In 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) Reliability: As the largest office IT integrated solution provider in China, we assume responsibility for the functions, services and maintenance of office IT devices for our customers, provide 24/7 and uninterrupted IT support and assistance to our customers with the fastest and nationwide service capabilities in China, and enhance customer experience through strict internal and external quality control standards;

(ii) Flexibility: we adopt a pay-as-you-go subscription approach where our customers can flexibly switch to devices according to their needs without having to purchase devices, avoid not being able to recover the residual value of devices easily to facilitate their capital flow and business development;

(iii) One-stop services: we provide our customers with one-stop office IT solutions, which provide our customers with a wide range of technical support for their continuous operation and help them to avoid the trouble of their engagement with multiple office IT suppliers. Through this one-stop, stable and flexible services, we help our customers maximise office IT stably running time, save operating expenses, improve employee productivity and drive business growth.

As of December 31, 2023, the Group had 46,789 active customers, representing a year-on-year increase of 8.0%. We also maintained a high customer retention rate, which was slightly improved as compared with the same period last year. In 2023, we continued to make efforts in digital transformation and environmental, social and corporate governance (the "**ESG**") practice and were widely recognized. 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)". In addition, we were invited to participate in the 28th United Nations Climate Change Conference in Dubai and delivered a keynote speech on "Remanufactured Equipment Helps China's Carbon Reduction Practice (再製造設備助力中國降碳實踐)". 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 small and medium-sized enterprises. In 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 to optimize our device portfolio, and supplement our revenue streams.

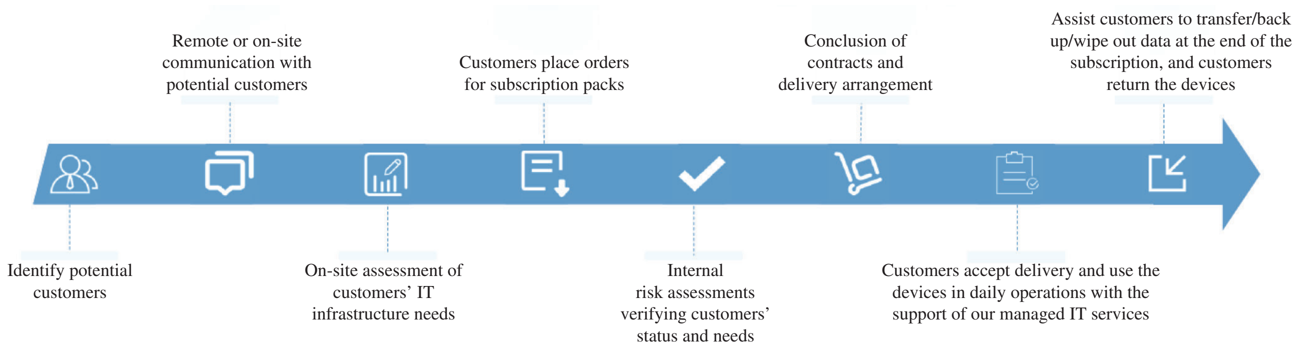
- **SaaS and other services:** We developed our SaaS product to meet customers' multiple digitalization needs. Our SaaS product, Epandian, is designed to help enterprise customers manage their assets and inventories from asset procurement and storage to usage and disposal for an annual subscription fee. 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 fastest and nationwide service capability in China, 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 December 31, 2023, we had approximately 47,000 active enterprise customers and approximately 1.2 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 December 31, 2023, the net carrying amount of our self-owned devices amounted to RMB1,480.9 million, and the net carrying amount of our leased-in rental computer devices amounted to RMB467.5 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. The operational process for sales of our devices includes the following steps: (i) we first sort our surplus devices into different categories, such as laptops, desktops, and device components; (ii) we conduct open bidding to downstream customers; (iii) after sufficient bidding, the customers which wins the bids are finally identified; 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 December 31, 2023	As of December 31, 2022
Number of active customers(1)	**46,789**	43,313
– Number of subscribing customers(2)	**45,757**	42,343
– Number of non-subscribing customers who purchased device(s) in installments(3)	**1,032**	970
Number of listed customers(4)	**23,777**	20,228
Number of SaaS customers	**2,127**	2,060
Number of devices under service	**1,204,876**	1,115,468
– Number of devices under subscription	**1,187,518**	1,092,857
– Number of devices under installment purchase	**17,358**	22,611
Average monthly subscription fee per subscribing customer(5)	**2,032**	2,293
– Customer retention rate(6)	**74%**	73%
Average number of devices under subscription per subscribing customer(7)	**26.0**	25.8
Number of devices sold(8)	**131,672**	177,360
– Number of additional devices sold under installments	**15,676**	19,465
– Number of devices sold under buyout of subscribing customer	**25,191**	40,730
– Number of pre-owned devices disposed of through auction	**90,805**	117,165
Number of remanufactured devices(9)	**840,370**	739,743
Average remanufacturing cost/unit	**69**	63

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 2,062 and 1,756 subscribing customers who also purchased devices in installments and had not completed full payments as of December 31, 2022 and December 31, 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 December 31, 2022 and December 31, 2023.

(4) Listed customers represent high-quality clients who have a workforce of approximately 50 or more employees. This strategy of defining and focusing on listed customers has been implemented in the second half of 2022.

(5) 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 December 31, 2023 was lower than that of the same period, primarily due to the option for aged devices made in response to the challenging economic conditions where small and medium-sized enterprises (SMEs) have encountered operational pressures.

(6) 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.

(7) Average number of devices under subscription per subscribing customer is calculated by dividing the number of devices under subscription at the end of the period by the number of subscribing customers at the end of the period.

(8) 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 disposed of through auction. During the Reporting Period, most of devices we sold were used devices.

(9) 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, which in turn lowers the volume of idle devices and increases our device utilization rate and operational efficiency. In 2023, we have implemented comprehensive inventory management measures and have achieved a utilization rate of our devices, being approximately 90%. 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

In 2023, the number of our active customers increased to 46,789, representing a year-on-year increase 8.0% as compared to 43,313 in 2022. Such growth was driven by (i) our improved service efficiency, diversified product 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; (ii) our adoption of a more effective sales strategy, which has helped us to acquire better quality customers; and (iii) our enhanced brand image resulting from our listing on the Main Board of the Stock Exchange and improved customer experience.

We leveraged our well-established reputation and extensive sales network to further expand our customer base. We continue to develop our sales network to better acquire quality customers across the country and to increase market penetration and improve the quality of potential customers. In 2023, the number of our listed customers grew to 23,777, representing an increase of 17.5% from 20,228 in 2022, while the percentage of our listed customers' devices under service increased from 81.4% in 2022 to 85.0% in 2023. The average number of devices under subscription of our new subscribing customer increased from 15 units/customer for the year ended December 31, 2022 to 17 units/customer for the year ended December 31, 2023.

With the increase in customer volume and quality, by the end of 2023, the number of devices under service exceeded 1.2 million. As customer density rose, our engineers continued to optimise their service efficiency, leading to improvements in both service rate and service quality. As a result, we have been able to better serve our customers and establish stronger customer relationships, with the customer retention rate increasing from 73% for the year ended December 31, 2022 to 74% for the year ended December 31, 2023.

Optimisation of financing costs and improvement of financing term

In 2023, we achieved a decrease in financing costs and an extension of financing term. Our average financing cost ratio (finance costs for the year divided by the average of the beginning and ending balance of interest-bearing liabilities) decreased from 9.4% for the year ended December 31, 2022 to 8.1% for the year ended December 31, 2023. In addition, the listing on the Main Board of the Stock Exchange also facilitates us in obtaining more favourable terms for financing terms. In 2023, the weighted average term of our newly signed financing contracts for procurement was approximately 33.9 months, representing an increase of approximately 5.2 months as compared to approximately 28.7 months in 2022. Benefiting from more favourable financing terms, we replaced a portion of our short-term liabilities with long-term liabilities, resulting in a more robust and balanced maturity structure.

The impact of COVID and macroeconomy

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 devices 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 year. In addition, given the challenging macroeconomic conditions, small and medium-sized enterprises are facing operational pressures and often prefer to subscribe for aged devices.

However, 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. For the year ended December 31, 2023, the number of our devices under service reached approximately 1,205,000 units, representing a cumulative annual net increase of approximately 89,000 units, which was a significant increase from -6,000 units for the year ended December 31, 2022.

II. Outlook

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. Focusing on the improvement of product strength, we plan to launch several key hot-selling products in 2024 to better meet the needs of small and medium-sized corporate customers, while actively responding to the feedback of corresponding customers to continuously optimise and improve our products to ensure that we are always in the leading position in the industry.

Meanwhile, we will further expand the sales team, strengthen the operation of the sales team, recruit and train excellent sales talents, and continuously step up efforts in the professional quality of the sales team to ensure that we can better meet customer needs and improve customer satisfaction. We will also adopt intelligent sales efficiency strategies and apply AI-based business analysis to further optimise sales processes and strategies and improve sales efficiency and effectiveness.

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 equipment experience.

Our core business inherently possesses ESG features. For example, 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. With the continuous improvement of our main business, we will continue to have a lasting and positive ESG impact on our customers, partners and the wider community.

In addition, we will further develop new AI-related businesses and continue to actively explore this field. Recently, we have taken a solid step forward in the AI field by entering into a strategic cooperation with Microsoft's authorised distributor in China, Beijing Sinoage Technology Development Co., Ltd. (北京信諾時代科技發展有限公司) ("**Sinoage**"). Based on Microsoft Azure OpenAI GPT product, we have expanded and upgraded our technology to create a GPT+ product that is more suitable for small and medium-sized enterprises. In the future, we will continue to explore in the AI field. Leveraging on approximately 50,000 and more potential small and medium-sized enterprises customers deeply connected to our main business of office IT subscription, we will help small and medium-sized enterprises build up their own AI capabilities and serve a broader enterprise service market.

Our performance is closely related to the operating conditions of the vast number of small and medium-sized enterprises. Despite some challenges in 2023, the growth in the number of active customers and the number of devices under service shows that we have gradually recovered from the adverse impact of COVID-19 and the economic slowdown. Recently, the PRC government has implemented various measures to stimulate the economic development of the PRC, which is conducive to the development of small and medium-sized enterprises. The impact of COVID-19 also prompted business owners to adopt an asset-light and highly flexible business philosophy and change the concept of one-off procurement expenditure. We believe the penetration rate of the office IT integrated solutions market will continue to increase, supporting the continuous improvement of our business performance.

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

On February 22, 2024, the Group entered into a strategic cooperation agreement with Sinoage (信諾時代). Pursuant to the strategic cooperation agreement, both parties will fully rely on their respective technological and resources advantages to form a comprehensive strategic cooperation relationship with respect to the market expansion of the Microsoft Azure OpenAI product matrix and solutions that Sinoage is licensed to distribute, including, but not limited to, cooperation in relation to GPT-related products and AI products and services to be launched on the Microsoft Azure in the future. As the largest office IT infrastructure provider in China, our AI business segment is committed to empowering the extensive small and medium-sized enterprises to help them build AI capabilities, and this cooperation lays a good foundation for the development of our AI business segment. Meanwhile, we would be able to develop a richer and more competitive product portfolio through this cooperation, which further enhances our customer acquisition capabilities for small and medium-sized enterprises. In addition, through this cooperation, we would be able to form more high-value product bounding with small and medium-sized enterprise customers, which will contribute to the enhancement of our customer stickiness, the achievement of continuous revenue growth and further improvement in performance, achieving increase in the long-term returns of the Company and its shareholders (the "**Shareholders**").

III. Financial Analysis

Revenue

For the year ended December 31, 2023, the Group's 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 year ended December 31, 2023, the Group's revenue amounted to RMB1,270.7 million, representing a decrease of 7.4% as compared with RMB1,371.9 million for the year ended December 31, 2022, which was primarily due to the decrease in revenue from the sales of pay-as-you-go office IT integrated solutions and devices.

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

	For the year ended December 31,			
	2023		2022	
	RMB'000	***%***	*RMB'000*	*%*
Pay-as-you-go office IT integrated solutions	**1,115,679**	**87.8%**	1,165,159	84.9%
Sales of devices	**138,470**	**10.9%**	193,461	14.1%
SaaS and other services	**16,592**	**1.3%**	13,269	1.0%
	1,270,741	**100.0%**	1,371,889	100.0%

Pay-as-you-go office IT integrated solutions

For the year ended December 31, 2023, the Group's revenue from pay-as-you-go office IT integrated solutions was RMB1,115.7 million, representing a decrease of 4.2% as compared with RMB1,165.2 million for the year ended December 31, 2022, which was primarily due to the option for aged devices made in response to the challenging economic conditions where small and medium-sized enterprises have encountered operational pressures.

Sales of devices

For the year ended December 31, 2023, the Group's revenue from sales of devices amounted to RMB138.5 million, representing a decrease of 28.4% as compared with RMB193.5 million for the year ended December 31, 2022, which was mainly attributable to the decrease in the number of devices sold.

SaaS and other services

For the year ended December 31, 2023, the Group's revenue from SaaS and other services amounted to RMB16.6 million, representing an increase of 25% as compared with RMB13.3 million for the year ended December 31, 2022, which was mainly attributable to the increase in system development revenue and the increase in revenue from other 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 year ended December 31, 2023, the Group's cost of sales amounted to RMB718.4 million, representing a decrease of 3.6% as compared with RMB745.3 million for the year ended December 31, 2022, which was mainly attributable to the increase in the cost of sales for pay-as-you-go office IT integrated solutions and the decrease in the cost of sales for sales of devices.

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

	For the year ended December 31,			
	2023		2022	
	RMB'000	*%*	*RMB'000*	*%*
Pay-as-you-go office IT integrated solutions	**562,227**	**78.3%**	524,873	70.5%
Sales of devices	**153,900**	**21.4%**	218,706	29.3%
SaaS and other services	**2,266**	**0.3%**	1,767	0.2%
	718,393	**100.0%**	745,346	100.0%

Pay-as-you-go office IT integrated solutions

For the year ended December 31, 2023, the Group's cost of sales for pay-as-you-go office IT integrated solutions was RMB562.2 million, representing an increase of 7.1% as compared with RMB524.9 million for the year ended December 31, 2022, which was primarily due to the increase in depreciation costs as a result of the increase in the number of reserve devices.

Sales of devices

For the year ended December 31, 2023, the Group's cost of sales for sales of devices amounted to RMB153.9 million, representing a decrease of 29.6% from RMB218.7 million for the year ended December 31, 2022, which was primarily due to decrease in sales of devices.

Gross profit and gross profit margin

As a result of the foregoing, the Group's gross profit decreased by 11.8% from RMB626.5 million for the year ended December 31, 2022 to RMB552.3 million for the year ended December 31, 2023. Gross profit margin is calculated based on gross profit divided by revenue. For the years ended December 31, 2023 and December 31, 2022, the gross profit margin of the Group was 43.5% and 45.7%, respectively.

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

	For the year ended December 31,			
	2023		2022	
	Gross profit/ (loss)	**Gross profit/(loss) margin**	Gross profit/(loss)	Gross profit/(loss) margin
	RMB'000	*%*	*RMB'000*	*%*
Pay-as-you-go office IT integrated solutions	**553,452**	**49.6%**	640,286	55.0%
Sales of devices	**-15,430**	**-11.1%**	-25,245	-13.0%
SaaS and other services	**14,326**	**86.3%**	11,502	86.7%
Total gross profit/Overall gross profit margin	**552,348**	**43.5%**	626,543	45.7%

Pay-as-you-go office IT integrated solutions

For the year ended December 31, 2023, the gross profit of the Group's pay-as-you-go office IT integrated solutions was RMB553.5 million, representing a decrease of 13.6% as compared with RMB640.3 million for the year ended December 31, 2022, and the gross profit margin decreased from 55.0% for the year ended December 31, 2022 to 49.6% for the year ended December 31, 2023, which was primarily due to the option for aged devices made in response to the challenging economic conditions where small and medium-sized enterprises have encountered operational pressures.

Sales of devices

The Group's gross profit on sales of devices decreased from a loss of RMB25.2 million for the year ended December 31, 2022 to a loss of RMB15.4 million for the year ended December 31, 2023, representing a decrease in loss of 38.9%, and the loss ratio decreased from 13% for the year ended December 31, 2022 to 11.1% for the year ended December 31, 2023, which was primarily due to the Company's adjustment of sales strategies based on the market conditions of personal computers, leading to a slight decrease in the loss ratio.

General and Administrative Expenses

The general and administrative expenses of the Group mainly comprise employee salary and benefit expenses and office and miscellaneous expenses. For the year ended December 31, 2023, the Group's general and administrative expenses amounted to RMB132.6 million, representing an increase of 25.0% as compared with RMB106.1 million for the year ended December 31, 2022, which was primarily due to the impact of pandemic-related lockdown measures in 2022, which resulted in a decrease in related administrative expenses. In 2023, these expenses have gradually returned to normal levels.

Other Income

Other income of the Group primarily consists of: (i) interest income from banks and trade receivable; (ii) government grants which mainly represent subsidies received from local governments in 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 recognised in profit or loss due to the VAT reform.

For the year ended December 31, 2023, the Group's other income amounted to RMB31.7 million, representing a decrease of 35.1% as compared with RMB48.9 million for the year ended December 31, 2022, which was primarily due to (i) the reduction of the deductible proportion for additional input VAT from 10% to 5%, leading to a decrease in the amount of additional VAT input deduction; and (ii) the receipt of government subsidies related to the economic contributions from the management committee, which has resulted in a decrease in other income.

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; (ii) loss on written-off of rental computer devices; and (iii) foreign exchange gains and losses.

For the year ended December 31, 2023, the net loss of the Group amounted to RMB25.6 million, representing an increase of 61.0% as compared with RMB15.9 million for the year ended December 31, 2022, which was primarily due to the combined effect of the decrease in foreign exchange gains recognised and the increase in loss on write-off of rental computer devices.

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 year ended December 31, 2023, the Group's loss on fair value changes on financial liabilities at FVTPL amounted to RMB888.0 million, representing an increase of RMB185.8 million as compared with RMB702.2 million for the year ended December 31, 2022, mainly due to the increase in valuation of the Group.

Impairment Losses under ECL, Net of Reversal

For the year ended December 31, 2023, the Group's impairment loss under ECL, net of reversal, was RMB40.8 million, representing a decrease of RMB10.3 million from RMB51.1 million for the year ended December 31, 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 year ended December 31, 2023, the Group's finance costs amounted to RMB144.4 million, representing a decrease of RMB25.2 million as compared with RMB169.6 million for the year ended December 31, 2022, primarily because the Group's average balance of interest-bearing liabilities (the average of opening and closing balances of current borrowings, non-current borrowings, lease liabilities and bond payable) for the year ended December 31, 2023 was RMB1,775.4 million, representing a decrease of 1.8% as compared with RMB1,808.4 million for the year ended December 31, 2022.

In addition, the Group's average finance cost ratio (the average of the current year's finance costs divided by the balance of interest-bearing liabilities at the beginning and end of the year) also decreased from 9.4% for the year ended December 31, 2022 to 8.1% for the year ended December 31, 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 2023, the weighted average term of our newly signed finance contracts for procurement was approximately 33.9 months, representing an increase of approximately 5.2 months as compared with approximately 28.7 months in 2022.

Income Tax Credit

The Group's income tax credit for the year ended December 31, 2023 amounted to RMB1.7 million and for the year ended December 31, 2022 amounted to RMB34.7 million. The income tax credit recorded during the Reporting Period was mainly attributable to the deferred income tax assets provided by the Group.

Loss and Total Comprehensive Expense for the Year

As a result of the foregoing, the Group's loss for the year increased from RMB611.6 million for the year ended December 31, 2022 to RMB900.6 million for the year ended December 31, 2023.

Adjusted Profits (non-IFRS measure)

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

	For the year ended December 31,	
	2023	2022
	RMB'000	*RMB'000*
Loss and total comprehensive expense for the year	**-900,637**	-611,607
Add:		
Share-based payment expenses	**14,637**	16,509
Loss on changes in fair value of financial liabilities at FVTPL	**887,983**	702,170
Listing expenses	**13,230**	28,117
Adjusted net profit for the year (non-IFRS measure)	**15,213**	135,189

EBITDA and Adjusted EBITDA (non-IFRS measure)

We define EBITDA (non-IFRS measure) as net loss for the year 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 years to EBITDA and adjusted EBITDA (non-IFRS measures) for the years indicated:

	For the year ended December 31,	
	2023	2022
	RMB'000	*RMB'000*
Loss and total comprehensive expense for the year	**-900,637**	-611,607
Add:		
Net finance costs	**134,897**	163,034
Income tax expense	**-1,747**	-34,658
Depreciation	**417,564**	396,289
Amortization	**409**	410
EBITDA (non-IFRS measure)	**-349,514**	-86,532
Add:		
Share-based payment expenses	**14,637**	16,509
Loss on changes in fair value of financial liabilities at FVTPL	**887,983**	702,170
Listing expenses	**13,230**	28,117
Adjusted EBITDA (non-IFRS measure)	**566,336**	660,264

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 value of the Company's shares 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 Position

As at December 31, 2023, the Group's cash and cash equivalents decreased by RMB15.4 million from RMB505.8 million as of December 31, 2022 to RMB490.4 million. The Group's cash and cash equivalents are mainly denominated in RMB, Hong Kong dollar ("**HKD**") and USD.

For the year ended December 31, 2023, we recorded a net cash inflow from operations of RMB298.7 million, net cash outflow from investing activities of RMB214.1 million, and net cash inflow from financing activities of RMB101.7 million.

Borrowings

The Group's borrowings refer to borrowings and other loans. For the year ended December 31, 2023, the balance of the Group's borrowings amounted to RMB1,519.8 million, of which approximately RMB852.1 million was due within one year, approximately RMB440.9 million was due between one and two years and approximately RMB226.8 million was due between two and five years.

The Group's average current and non-current borrowing balances (the average of the opening and closing borrowing balances) amounted to RMB1,456.6 million, representing a decrease of 2.9% as compared with RMB1,499.3 million for the year ended December 31, 2022.

For the year ended December 31, 2023, the interest rates on the Group's borrowings ranged from 3.3% to 12.1% (interest rates on borrowings from banks ranged from 3.3% to 9% and interest rates on borrowings from other financial institutions ranged from 5.3% to 12.1%), all of which were denominated in RMB. For the year ended December 31, 2022, the interest rates on the Group's borrowings ranged from 3.4% to 12.1% (interest rates on borrowings from banks ranged from 3.4% to 9.0% and interest rates on borrowings from other financial institutions ranged from 5.3% to 12.1%), all of which were denominated in RMB.

Gearing Ratio

At December 31, 2023, the Group's gearing ratio (calculated by dividing the total amount of borrowings, lease liabilities and bond payable by total equity) was 150.7%. As of December 31, 2022, total equity was a net deficit and therefore 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 December 31, 2023, the Company did not have any material contingent liabilities.

Assets Charge of the Group

As of December 31, 2023, the Group's rental computer devices with a net book value of approximately RMB1,314.5 million were pledged as security for the bank borrowings and other borrowings from financial institutions.

Capital Expenditure

For the years ended December 31, 2023 and December 31, 2022, our capital expenditure amounted to RMB600.8 million and RMB534.7 million, respectively, consisting of (i) additions to rental computer devices of RMB339.3 million and RMB335.2 million, respectively; and (ii) additions to right-of-use assets of RMB261.5 million and RMB199.5 million, respectively. We finance capital expenditure mainly through cash flow from customers' subscription fees and bank and other borrowings.

Significant Investments Held

In May 2023, 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 December 31, 2023, the fair value of the Wealth Management Product was USD29,839,787, representing approximately 6.4% of the Group's total assets, which recorded a gain on changes in fair value of USD369,787.

Save 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

During the year ended December 31, 2023, the Company had no material acquisitions or disposals of subsidiaries, associates or joint ventures.

Future Plans for Material Investments or Capital Assets

As of December 31, 2023, we did not have detailed future plans for material investments or capital assets.

Employees and Remuneration

As of December 31, 2023, the Group had 1,711 employees (As of December 31, 2022: 1,734 employees). We recognize the importance of talents 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. For the year ended December 31, 2023, the Group's employee remuneration (excluding Directors' remuneration) amounted to approximately RMB297 million (for the year ended December 31, 2022: approximately RMB319 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 our Directors, senior management and other employees for their contribution to our Group and to attract and retain suitable talents for our Group, the Group adopted the pre-IPO option plan which was approved by the Shareholders on February 25, 2022. 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.

On January 26, 2024, the 2023 share scheme (the "**2023 Share Scheme**") was adopted at the extraordinary general meeting of the Company for the purpose of providing the Company with a flexible means of attracting, motivating and retaining its eligible participants and encouraging eligible participants to contribute to the Company's long-term growth and benefits and to enhance the value of the Company and its shares. The maximum aggregate number of Shares that may be issued under the 2023 Share Scheme will be 57,591,946 Shares, representing 10% of the issued share capital of the Company as at the date of adoption of the 2023 Share Scheme. On December 18, 2023, the Board resolved to grant 14,400,000 and 9,600,000 share options to Dr. Ji Pengcheng ("**Dr. Ji**") and Mr. Zhang Bin, respectively, each an executive Director and substantial shareholder of the Company, and 2,400,000 share options and 320,429 share awards to Mr. Xiang Wang, the executive Director of the Company, under the 2023 Share Scheme. The share options granted will become exercisable upon the achievement of business and financial milestones in terms of the number of devices under subscription, revenue and gross profit, and shall be exercisable in five equal tranches of 20% each upon the achievement of relevant milestones. The relevant business and financial milestones are extracted as follows:

Business Milestone - Number of devices under subscription *(Ten thousand units)*	**Financials Milestone - Revenue from monthly subscription business** *(RMB 100 million)*	**Financials Milestone - Gross profit of monthly subscription business** *(RMB 100 million)*	**Number of share options exercisable**
*120**	*0.94**	*0.48**	
147	1.15	0.59	20%
180	1.41	0.72	20%
220	1.72	0.88	20%
270	2.11	1.08	20%
330	2.58	1.32	20%

* The current level of selected performance indicators is set out herein for reference.

The aforesaid grants of share options and share awards have been further approved by the Shareholders on January 26, 2024 and will become effective upon the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Shares which may be allotted and issued pursuant to all the awards granted under the 2023 Share Scheme. Please refer to the circular of the Company dated January 9, 2024 and the announcements dated December 18, 2023 and January 26, 2024 for details.

OTHER INFORMATION

Final Dividend

The Board has resolved not to recommend the payment of any final dividend for the year ended December 31, 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 C1 to 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 (as defined in the Listing Rules) who is responsible for the overall management of the Company, are currently performed by 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 currently includes 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 C3 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 December 31, 2023.

Subsequent to the year ended December 31, 2023, on January 29, 2024, Dr. Ji, an executive Director and the chief executive officer of the Company, wrongly operated to purchase of the same batch of 80,000 shares of the Company in the market at a price of HKD3.88 per share (the "**Purchase**") without giving prior notice to the Designated Director in accordance with Appendix C3 to the Listing Rules. The Purchase constituted dealing by the Directors during the restricted dealing period in breach of Rule A.3(a)(i) of the Model Code.

Upon discovery of the error, Dr. Ji immediately notified the Company of the above transaction and confirmed that it was in breach of the Model Code. Dr. Ji has undertaken to the Company that he will in the future comply with the required standard set out in Appendix C3 to the Listing Rules.

The Board is of the view that the Company has put in place an effective system (including a notification mechanism) for monitoring dealings by the Directors to ensure compliance with Appendix C3 to the Listing Rules. In particular, the Company has notified all Directors on January 26, 2024 of the restricted period for dealings. The Board considers that the guidelines and procedures for Directors' dealings in the shares of the Company are appropriate and effective.

In order to avoid similar incidents in the future, the Company has once again reminded all Directors of the importance of complying with Appendix C3 to the Listing Rules in their dealings in the shares of the Company, in particular the importance of giving written notice prior to any intended dealings. The Company has also emphasized and reminded the Directors to avoid similar incidents during the restricted dealing period in the future. The Company will also keep the Directors informed of the latest development of the Model Code to ensure compliance and to raise their awareness of good corporate governance practices.

Audit Committee

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 advise the Board.

The Audit Committee has reviewed the accounting principles and practices adopted by the Group and has reviewed the annual results of the Group for the year ended December 31, 2023 in conjunction with management and the Company's external auditor.

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

Since the Listing Date and up to the date of this announcement, as the Board is of the view that the level of trading price of the shares of the Company does not adequately reflect the underlying value of the Company and that the Share Repurchases will enhance the net asset value per share and/or earnings per share and are in the interests of the Company and the Shareholders as a whole, the Company repurchased a total of 825,500 ordinary shares of the Company for an aggregate consideration of HKD2,746,975 (before deduction of expenses) on the Stock Exchange (the "**Repurchased Shares**"), details of the Repurchased Shares are set out below:

Repurchase Date	Number of shares repurchased	Price paid per share (HKD)		Total consideration (before deduction of expenses) (HKD)
		Highest (HKD)	Lowest (HKD)	
January 31, 2024	250,000	3.69	3.50	898,535
February 1, 2024	174,000	3.25	3.18	561,870
February 2, 2024	220,000	3.22	3.08	696,525
February 16, 2024	78,000	3.49	3.28	262,885
February 20, 2024	103,500	3.17	3.14	327,160
Total	825,500			2,746,975

As at the date of this announcement, 825,500 ordinary shares of the Company have not been cancelled yet.

Save as disclosed above, neither the Company nor any subsidiaries of the Group has purchased, redeemed or sold any listed securities of the Company or any of its subsidiaries since the Listing Date and up to the date of this announcement.

Material Litigation

During the year ended December 31, 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 (the "**Announcement**"), and there has not been any change in the intended use of the net proceeds as disclosed in the Announcement. The following table sets forth a summary of the intended use of the net proceeds and the utilisation of the net proceeds as of December 31, 2023:

		Net proceeds (HKD million)			
Intended utilization	**Percentage (%)**	**Available**	**Utilized as of December 31, 2023**	**Unutilized as of December 31, 2023**	**Expected timeline for the unutilized balance**
Investment in market promotion and sales and service networks improvement	40.0	38.8	17.9	20.9	By the end of 2025
Research and development investment and diversification of our service offerings	30.0	29.1	11.6	17.5	By the end of 2025
Enhance remanufacturing capabilities and operational efficiency	20.0	19.4	14.0	5.4	By the end of 2025
Working capital and general corporate purposes	10.0	9.7	5.7	4.0	By the end of 2024
Total	**100.0**	**97.0**	**49.2**	**47.8**	

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 ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (http://edianyun.com). The annual report for the year ended December 31, 2023 will be available on the websites of the Stock Exchange and the Company as mentioned above.

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

Beijing, the PRC, March 28, 2024

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