EDENSOFT HOLDINGS LIMITED
伊登軟件控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1147)

Annual Report
2023

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Ms. Ding Xinyun *(Chairman & Chief Executive Officer)*
Ms. Li Yi

Independent Non-Executive Directors

Mr. Leung Chu Tung
Ms. Zhu Weili
Mr. Hou Hsiao Wen

COMPANY SECRETARY

Ms. Peng Hui
(appointed on 11 July 2023)
Ms. Mok Ming Wai
(resigned on 11 July 2023)

AUDIT COMMITTEE

Mr. Leung Chu Tung *(Chairman)*
Ms. Zhu Weili
Mr. Hou Hsiao Wen

REMUNERATION COMMITTEE

Ms. Zhu Weili *(Chairman)*
Mr. Leung Chu Tung
Mr. Hou Hsiao Wen

NOMINATION COMMITTEE

Ms. Ding Xinyun *(Chairman)*
Mr. Leung Chu Tung
Ms. Zhu Weili

AUTHORISED REPRESENTATIVES

Ms. Li Yi
Ms. Peng Hui
(appointed on 11 July 2023)
Ms. Mok Ming Wai
(resigned on 11 July 2023)

REGISTERED OFFICE

71 Fort Street
P.O. Box 500
George Town
Grand Cayman KY1-1106
Cayman Islands

HEADQUARTERS IN THE PRC

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(Futian Technology Square)
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PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Kowloon
Hong Kong

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
17/F
Far East Finance Centre
16 Harcourt Road
Hong Kong

AUDITOR

Ernst & Young
Certified Public Accountants
27/F, One Taikoo Place
979 King's Road
Quarry Bay
Hong Kong

CORPORATE INFORMATION

PRINCIPAL BANKERS

China Merchants Bank
Room No. B1, 1st Floor, Anlian Plaza
No. 4018 Jintian Road
Futian District, Shenzhen, China

DBS Bank (Hong Kong) Limited
11th Floor, The Centre
99 Queen's Road Central
Hong Kong

Industrial and Commercial Bank of China
1st Floor, Shenzhou Bairuida Hotel
Long Ping Road, Huawei Base
Bantian, Longgang District
Shenzhen, China

LEGAL ADVISER

As to Hong Kong law
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3401
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Central
Hong Kong

STOCK CODE

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WEBSITE

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CHAIRMAN'S STATEMENT

Dear shareholders,

On behalf of the board (the "**Board**") of directors (the "**Director(s)**") of Edensoft Holdings Limited (the "**Company**") and its subsidiaries (together, the "**Group**"), I hereby presents the annual report of the Group for the year ended 31 December 2023 (the "**Year**") to the shareholders (the "**Shareholder(s)**").

In 2023, the global economy and society are accelerating their transformation towards networking, digitization and intelligentization. As digitization continues to deepen, emerging digital technologies, such as cloud computing, big data, artificial intelligence ("**AI**") and Artificial Intelligence Generated Content ("**AIGC**"), have provided new drivers to the development of economy. The Group has been steadily developing based on its existing basic business, and continuously strengthened its market competitiveness in information technology ("**IT**") solutions and cloud service markets with the best practices of its self-developed industry solutions and the iteration of new AI technologies. Besides, the Group has focused on investing in cloud service system and expanding its service outreach, seized the new AI opportunities of cloud service provider and become an independent third-party cloud Managed Service Provider ("**MSP**") in China with research and development ("**R&D**") and innovation capabilities.

Looking back at 2023, with the normalization of the prevention and control measures taken by the PRC governments on the COVID-19 and a slowdown in macroeconomic markets, both the Group and the Group's customers have been affected to varying degrees. However, with the emergence of Large Language Model (i.e. AIGC) hotspot triggered by ChatGPT developed by OpenAI, the trend of construction of machine learning platform, model training platform and automatic modeling platform in various industries has been stimulated, which has created a new business model for the enterprise IT market. The Group has seized the opportunity of AIGC, paid close attention to the market iteration and the technology innovation, and quickly launched the OpenAI's ChatGPT industry solutions to ensure that the Group remained competitive in the software industry and rapidly increased its market share.

Looking ahead to 2024, a new era of intelligence has arrived with the rapid development of AI technologies. Adhering to technological innovation to lead business upgrading, the Group will continue to devote to innovative technologies, such as AI, Big Data and AIGC, and deeply embrace cloud technology. The Group is committed to helping enterprises manage data and discover new information patterns, thereby providing a better user experience and simplifying work processes, which will make products and services smoother and more flexible.

In the future, the Group will focus on making a formidable combination of Big Data and AI and implementing "Eden Management Strategy 3.0* (伊登3.0管理戰略)". The Group plan to employ talents of AI and Big Data to continuously explore new businesses and develop new products with self-owned intellectual property ("**IP**") rights to satisfy market demand. In particular, the Group will (i) focus on industrialization, sort out customer groups and develop industry solutions with exclusive self-owned IP rights; (ii) continue to research, develop and optimize AIGC intelligent products to bring customers the latest technology products and form competitive customized solutions; and (iii) cooperate closely with top IT solution providers to provide competitive and customized solutions that satisfy customer requirements. The Group believes that it will achieve steady improvement of business performance and bring more benefits to all its Shareholders.

Last but not least, I would like to take this opportunity to express the gratitude on behalf of the Board towards all Shareholders, Directors, senior management members and staff for the effort and contribution they had made to the Group's development. In the coming year, let us join forces to achieve growth for the Group, attain the goal of the staff, and bring more benefits to the Shareholders. Furthermore, I would also like to thank the business partners for their unremitting support for the Group.

Edensoft Holdings Limited
Ding Xinyun
Chairman, Chief Executive Officer and Executive Director

26 March 2024

* English translation name is for identification purpose only

BUSINESS OVERVIEW

The Group is an integrated information technology ("**IT**") solutions and cloud services provider in Chinese Mainland. Its business portfolio includes provision of IT infrastructure services, IT implementation and supporting services and cloud services.

The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") by way of share offer on 13 May 2020 (the "**Listing Date**"). 500,000,000 ordinary shares of the Company (the "**Share(s)**") (comprising a public offer of 250,000,000 Shares to the public in Hong Kong and a placing of 250,000,000 Shares to selected professional, institutional and other investors), of an aggregate nominal value of HK$5,000,000, have been offered for subscription at an offer price of HK$0.25 per Share (the "**Listing**"). The Company has adopted the Share Award Scheme Plan on 9 November 2021 and provided supplementary information to Shareholders and potential investors of the Company in relation to eligible participants and plan limit of the Plan on 11 January 2022. On 23 March 2022, the Board has resolved to grant 44,947,350 Award Shares to 42 Selected Participants, all of whom are Employees. As at the date of this report, the Company's total outstanding shares are 2,044,947,350. See the section headed "Share Award Plan" in this report for further details.

BUSINESS REVIEW

I. Business Review

Looking back at 2023, with the normalization of the prevention and control measures taken by the PRC governments on the COVID-19 and a slowdown in macroeconomic markets, both the Group and the Group's customers have been affected to varying degrees. However, with the emergence of Large Language Model (i.e. AIGC) hotspot triggered by ChatGPT developed by OpenAI, the trend of construction of machine learning platform, model training platform and automatic modeling platform in various industries has been stimulated, which has created a new business model for the enterprise IT market. The Group has seized the opportunity of AIGC, paid close attention to the market iteration and the technology innovation, and quickly launched the OpenAI's ChatGPT industry solutions to ensure that the Group remained competitive in the software industry and rapidly increased its market share.

IT Infrastructure Services

In the process of cooperation with the world's top IT software product manufacturers, the Group has established a professional service team certificated by the original technology providers, providing customers with products and related value-added services, covering, among others, hardware, software, services, data security, network security and other series of IT infrastructure services.

Under the background of the accelerated expansion of the cyber security and IT application* (網路安全和資訊化) industry and the corresponding domestic substitute products were increasingly accepted by the users in Chinese Mainland in recent years, the Group focuses on cooperation with cyber security and IT application brands. As a partner of KylinSoft Co., Ltd.* (麒麟軟件有限公司) ("**Kylin Provider**"), which is one of the leading enterprises of domestic operating systems in Chinese Mainland, the Group participates in the holding of training seminars in connection with Kylin Operating System (麒麟操作系統), training domestic operating system professionals who are in short supply and vigorously supporting the construction of information and innovation talent team. In 2023, the certification training of Kylin Certified Operating System Operations Professional, which is an intermediate course of Kylin Software Education Development Center curriculum system, was successfully held for three sessions. After completing the training seminar and passing the examination, the participants are able to obtain certificates issued by the Education & Examination Center of Ministry of Industry and Information Technology* (工業和信息化部教育與考試中心) of Chinese Mainland as well as the Kylin Provider.

We believe that technology empowers the talent reserve. With the development of ChatGPT technology, the Group successfully held two courses named "Decrypting ChatGPT Language Model – Application Advanced Workshop* (解密ChatGPT語言模型－應用高級研修班)" in May 2023 based on its understanding of the market development and rapid adaptability. The workshops invited industry experts to introduce and explain ChatGPT technology from the concept, application, commercial value, potential opportunities, development prospects and other modules from a forward-looking and commercial perspective, so as to help participants establish a deeper understanding of ChatGPT.

Focusing on the commercial scenario of ChatGPT, the Group's experts elaborated on the industrial application concept of generative artificial intelligence ("**AI**") technology, which is represented by ChatGPT, from the aspects of commercial scenario discovery and industry fields through detailed explanation of ChatGPT enterprise application scenarios, helping participants get the capability to make use of ChatGPT to satisfy their own needs. At the same time, from the perspective of practicality, the Group's experts also helped participants quickly understand the commercial scenarios and service provision framework of ChatGPT through practical exercises.

IT Implementation and Supporting Services

The Group takes full advantage of multiple related technologies, such as big data, AI and the Internet, to assist its customers in different industries, which helps them smoothly carry out digital transformation. In this way, the Group has created an open and win-win IT ecosystem and promoted the Internet construction in different industries.

The Group continues to strengthen the research and development ("**R&D**") and promotion of its self-developed products and solutions. Leveraging its in-depth industry experience, the Group, on the one hand, has successfully provided standardized as well as customized new products with its self-owned intellectual property ("**IP**") rights to customers in various industries, such as education, healthcare, retail and manufacturing industries; on the other hand, the Group has integrated and upgraded its existing products and strengthened the R&D of products with strong market demand, including but not limited to software, which can increase the productivity, strengthen permission management and improve the function of mobile application. As at 31 December 2023, the Group owned 125 registered software trademarks and three registered patent and had three patents during the application processes in Chinese Mainland.

In June 2023, the Group has successfully passed the evaluation of international authorities and won the certification of Capability Maturity Model Integration ("**CMMI**") Level III ("**CMMI3**") in global software field. CMMI represents the highest authoritative standard to measure the software capability maturity and project management level of software enterprises. It is the most advanced software engineering management method in the world, and it is also the passport for software products to enter the international market. The certification of CMMI3 indicates that the Group has been recognised by international authorities in terms of its software capability maturity, software R&D capability, project management level and service delivery capability, realizing the integration with the international mainstream technologies and management requirements. It lays a solid foundation for continuous innovation and upgrading of the Group's cloud technology, self-developed products and solutions in the future.

Cloud Services

As an independent third-party cloud Managed Service Provider ("**MSP**"), the Group has been deeply engaged in the field of cloud services by providing domestic basic cloud resources, primarily including Huawei Cloud, Alibaba Cloud and Tencent Cloud, and overseas basic cloud resources, primarily including Microsoft Azure, Amazon Web Services ("**AWS**") and Google Cloud Platform, for enterprise customers, as well as comprehensive cloud solutions such as cloud consulting (雲諮詢), cloud migration (雲遷移), cloud implementation (雲實施), cloud security (雲安全) and hybrid clouds (混合雲), which are designed to help enterprise customers accelerate their digital transformation. In the past year, the Group's capabilities for provision of cloud services have also been recognised by major participants in the relevant fields and the Group has also received various awards in this connection during its business expansion in the cloud field.

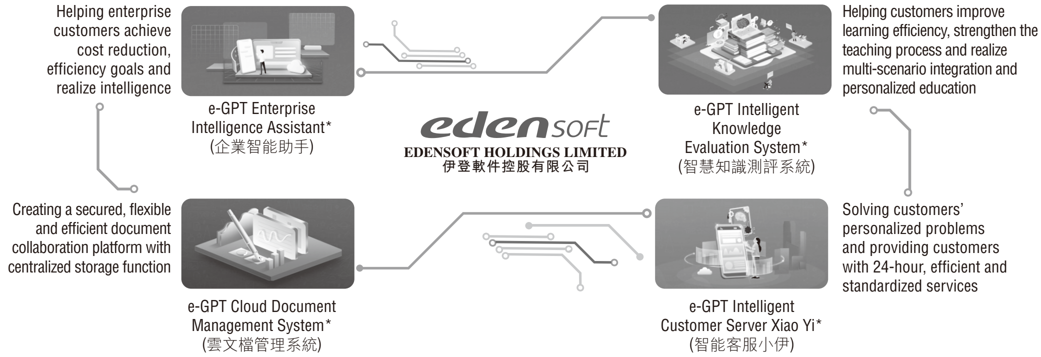
- In February 2023, the Group became the first Licensing Solution Partner who got six certifications of Microsoft Cloud Partner Program (微軟雲夥伴計劃) ("**MCPP**") in Chinese Mainland, which are new partner capability certifications launched by Microsoft with the purpose of enhancing partners' cloud services provision capabilities. MCPP focuses on the cloud and comprehensively evaluates the business and service provision capabilities of partners across six categories, including business applications, data and AI, digital and innovative applications, infrastructure, modern work, and security, as well as other 18 sub-categories, such as number of new customers and technical certifications. Each category evaluates partners' performance, skill certification, and customer success in multiple dimensions, such as new customers, new deployments, deployment customer activations and incremental usage, which enables Microsoft to fully evaluate its partners' service provision capability and sales system.

- In February 2023, as an excellent partner of Huawei Cloud and a domestic integrated IT solution provider, the Group was invited to participate in the 2023 Asia-Pacific Partner Leadership Summit* (2023亞太合作夥伴領袖峰會) held by Huawei Cloud in Indonesia. With its strong market competitiveness, excellent digital industry solutions and professional service team, the Group was recognised as "Huawei Cloud 2022 Professional Partner* (華為雲2022年度專業合作夥伴)", which represents the recognition of the Group by Huawei Cloud and thousands of customers in the software services market. In August 2023, with its mature delivery methodology, excellent delivery capability and high-quality service capability, the Group was recognised as "Huawei Cloud Innovation Center Excellent Service and Delivery Partner* (華為雲創新中心優秀服務與交付夥伴)" in Huawei 828 B2B Enterprise Festival* (華為828 B2B企業節), which represents Huawei Cloud's high recognition and affirmation of the Group's high efficiency, high quality and high response and delivery ability in customers serving. These awards represent the customers' trust and the Group's service and delivery strength.

- In May 2023, relying on its professional cloud service provision capabilities and accumulated customer resources, the Group completed the Amazon Cloud AWS technical capability certification. Besides, the Group also completed the AWS Solution Provider Program certification, becoming a contracting partner with the AWS solution provider. These certifications validate the feasibility of the Group's multi-cloud development strategy, which is one of the major development strategies that would be persisted in the foreseeable future.

1. *Self-developed products and solutions combined with ChatGPT developed by OpenAI*

   OpenAI's ChatGPT set off the wave of AI in 2023, which represents the arrival of the intelligent revolution. As one of the first batch of companies to access ChatGPT technology in Chinese Mainland and with the advantages of its own technological innovation, the Group combines its self-developed products and solutions with AI capacities and brings great convenience and benefits to its customers.



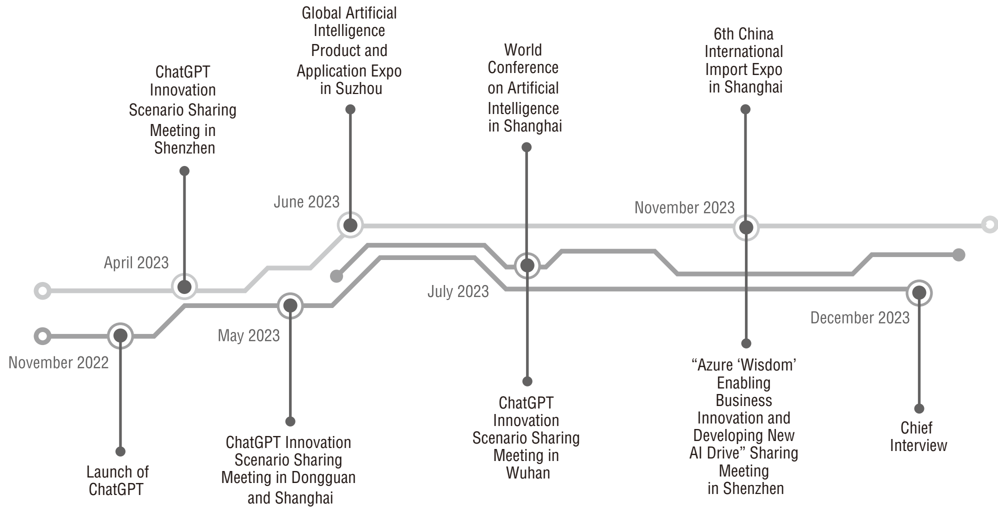
- *e-GPT Enterprise Intelligence Assistant* (企業智能助手):* a commercial enterprise intelligence application platform based on Azure OpenAI services. The platform supports multiple AIGC scenarios, including but not limited to content generation, image generation, summary, translation, and intelligent enquiries and feedbacks. Meanwhile, the platform establishes user systems subject to the enterprise customers' internal demand, such as rights management, to help enterprise customers achieve cost reduction, efficiency goals and realize intelligence in the future. Besides, in order to make it more convenient and faster for customers to use the e-GPT Enterprise Intelligence Assistant, the Group also provides the web page and WeChat mini-program, which allows customers to quickly generate AI contents and pictures on their personal computers and mobile phones with more than 60 AIGC application scenarios ready to use;

- *e-GPT Intelligent Knowledge Evaluation System* (智慧知識測評系統):* a set of online evaluation system combined with ChatGPT technology, providing customers with comprehensive knowledge evaluation services. This system analyzes students' learning situation through multiple scenarios, establishes accurate ability portraits, and uses AI technology for accurate assessment, which helps customers improve learning efficiency, strengthen the teaching process and realize multi-scenario integration and personalized education;

- *e-GPT Cloud Document Management System* (雲文檔管理系統):* an enterprise-class document collaboration management platform, focusing on creating a secured, flexible and efficient document collaboration platform with centralized storage function. The platform is able to manage the whole life cycle of documents and data analysis, and combine AI in order to access intelligent AI assistants in documents to achieve efficient collaboration. The platform enables the Group to help its customers get an easy access to realizing the goal of "content creates value and knowledge drives the future* (內容創造價值，知識驅動未來)"; and

- *e-GPT Intelligent Customer Server Xiao Yi* (智能客服小伊):* an AI-driven intelligent customer service assistant developed based on Microsoft Power Platform and Azure OpenAI. It relies on the powerful language understanding and content generation capabilities of GPT model to accurately solve customers' personalized problems and provide customers with 24-hour, efficient and standardized services. Benefited from this assistant, the Group is able to improve service efficiency and customer satisfaction, build a new bridge for enterprise communication services, and inject new vitality into customer relations.

2. *Market promotion of OpenAI and/or ChatGPT*



With the normalization of the prevention and control measures taken by Chinese Mainland governments on the COVID-19, the Group seizes the new development opportunities of AI and held the "Explore the Application Boundary and Commercial Value of AI Technology – ChatGPT Innovation Scenario* (探索人工智慧技術的應用邊界與商業價值－ChatGPT創新場景)" sharing meetings in Shenzhen, Dongguan, Shanghai and Wuhan in 2023. Ms. Ding Xinyun ("**Ms. Ding**"), the Chairman of the Group, introduced the Group's certifications, including but not limited to the full MCPP certifications and Azure Expert MSP certification of Microsoft, unique advantages and rich practical experience in Azure OpenAI technology at the meetings. With these qualifications, professional competence and practical experience, the Group is able to provide a bridge and channel for customers to build and use ChatGPT, helping customers successfully apply ChatGPT and achieve business growth and innovation. Besides, the Group's technical experts also shared OpenAI innovation scenarios and provided participants with an in-depth understanding of the principle of OpenAI technology and its potential in the business field through cases and demonstrations.

In June 2023, the Group brought its self-developed innovative AI products and solutions for different industries to participate in the Global Artificial Intelligence Product and Application Expo held in Suzhou. The Group received positive feedback and attracted a large number of participants' attention and consultation in such conference.

In July 2023, the Group brought four self-developed AI products to the World Conference on Artificial Intelligence, which is the most influential international stage of AI in the world, demonstrating its innovative AI solutions in education, enterprise office, intelligent customer service and other industries and fields.

In November 2023, the Group participated in the 6th China International Import Expo* (第六屆中國國際進口博覽會), which was successfully held in Shanghai, attracting excellent enterprises from 154 countries, regions and international organizations to participate in, among which 289 industries leading enterprises of the world's top 500 participated in the exhibition, the number of which was the largest ever. As an innovative enterprise committed to promoting digital transformation and intelligent technology application, the Group has strong technical strength and rich practical experience in enabling industrial solutions with advanced technologies such as AI big models. At the expo, the Group displayed a variety of products in education, enterprise office, intelligent customer service and other industries and fields, such as innovative AI solutions, the Eden Data Lake Platform* (伊登數據湖平台) that is able to manage data from various channels and explore the value of data, and the desktop cloud unified management platform that is able to manage and maintain cloud desktops.

Also in November 2023, the "Azure 'Wisdom' Enabling Business Innovation and Developing New AI Drive* (Azure「智」賦業務創新，發展AI新驅力)" sharing meeting jointly organized by Microsoft and the Group was successfully held in Shenzhen, attracting more than 50 enterprise chief technology officers and technology executives to attend. The sharing meeting shared the latest practices of OpenAI and Github Copilot and provided hands-on experiences to interact with these technologies.

In December 2023, Ms. Ding was invited as a guest of the Chief Interview* (首席採訪), which is an innovative media IP, committed to providing a platform for exchange and dialogue for opinion leaders in business, technology, culture, art, public welfare and other fields. In the interview, Ms. Ding talked with the host face to face about cutting-edge technologies, and shared with all the guests how she used data to lead the era of ChatGPT as a female entrepreneur of a listed company.

II. Acquisition Opportunities

After the Listing, the Group formulated a five-year strategic plan in July 2021, which include but is not limited to strategic investment, mergers and acquisitions, so as to promote the expansion and development of the Group's business. This will also provide support and guarantee for the optimization of the Group's business structure and sustainable growth of operation.

III. Future Prospects

In 2023, although the negative impact of COVID-19 has gradually eliminated, the PRC's market economy still faces downward pressure in the coming year. The Group strives to firmly grasp the potential business opportunities, adhere to the policy of leading urban upgrading with technological innovation, and develop products and solutions in the fields of AI, big data, enterprise digitalization, and intelligent transformation, which will enable the Group to cope with the continuous changes in market demand and economic environment. The Group plans to focus on developing its cloud services as well as self-developed products and industry solutions:

- *Cloud services:* with the wave of digital transformation in the PRC, cloud has become an important engine to promote digital transformation of the enterprises. The Group's multi-cloud development strategy has achieved initial results and will be implemented continually in the future. The Group plans to enhance its multi-cloud technology capabilities and vigorously carry out close cooperation with small and medium-sized enterprise customers in various fields of IT information digitization products by taking public cloud as the entry point; and

- *Self-developed products and industry solutions:* based on years of experience in the IT industry and customer service, the Group has developed a number of IT-based products and industry solutions. With the emergence of IT hotspots such as AIGC technology and ChatGPT application in 2023, the Group has kept pace with the technological developments, continued technological innovation, and timely integrated AI into self-developed products and solutions. In this way, the Group is able to bring the latest technical products to its customers and provide competitive customized solutions.

In anticipation of the new market opportunities, the Group will persist in leading urban upgrading with technological innovation, devote itself to the application and research of advanced technologies such as AI, big data, digitalization and intelligent transformation, and strive to provide customers with more valuable and intimate services.

FINANCIAL REVIEW

Revenue

The Group's revenue for the year ended 31 December 2023 was approximately RMB815.3 million, representing an increase of approximately RMB135.0 million, or approximately 19.8%, as compared to revenue of approximately RMB680.3 million for the year ended 31 December 2022. The overall increase in revenue of the Group was primarily attributable to the obvious increase of approximately RMB42.6 million, RMB61.8 million and RMB30.5 million of revenue derived from the Group's IT infrastructure services, IT implementation and supporting services and cloud services, respectively, as a result of continuous recovery in the overall performance of the Group's business after the relaxation of pandemic prevention and control measures in the PRC in the year ended 31 December 2023.

Cost of sales

Cost of sales of the Group increased by approximately RMB111.4 million, or approximately 18.4% from approximately RMB604.8 million for the year ended 31 December 2022 to approximately RMB716.2 million for the year ended 31 December 2023. The increase was generally in line with the increase in revenue of the Group during the relevant period.

Gross profit and margin

	2023	2022
	RMB'000	RMB'000
Revenue	**815,325**	680,322
Cost of sales	**(716,190)**	(604,761)
Gross profit	**99,135**	75,561
Gross profit margin (%)	**12.2%**	11.1%

The gross profit of the Group increased by approximately RMB23.6 million, or approximately 31.2%, from approximately RMB75.6 million for the year ended 31 December 2022 to approximately RMB99.1 million for the year ended 31 December 2023, which was in line with the increase in revenue of the Group during the relevant period. The gross profit margin of the Group remained relatively stable at 11.1% for the year ended 31 December 2022 and 12.2% for the year ended 31 December 2023.

Other income and gains

Other income and gains of the Group increased from approximately RMB2.0 million for the year ended 31 December 2022 to approximately RMB8.6 million for the year ended 31 December 2023, representing an increase of approximately 322.9%. Such increase was mainly due to the additional deduction of input value-added tax resulting from the government's favourable tax policy for the residential living services industry in the year ended 31 December 2023.

Selling and distribution expenses

The selling and distribution expenses of the Group increased from approximately RMB29.8 million for the year ended 31 December 2022 to approximately RMB30.7 million for the year ended 31 December 2023, representing an increase of approximately 3.0%. The selling and distribution expenses remained relatively stable for the year ended 31 December 2022 and 2023.

Administrative expenses

The administrative expenses of the Group increased from approximately RMB24.2 million for the year ended 31 December 2022 to approximately RMB25.1 million for the year ended 31 December 2023, representing an increase of approximately 3.9%. The administrative expenses remained relatively stable for the year ended 31 December 2022 and 2023.

Research and development expenses

The research and development expenses of the Group decreased from approximately RMB38.6 million for the year ended 31 December 2022 to approximately RMB35.7 million for the year ended 31 December 2023, representing a decrease of approximately 7.6%. Such decrease was mainly due to the decrease in R&D-related staff cost as a result of the reduction in the number of such R&D-related staff based on the slowdown in macro-economic markets.

Other expenses

Other expenses of the Group decreased from approximately RMB10.9 for the year ended 31 December 2022 to approximately RMB2.0 million for the year ended 31 December 2023, representing a decrease of approximately 81.8%. Such decrease was mainly because that (i) the significant decrease of the Group's write-down of inventories to net realisable value from approximately RMB6.8 million for the year ended 31 December 2022 to approximately RMB0.7 million for the year ended 31 December 2023; and (ii) the decrease of the Group's foreign exchange losses from approximately RMB4.1 million for the year ended 31 December 2022 to approximately RMB1.2 million for the year ended 31 December 2023 as a result of the smaller volatility in RMB/USD exchange rates in 2023.

Impairment losses on financial and contract asset

Impairment losses on financial and contract asset of the Group decreased from approximately RMB10.7 million for the year ended 31 December 2022 to approximately RMB6.8 million for the year ended 31 December 2023, representing a decrease of approximately 36.4%. Such decrease was mainly due to the decrease of impairment losses on trade receivables in 2023.

Finance costs

Finance costs of the Group increased from approximately RMB0.7 million for the year ended 31 December 2022 to approximately RMB2.3 million for the year ended 31 December 2023, representing an increase of approximately 201.6%. Such increase was mainly due to the significant increase of the Group's short-term borrowing for its business operation.

Income tax credit

The Group recorded an income tax credit of approximately RMB8.1 million for the year ended 31 December 2022, while it recorded an income tax credit of approximately RMB0.8 million for the year ended 31 December 2023. The decrease in the deferred tax credit was primarily because the Group recorded provision for deferred income tax assets arising from the recoverable loss in the year ended 31 December 2022, while the Group did not record such provision in the year ended 31 December 2023 as a result of the profit for the year.

Profit for the year

As a result of the foregoing, the Group recorded a profit for the year of approximately RMB6.1 million for the year ended 31 December 2023, representing an increase of approximately 121.9%, as compared to a loss for the year of approximately RMB27.8 million for the year ended 31 December 2022. Such increase was primarily due to (i) the increase of the Group's gross profit, which was in line with the increase in its revenue during the relevant period; (ii) the increase of the additional deduction of input value-added tax resulting from the government's favourable tax policy for the residential living services industry in the year ended 31 December 2023; (iii) the decrease of the recognition of the write-down of inventories to net realisable value during the relevant period; and (iv) the decrease of the recognition of impairment losses on financial and contract asset during the relevant period.

PLEDGE OF ASSETS

The Group had pledged deposits in the aggregate amount of approximately RMB5.1 million to banks as a deposit for the Group's acceptance bill as at 31 December 2023. Besides, as at 31 December 2023, the assets, 88.0% of the shares in the subsidiary (Dongguan Eden Software Co., LTD.* (東莞市伊登軟件有限公司)) and pledged bank deposit amounting to approximately RMB10.0 million were restricted due to the reason of judicial freezing (31 December 2022: approximately RMB1.7 million to secure factoring loans and letters of guarantee of the Group).

CAPITAL EXPENDITURE AND COMMITMENTS

As at 31 December 2023, the Group had capital expenditure amounted to RMB27,000 (31 December 2022: RMB0.4 million) in relation to the purchase of property, plant and equipment in the PRC. The Group had no commitments (31 December 2022: nil) which had been contracted but not provided for as at 31 December 2023.

CONTINGENT LIABILITIES

As at 31 December 2023, the Group did not have any significant contingent liabilities (31 December 2022: nil).

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2023, the Group's current assets were approximately RMB408.8 million (31 December 2022: RMB297.5 million), of which approximately RMB234.1 million (31 December 2022: RMB142.9 million) were trade and bills receivables, approximately RMB89.8 million (31 December 2022: RMB54.5 million) were inventories, approximately RMB62.4 million (31 December 2022: RMB34.7 million) were prepayments, deposits and other receivables (mainly consisting of the installments of service fee payable by the Group to two of its suppliers in the amount of approximately RMB37.0 million and RMB15.0 million, respectively, which were recorded as prepayment in December 2023), approximately RMB5.6 million (31 December 2022: RMB55.3 million) were cash and cash equivalents and approximately RMB15.1 million (31 December 2022: RMB1.7 million) were time deposits and pledged deposits. As at 31 December 2023, the net asset value of the Group amounted to approximately RMB191.6 million, representing an increase of approximately 3.5% as compared to approximately RMB185.1 million at 31 December 2022. The increase in net asset value in 2023 compared to that of 2022 was primary due to the Group recorded a profit for the year of approximately RMB6.1 million for the year ended 31 December 2023.

As at 31 December 2023, the Group's gearing ratio (calculated by dividing net debt by capital plus net debt) was approximately 51.0% (31 December 2022: 21.0%). Net debt is calculated as interest-bearing bank borrowings, lease liabilities, trade and bills payables, financial liabilities included in other payables and accruals, less cash and cash equivalents. Capital represents equity attributable to owners of the parent.

As at 31 December 2023, the share capital of the Company was approximately RMB18.7 million (31 December 2022: RMB18.7 million). The Group's reserves were approximately RMB173.0 million (31 December 2022: RMB166.5 million). As at 31 December 2023, the Group had total current liabilities of approximately RMB239.5 million (31 December 2022: RMB135.5 million), mainly comprising trade and bills payables, interest-bearing bank borrowings, contract liabilities, and other payables and accruals. The total non-current liabilities of the Group amounted to approximately RMB4.0 million (31 December 2022: RMB2.6 million), which mainly represented lease liabilities.

CAPITAL STRUCTURE OF THE GROUP

As at 31 December 2023, the capital structure of the Group consists of (i) debts, which include lease liabilities of approximately RMB7.1 million, trade and bills payables of approximately RMB143.5 million, financial liabilities included in other payables and accruals of approximately RMB3.2 million and interest-bearing bank borrowings of approximately RMB48.2 million; and (ii) equity reserves attributable to owners of the parent of approximately RMB191.6 million, comprising issued share capital and various reserves.

As at 31 December 2023, financial liabilities included in other payables and accruals were non-interest bearing and were repayable within one year. All interest-bearing bank borrowings are repayable within one year. The contractual interest rate on bank borrowings was in line with LPR. LPR, i.e., Loan Prime Rate (貸款市場報價利率), which stood for the loan base rates announced by the National Interbank Lending Centre (全國銀行間同業拆借中心) of Chinese Mainland.

The Group's monetary assets, liabilities and transactions are mainly denominated in RMB. The Group was not engaged in any hedging by financial instruments in relation to exchange rate risk. The Group is closely monitoring the risk and will apply appropriate hedging instruments when it is needed.

The Directors review the capital structure on a semi-annual basis. As part of this review, the Directors consider the cost of capital and the risks associated with each class of capital. Based on the recommendations of the management of the Company, the Group will balance its overall capital structure through new share issues and share buy-backs as well as the issue of new debts or the redemption of existing debts.

INTEREST RATE RISK

Interest rate risk refers to the risk that the fair value of interest rate risk in relation to fixed rate bank borrowings. The Group is also exposed to cash flow interest rate due to fluctuation of prevailing market interest rate on bank deposits and bank borrowings carried at prevailing market interest rates. The Group however did not engage in any derivatives agreements and did not commit any financial instrument to hedge its interest rate risk during the year ended 31 December 2023. The management monitors the Group's interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

USE OF PROCEEDS

The Group intends to strengthen the market position and increase its market share by, (i) continuing to strengthen and develop its R&D and IT services capabilities and further expand its cloud services; (ii) expanding its offices and enhancing its services capacity to capture business opportunities in different regions in Chinese Mainland; (iii) establishing technical services centres to further enhance its IT services; (iv) strengthening its marketing efforts and improving its brand recognition; and (v) maintaining fund for performance bond.

After deduction of all related listing expenses and commissions, the net proceeds from the Listing of the Shares on the Stock Exchange amounted to approximately HK$74.0 million. Up to 31 December 2023, the Group has utilised all the net proceeds from the Listing of HK$74.0 million in accordance with the purposes stated in the prospectus of the Company dated 23 April 2020.

SIGNIFICANT INVESTMENT, MATERIAL ACQUISITIONS OR DISPOSAL OF SUBSIDIARIES AND AFFILIATED COMPANIES

During the year ended 31 December 2023, there were no significant investments held, material acquisitions or disposals of subsidiaries and affiliated companies by the Group.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as the future plans or development of the Group's business as disclosed in the paragraphs headed "Business Review" in this Management Discussion and Analysis, there was no specific plan for material investments or capital assets as at 31 December 2023.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2023, the Group employed a total of 253 (31 December 2022: 295) employees. Total employee benefit expense (including Directors' remuneration) for the years ended 31 December 2023 and 2022 were approximately RMB48.9 million and approximately RMB51.6 million, respectively. Remuneration is determined with reference to market level of salaries paid by comparable companies, the respective responsibilities of the individual employee and the performance of the Group. In addition to a basic salary, benefits in kind and discretionary bonuses were offered to those employees according to the assessment of individual performance.

EVENTS AFTER THE REPORTING PERIOD

On 24 March 2023, due to the dispute between Eden Information Service Limited* (深圳市伊登軟件有限公司) ("**Eden Information**"), one of the Group's subsidiaries, and its supplier (the "**Plaintiff**") over the contractual services provision scope of a service purchase agreement entered into between them, the Plaintiff filed a claim with the People's Court of Futian District, Shenzhen City* (深圳市福田區人民法院) against Eden Information (the "**Lawsuit**"). See the section headed "Events After the Reporting Period" in the interim report for the six months ended 30 June 2023 of the Company for further details.

On 12 April 2024, the Plaintiff and Eden Information reached a settlement and the court has canceled all the preservation measures in relation to the Lawsuit. Our Directors believe that the Lawsuit has not and will not have a material adverse effect on our business, financial conditions or results of operations.

Save as disclosed above, the Group has no material subsequent events after 31 December 2023 and up to the date of this report, which are required to be disclosed.

DIVIDEND

The Board did not recommend the payment of a final dividend for the year ended 31 December 2023 (2022: nil).

* English translation name is for identification purpose only

EXECUTIVE DIRECTORS

Ms. Ding Xinyun (丁新雲) ("**Ms. Ding**"), aged 53, is an executive Director, the Chairman, the chief executive officer and one of the Controlling Shareholders of the Company. She was appointed as a Director on 4 September 2018, and redesignated as an executive Director on 8 March 2019. She is responsible for the overall management, strategic and major decisions on the development and planning and operation of the Group. Ms. Ding is also a director of Aztec Pearl Limited, Green Leaf Development Limited, Frontier View Limited, Edensoft International Limited, Shenzhen Yundeng Technology Ltd.* (深圳市雲登科技有限公司), Eden Information and Dongguan Edensoft Ltd.* (東莞市伊登軟件有限公司) as well as the settlor and the protector of the Family Trust.

Ms. Ding is the founder of the Group. She founded the major operating subsidiary, Eden Information, as a majority shareholder in November 2002. On establishment of Eden Information, Ms. Ding has been appointed as the executive director, legal representative and general manager of Eden Information, responsible for its daily operation and management.

Based on when Ms. Ding participated in the businesses relating to the development and services of information technology, she has over 20 years of experience in the industry. Ms. Ding has been the key driver of implementing the Group's business strategies and contributing to the Group's achievements over the past years and she will continue to oversee the management and business operations of the Group.

Ms. Ding obtained a Bachelor degree in Library and Information Science (currently known as Information Management) from Central China Normal University* (華中師範大學), the PRC, in June 1990 and an Executive Master of Business Administration Degree from Guanghua School of Management, Peking University* (北大光華管理學院), the PRC, in July 2007.

Ms. Li Yi (李翊) ("**Ms. Li**"), aged 42, was appointed as an executive Director on 8 March 2019. Ms. Li is primarily responsible for supervision of internal management and is in charge of legal affairs of the Group. Ms. Li is also the compliance officer of the Company and a director of Eden Information. Ms. Li has been a limited partner holding 2% interests in Shenzhen Zhen Xinan Qiankun Investment Enterprise* (深圳市振辛安乾坤投資企業(有限合夥)) ("**Qiankun Investment**") from July 2015 to March 2021. Qiankun Investment was cancelled in March 2021.

Ms. Li obtained a Bachelor degree in Law from Central South University* (中南大學), the PRC, in June 2004. After graduating from the university, Ms. Li joined the Group in April 2005 initially as a legal assistant of Eden Information. By working with the Group since April 2005, she has experience in handling and overseeing the overall internal operations and legal affairs of an IT company.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Leung Chu Tung (梁柱桐) ("**Mr. Leung**"), aged 44, was appointed as an independent non-executive Director on 14 May 2021. He is responsible for supervising and providing independent advice on the operation and management of the Group. He is also the chairman of the audit committee of the Company (the "**Audit Committee**"), and a member of each of the nomination committee (the "**Nomination Committee**") and the remuneration committee (the "**Remuneration Committee**") of the Company.

Mr. Leung obtained a bachelor's degree of business administration from the Simon Fraser University, Canada in June 2002. Mr. Leung has more than 15 years of experience in accounting and corporate finance. He has been a certified public accountant of the State of Delaware, the United States since April 2006 and a member of the American Institute of Certified Public Accountants since December 2009. He has been a chartered financial analyst of the CFA Institute since September 2010.

Mr. Leung was a licensed representative for type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "**SFO**") from November 2011 to November 2016. He has become a responsible officer for type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO since November 2016.

Since December 2019, Mr. Leung has been a managing director of the investment banking department of Maxa Capital Limited, which is a licensed corporation to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO. From October 2011 to November 2019, he was employed by ABCI Capital Limited, which is a licensed corporation to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO, and his last position was an executive director of the investment banking department. From July 2007 to October 2011, he worked in the listing division at the Stock Exchange and his last position was a manager of the listing division. From September 2002 to June 2007, he worked at KPMG and his last position was an assistant manager.

Ms. Zhu Weili (朱偉利) ("**Ms. Zhu**"), aged 53, was appointed as an independent non-executive Director on 20 May 2021. She is responsible for supervising and providing independent advice on the operation and management of the Group. She is also the chairman of the Remuneration Committee, and a member of each of the Nomination Committee and the Audit Committee.

Ms. Zhu obtained a Master of Business Administration degree from the City University of Hong Kong in November 2003, a Master of Arts degree in international accounting from the City University of Hong Kong in November 2005, and a senior management Master of Business Administration degree* (高級管理人員工商管理碩士) from the Peking University in July 2007.

Ms. Zhu has comprehensive knowledge in corporate governance. Ms. Zhu has been a director of Shenzhen Jiadida New Material Technology Co., Ltd.* (深圳市佳迪達新材料科技有限公司), which is a chemical materials one-stop solution provider in the PRC since January 2021, and a director of Shenzhen Zhenmai Biological Technology Co., Ltd.* (深圳市真邁生物科技有限公司), which is principally engaged in biotechnology development and genetic testing technology development in the PRC, since February 2018. Ms. Zhu has been a representative from Luohu District, Shenzhen City, the PRC of the 6th and 7th National Congress.

Mr. Hou Hsiao Wen (侯小文) ("**Mr. Hou**"), aged 65, was appointed as an independent non-executive Director on 12 December 2022. He is responsible for supervising and providing independent advice on the operation and management of the Group. He is also a member of each of the Audit Committee and the Remuneration Committee.

Mr. Hou obtained a Bachelor of Science degree in Information System from the Ohio State University in June 1986, and a Master of Business Administration degree from the Peking University in June 2005.

Mr. Hou has over 37 years' experience in the sales management and capital market operation and has comprehensive knowledge in corporate governance. Mr. Hou worked in China Technology Industry Group Limited (stock code: 8111), a company listed on the GEM of The Stock Exchange of Hong Kong Limited which is principally engaged in (i) sales of renewable energy products; (ii) new energy power system integration business; and (iii) software development, sales of hardware and integration services in the PRC, as the executive director from August 2000 to June 2015 and the chief executive officer from April 2003 to June 2015.

SENIOR MANAGEMENT

Mr. Xu Qingtang (徐慶堂) (“**Mr. Xu**”), aged 43, is the technical manager of the Group, responsible for technical design planning, project implementation management, PPE project cost assessment and resource coordination.

He joined the Group as the technical manager of Eden Information in July 2010. Before joining the Group, Mr. Xu worked as a system administrator of Shenzhen Daily Internet Co., Ltd.* (深圳市日訊互聯網有限公司) from June 2006 to July 2010. Mr. Xu obtained a Diploma in computer information management from the Shaanxi Vocational College of Electronic Science & Technology* (陝西電子信息職業技術學院), the PRC, in July 2005 through Self-taught Higher Education Exam of Self-study Examination Office Higher Education Bureau of Shaanxi Province* (陝西省高等教育自學考試).

Ms. Peng Hui (彭慧) (“**Ms. Peng**”), aged 37, was appointed as the chief financial officer of the Group on 26 November 2021, responsible for the overall financial management of our Group.

Ms. Peng has over 15 years of accounting and financial management experience. She is also experienced in capital operations and project management in relation to mergers and acquisitions. Ms. Peng is a fellow member of both the Hong Kong Institute of Certified Public Accountants and the Chinese Institute of Certified Public Accountants. She graduated from The University of Hong Kong with a master’s degree in business administration.

Prior to joining the Company, Ms. Peng served as a senior auditor at Ernst & Young from 2008 to 2011 and a senior finance manager at Concord Medical Services Holdings Limited (stock code: CCM), a company listed on the New York Stock Exchange, from 2011 to 2014. She was the finance manager at Guangdong Dongfang Precision Science & Technology Co., Ltd* (廣東東方精工科技股份有限公司) (stock code: 002611), a company listed on the Shenzhen Stock Exchange, from 2014 to 2016, and the deputy general manager of finance department at Glory Sun Financial Group Limited (stock code: 1282), a company listed on the Main Board of The Stock Exchange of Hong Kong Limited, from 2016 to 2020. Ms. Peng worked at Pak Tak International Limited (stock code: 2668), a company listed on the Main Board of the Stock Exchange, as the deputy general manager from 2020 to 2021.

COMPANY SECRETARY

Ms. Peng, aged 37, was appointed as the company secretary of the Company on 11 July 2023, responsible for the Group’s overall company secretarial matters. For further details of Ms. Peng’s biographical details, please refer to the subsection headed “Senior Management” in this annual report.

* English translation name is for identification purpose only

The Directors are pleased to present this report and the audited consolidated financial statements of the Group for the year ended 31 December 2023.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. For the year ended 31 December 2023, the principal activities of its subsidiaries comprised provision of IT infrastructure services, IT implementation and supporting services and cloud services in the PRC.

BUSINESS REVIEW

A review of the Group's business, a discussion and analysis of the Group's performance for the year ended 31 December 2023, an analysis of the prospects of the Group's business and the particulars of events affecting the company that have occurred after the reporting period (if any) are set out in the section headed "Management Discussion and Analysis" from pages 6 to 18 of this annual report.

A description of the principal risks and uncertainties, environmental policies of the Group, compliance with the laws and regulations and key relationship with employees, customers, suppliers and others facing by the Group and have a significant impact are set out in this Report of the Directors.

SEGMENTAL INFORMATION

Details of segment reporting are set out in note 4 to the consolidated financial statements.

RESULTS AND FINAL DIVIDEND

The results of the Group for the year ended 31 December 2023 and the financial position of the Group as at 31 December 2023 are set out in the consolidated financial statements of the Group from pages 94 to 101 of this annual report.

The Board did not recommend the payment of a final dividend for the year ended 31 December 2023 (2022: nil).

FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for the last five financial years, as set out on page 176 of this annual report, are extracted from this annual report and the Prospectus.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group's financial position, results of operations and business prospects may be affected by a number of risks and uncertainties directly and indirectly pertaining to the Group's business. The following are the key risks and uncertainties identified by the Group.

The Group's business is subject to rising political tensions, current tensions in international trade and conflicts in local areas in the world.

International market conditions and the international regulatory environment have historically been affected by competition among countries and geopolitical frictions. Changes to trade policies, treaties and tariffs in the jurisdictions, which our products are sold to or the perception that these changes could occur, could adversely affect our financial position and results of operations. Recently there have been heightened tensions in international economic relations, in particular between the United States and China. While the two nations have reached a phase one trade agreement in January 2020, there remains uncertainties as to whether the trade tension between the two nations may intensify in the future.

The global macroeconomic environment is also facing challenges resulting from the conflicts in Ukraine, which began in February 2022 and has caused major fluctuations and uncertainties in the global commodities markets and it is unpredictable as to how long the crisis in Ukraine will last and the economical impact on the global economy and China's economy. This may lead to tighter credit markets, increased market volatility, sudden drops in business and market confidence and dramatic changes in business and demands. A slowdown in the growth rate of global economy, particularly the China's economy, could reduce demand for our products and materially and adversely affect our business, financial condition and results of operations.

In response to the abovementioned risks, the Group has adopted and implemented the following measures: (i) strengthening internal control and credit risk control; (ii) further intensifying marketing and promotion to attract more potential and new customers in different regions and industries in the PRC, while sharing inflation costs with customers and providing more flexible services to improve customer retention; (iii) hedging risks through global development, such as setting up the subsidiary in Singapore to expand business opportunities in the Asia-Pacific region, and cooperating with a leading public cloud service provider in the PRC to expand the Southeast Asian market; and (iv) continuing to strive and invest resources in the development of advanced technologies, particularly in areas such as cloud technology and SaaS services, while prudently controlling and efficiently allocating other resources and taking appropriate corporate actions in light of market conditions.

The Group relies heavily on the relationship with Customer A.

Revenue of the Group derived from Customer A, which is a leading global provider of information and communications technology and smart devices, was approximately RMB176.2 million, RMB121.0 million and RMB163.8 million, for the years ended 31 December 2021, 2022 and 2023, respectively, representing approximately 22.0%, 17.8% and 20.1% of the total revenue for the same periods. The Group's business will be adversely affected if the sales of Customer A drop significantly. The Group has adopted and implemented the following measures in order to further reduce and mitigate its reliance on Customer A: (i) diversify and expand its customer base; (ii) expand business operation coverage in the PRC by setting up branch offices; (iii) market and introduce IT services to customer in other industries; and (iv) identify new business opportunities and further expand cloud services.

The Group relies heavily on the relationship with Supplier A.

Purchases of the Group from Supplier A, which is a leading United States ("**U.S.**") based global computer software provider, was approximately RMB156.6 million, RMB204.0 million and RMB273.1 million, for the years ended 31 December 2021, 2022 and 2023, respectively, representing approximately 22.9%, 33.7% and 38.2% of the total purchases for the same periods. The Group's business will be adversely affected if we are unable to keep the cooperation licensing from Supplier A. The Group has adopted and implemented the following measures in order to further reduce and mitigate its reliance on Supplier A: (i) actively identify alternative Chinese and other non-U.S. suppliers, who develop IT products and services that are functionally equivalent and/or compatible with those provided by Supplier A and other U.S. suppliers; (ii) allocate more non-U.S. suppliers to promote their IT products and services among the customers; and (iii) establish innovation team to strengthen and develop the Group's R&D capability and IT service capability.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2023, the Group's largest and the five largest customers represented approximately 20.1% and approximately 41.2% respectively of the Group's total revenue.

For the year ended 31 December 2023, the Group's largest and the five largest suppliers accounted for approximately 38.2% and approximately 69.4% respectively of the Group's total purchases.

During the year ended 31 December 2023, none of the Directors nor any of their associates (as defined in the Listing Rules) nor any Shareholders (which, to the best knowledge of the Directors, own more than 5.0% of the Company's issued share capital) had any material beneficial interest in the Group's five largest customers and five largest suppliers.

KEY RELATIONSHIP WITH EMPLOYEES, CUSTOMERS, SUPPLIERS AND OTHERS THAT HAS A SIGNIFICANT IMPACT

The Group is committed to establishing and maintaining long-term and harmonious relationships with its employees, customers and suppliers. The Group provides a pleasant and healthy working environment to employees. During the year ended 31 December 2023, the Group organised various activities to promote friendship, bonding and healthiness of employees. In addition, instead of mass communication, employees of the Group communicate with the customers and suppliers on an ongoing and promptly basis through email, telephone or face-to-face meeting. The Group was able to retain its customers and suppliers during the year ended 31 December 2023 and no complaints were received.

ENVIRONMENTAL PROTECTION

The Group recognises its responsibility to protect the environment from its business activities. The Group has endeavoured to comply with the laws and regulations regarding environmental protection and promotes awareness towards environmental protection among its employees and stakeholders. For further details of the environmental policies and performance of the Group during the year ended 31 December 2023, please refer to the section headed "Environmental, Social and Governance Report" in this annual report.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Group during the year ended 31 December 2023. For further details, please refer to the section headed "Environmental, Social and Governance Report" in this annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year ended 31 December 2023 are set out in note 13 to the consolidated financial statements of this annual report.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year ended 31 December 2023 are set out in note 29 to the consolidated financial statements of the Group.

DEBENTURES

The Group did not issue any debenture during the year ended 31 December 2023 (2022: nil).

RESERVES

Details of movements in the reserves of the Group and the Company during the year ended 31 December 2023 are set out in the consolidated statement of changes in equity and in note 31 to the consolidated financial statements of the Group, respectively.

DISTRIBUTABLE RESERVES OF THE COMPANY

As at 31 December 2023, the Company's reserves available for distribution to the Shareholders were approximately RMB131.0 million (2022: RMB125.5 million) as calculated in accordance with statutory provisions applicable in the Cayman Islands.

TAX RELIEF

As at 31 December 2023, according to the laws of the Cayman Islands, holders of listed securities of the Company are not entitled to tax relief for their status as the holder of such securities.

CHARITABLE CONTRIBUTIONS

During the year ended 31 December 2023, the Group did not make any charitable contributions (2022: nil).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

There was no purchase, sale or redemption of the Company's listed securities by the Company or any of its subsidiaries during the year ended 31 December 2023.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association of the Company (the "**Articles of Association**") or the laws of Cayman Islands which would oblige the Company to offer new Shares on a pro rata basis to existing Shareholders.

EQUITY-LINKED AGREEMENTS

Save and except for the scheme as disclosed in the paragraphs headed "Share Option Scheme" and "Share Award Plan", no equity-linked agreements that (i) will or may result in the Company issuing Shares or (ii) require the Company to enter into any agreements that will or may result in the Company issuing Shares were entered into by the Company during the year ended 31 December 2023 or subsisted at the end of the year ended 31 December 2023.

SHARE OPTION SCHEME

A share option scheme (the "**Share Option Scheme**") was adopted by the Shareholders on 14 April 2020 to attract and retain the best competent personnel, to provide them with additional incentive and to promote the success of the business of the Group. Eligible participants of the Share Option include, among others, any employee (full-time or part-time), director, any substantial shareholder of the Group and any distributor, contractor, supplier, agent, customer, business partner or service provider of the Group. The terms of the Share Option Scheme are summarised below:

The total number of ordinary Shares in respect of which options may be granted under the Share Option Scheme shall not exceed 10% of the Shares in issue at any point in time, without prior approval from the Shareholders. The number of Shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year shall not exceed 1% of the Shares in issue at any point in time, without prior approval from the Shareholders. Options granted to substantial Shareholders or independent non-executive Directors or any of their respective associates in any 12-month period in excess of 0.1% of the Shares in issue or with an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK$5 million must be approved in advance by the Shareholders. Options granted must be taken up within seven days inclusive of the day on which such offer was made, upon payment of HK$1 per option. Options may be exercised at any time during a period as the Directors may determine which shall not exceed ten years from the date of grant subject to the provisions of early termination thereof. Save as determined by the Board and provided in the offer of the grant of the relevant options, there is no performance target which must be achieved before any of the options can be exercised. The exercise price shall be solely determined by the Board, and shall be at least the higher of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheet for the five business days immediately preceding the date of grant; and (iii) the nominal value of a Share on the date of grant. The Share Option Scheme will remain in force for a period of 10 years commencing on the adoption date (i.e. 14 April 2020) and shall expire at the close of business on the business day immediately preceding the 10th anniversary thereof unless terminated earlier by the Shareholders in general meeting. As of the date of this report, it has a remaining life of approximately 6 years.

A total of 204,494,735 options is available for grant under the Share Option Scheme mandate as of 1 January 2023 and 31 December 2023.

As at the date of this annual report, total number of Shares in respect of which options may be granted under the Share Option Scheme was 204,494,735 Shares, representing 10% of the Shares in issue as at the date of this annual report. From the date of adoption of the Share Option Scheme to 31 December 2023, no option was granted, exercised, cancelled or lapsed under the Share Option Scheme. There was no outstanding option under the Share Option Scheme as at the date of adoption of the Share Option Scheme and as at 31 December 2023.

SHARE AWARD PLAN

The Company adopted a Share Award Plan (the "**Plan**") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Unless the context otherwise requires, capitalised terms used in this section shall have the same meanings as those defined in the announcements of the Company dated 9 November 2021, 11 January 2022 and 23 March 2022 in relation to the adoption of the Plan.

Eligible participants will be selected by the committee, which comprises Directors and senior management of the Group. The Plan became effective on 9 November 2021 (the "**Adoption Date**") and, subject to any early termination in accordance with the rules of the Plan, the Plan shall be valid and effective for a term of 10 years commencing from the Adoption Date. As of the date of this report, it has a remaining life of approximately seven years and seven months.

According to the Plan, any Award Shares shall either be (i) existing Shares as may be purchased by the trustee on the Stock Exchange or off the market; or (ii) new Shares to be allotted and issued to the trustee by the Company pursuant to general mandate or specific mandate granted by Shareholders at general meeting(s) of the Company from time to time. The maximum number of Shares to be subscribed for and/or purchased by the trustee for the purpose of the Plan shall not exceed 10% of the total number of issued Shares as at the Adoption Date (i.e. not exceed 200,000,000 Shares). The number of Award Shares granted under the Plan on 23 March 2022, which is 44,947,350, represents approximately 2.20% of the issued shares as of 31 December 2023 and the date of this report.

The maximum number of Shares which may be subject to an award or awards to an eligible participants shall not in aggregate exceed 1% of the issued share capital of the Company as at the Adoption Date (i.e. not exceed 20,000,000 Shares).

The number of Award Shares that may be granted under the Plan as at the beginning of 2023 is 174,826,325 shares, while the number of Award Shares that may be granted under the Plan as at the end of 2023 is 174,976,325 shares. The number of shares that may be issued in respect of Award Shares granted under the Plan during the year ended 31 December 2023, which is 5,900,000, represented approximately 0.3% of the weighted average number of the Company's ordinary shares in issue for the same year. Award Shares typically vest annually over a four year period.

During the year ended 31 December 2023, no Award Share was cancelled under the Plan. Besides, no amount is payable on acceptance of the Award Shares under the Plan. During the same period, no service provider sub-limit was set under the Plan and no Award Shares were granted to the Group's Directors.

The Board entered into a trust deed to appoint a trustee to administer Award Shares under the Plan and to constitute a trust to hold property transferred by the Company to the trustee (which shall include cash or shares) in order to satisfy grants of Award Shares. At the direction of the Board, the trustee shall either subscribe for new shares from the Company at the relevant benchmarked price as stipulated in the Listing Rules or acquire existing shares in the market in accordance with the rules of the Plan. The Remuneration Committee administers and oversees the Plan. Their review and approval is required prior to the granting of Award Shares to any eligible participants. The trustee shall not exercise the voting rights in respect of any Shares held under the trust constituted by the trust deed.

Vesting Schedule

Subject to the fulfilment of the relevant conditions and/or performance targets, the Award Shares shall be vested in the Grantees in the following manner:

1. For 8 of the Grantees (the "**1st Batch Grantees**"):

Vesting date	% of the Award Shares to be vested	Number of Award Shares to be vested
30 April 2022	50%	16,173,675
30 April 2023	50%	16,173,675
		32,347,350

2. For 34 of the Grantees (the "**2nd Batch Grantees**"):

Vesting date	% of the Award Shares to be vested	Number of Award Shares to be vested
30 April 2023	25%	3,150,000
30 April 2024	25%	3,150,000
30 April 2025	25%	3,150,000
30 April 2026	25%	3,150,000
		12,600,000

Movements during the year

The following table illustrates the number of and movements of the Award Shares under the Plan for the year ended 31 December 2023:

Name of category of participant	Number of awarded shares as at 1 January 2023	Total granted during the year ended 31 December 2023	Vested during the year ended 31 December 2023	Forfeited during the year ended 31 December 2023	Lapsed during the year ended 31 December 2023	Number of awarded shares as at 31 December 2023	Date of grant	Vesting period of Award Shares	Fair value of awards at the date of grant (HK$)	Closing price of the shares immediately before the date on which the awards were granted (HK$)
The five highest paid individuals during the year ended 31 December 2023										
1st Batch Grantees in aggregate (i.e. one in the group of the five highest paid individuals during the year ended 31 December 2023)	–	–	–	–	–	–	23 March 2022	30 April 2022 to 30 April 2023	227,092	0.086
2nd Batch Grantees in aggregate (i.e. one in the group of the five highest paid individuals during the year ended 31 December 2023)	750,000	–	(250,000)	–	–	500,000	23 March 2022	30 April 2023 to 30 April 2026	86,000	0.086
Other Employees (the Grantees excluding the five highest paid individuals during the year ended 31 December 2023)										
1st Batch Grantees in aggregate	–	–	–	–	–	–	23 March 2022	30 April 2022 to 30 April 2023	2,554,781	0.086
2nd Batch Grantees in aggregate	8,250,000	–	(2,700,000)	–	(150,000)	5,400,000	23 March 2022	30 April 2023 to 30 April 2026	997,600	0.086
Total	9,000,000	–	(2,950,000)	–	(150,000)	5,900,000				

Notes:

1. Based on the closing price of HK$0.086 per Share as quoted on the Stock Exchange as at the date of grant, the market value of 44,947,350 Award Shares granted to the Grantees is HK$3,865,472.1.

2. No purchase price was payable by the above Grantees for the Award Shares.

3. 2,950,000 Award Shares shall be vested on the relevant vesting date due to the Group meeting performance targets at the year ended 31 December 2023. 150,000 Award Shares lapsed due to the resignation of an Employee. No purchase price was payable by the Employees for these Award Shares.

4. In addition to those Award Shares vested on 30 April 2022, the vesting of other Award Shares is subject to the following performance targets: (i) such Grantee shall obtain an overall grade of "B" or above for his/her personal position performance appraisal conducted by the Company before the vesting date in respect of corresponding tranche; and (ii) the Group shall have achieved a year-on-year growth of at least 20% in the audited revenue or audited net profits in the immediately preceding financial year.

Further details of the Share Award Plan are set out in note 30 to the consolidated financial statements of the Group.

The Board and the Remuneration Committee are of the view that it is consistent with the remuneration policy and the purposes of the Share Award Plan (i.e. to recognize the contributions of Employees of the Group) to grant Award Shares to the abovementioned Grantees.

CORPORATE GOVERNANCE

The principal corporate governance practices as adopted by the Company are set out in the section headed "Corporate Governance Report" from page 74 to page 87 of this annual report.

DIRECTORS AND THEIR SERVICE CONTRACTS

The Directors during the year ended 31 December 2023 and up to the date of this annual report were:

Executive Directors

Ms. Ding Xinyun *(Chairman, Chief executive officer and executive Director)*
Ms. Li Yi

Independent non-executive Directors

Mr. Leung Chu Tung
Ms. Zhu Weili
Mr. Hou Hsiao Wen

The biographical details of the Directors are set out on page 19 to page 22 of this annual report.

Each of the Directors has entered into a service contract or an appointment letter with the Company for an initial fixed term of two years or up to the annual general meeting which is subject to termination by either party giving not less than one month's written notice.

In accordance with Article 108 of the Articles of Association, at each annual general meeting, one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third, shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. Accordingly, Ms. Ding Xinyun and Ms. Li Yi will retire from office as Directors at the forthcoming annual general meeting of the Company (the "**AGM**"), and being eligible, each of them has offered herself for re-election as Director at the AGM.

In accordance with Article 112 of the Articles of Association, any Director appointed by the Board to fill a casual vacancy or as an addition to the existing Board shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting.

No Director proposed for re-election at AGM has or will have a service contract with the Company, which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

CONFIRMATION OF INDEPENDENCE

The Company has received annual confirmation of independence from each of the independent non-executive Directors pursuant to the Listing Rules. The Company considers the independent non-executive Directors to be independent pursuant to Rule 3.13 of the Listing Rules.

CONTROLLING SHAREHOLDERS' INTEREST

Save as disclosed in this annual report, no contracts of significance were entered into between the Company or any of its subsidiaries and any controlling Shareholders (as defined under the Listing Rules) or any of its subsidiaries for the provision of services to the Company or any of its subsidiaries by any controlling Shareholders or any of its subsidiaries.

EMOLUMENT POLICY

The emolument policy of the Group is on the basis of the qualifications and contributions of individuals to the Group. The Directors and senior management receive compensation in the form of salaries, benefits in kind and discretionary bonuses with reference to salaries paid by comparable companies, time commitment and the performance of the Group. The Group regularly reviews and determines the remuneration and compensation package of the Directors and senior management, by reference to, among other things, market level of salaries paid by comparable companies, the respective responsibilities of the Directors and senior management and the performance of the Group. The Company has adopted the Share Option Scheme and Share Award Plan as an incentive to eligible participants, details of which are set out in the paragraphs headed "Share Option Scheme" and "Share Award Plan".

The Directors' fees will be determined by the Board subject to authorisation to be granted by the Shareholders at general meetings. Other emoluments are determined by the Board with reference to the Directors' duties, responsibilities and performance and the results of the Group.

Details of the emoluments of the Directors and five highest paid individuals are set out in note 8 and note 9 to the consolidated financial statements respectively.

Details of the employee retirement benefits are set out in note 2.4 and employee benefit expense (including Directors' remuneration) are set out in note 8 to the consolidated financial statements.

The remuneration payable to the senior management, whose biographies are set out on page 22 of this annual report for the year ended 31 December 2023 are set out below.

Remuneration band	**Number of individual**
Nil to HK$1,000,000	1
Over HK$1,000,000	1

PERMITTED INDEMNITY PROVISION

Pursuant to the Articles of Association and subject to the applicable laws and regulations, the Directors shall be indemnified and secured harmless out of the assets of the Company against all actions, costs, charges, losses, damages and expenses which they or any of them may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of their duty or supposed duty in their respective offices or trusts except such (if any) as they shall incur or sustain through their own dishonesty, wilful default or fraud.

During the year ended 31 December 2023, the Company has arranged for appropriate insurance covering the liabilities of its Directors and officers in respect of legal actions against them arising out of corporate activities.

COMPETING INTERESTS

During the year ended 31 December 2023, none of the Directors, the controlling Shareholders and their respective associates (as defined in the Listing Rules) was interested in any business apart from the business operated by the Group which competes or is likely to compete, directly or indirectly, with the Group's business which would require disclosure under Rule 8.10 of the Listing Rules.

RELATED PARTY TRANSACTIONS

Details of the related party transactions undertaken by the Group are set out in note 35 to the consolidated financial statements of the Company. Other than the compensation of key management personnel of the Group, such related party transactions constituted connected transactions or continuing connected transactions under Chapter 14A of the Listing Rules, which were exempt from the requirements of reporting, announcement and Shareholders' approval under Chapter 14A of the Listing Rules.

CONNECTED TRANSACTIONS/CONTINUING CONNECTED TRANSACTIONS

One-off Connected Transactions/Continuing Connected Transactions

During the year ended 31 December 2023, the Group had not entered into any one-off connected transactions or continuing connected transactions which were subject to disclosure and annual review requirements under Chapter 14A of the Listing Rules.

Financial Assistance from the Controlling Shareholder

During the year ended 31 December 2023, the Group had the following financial assistance from controlling Shareholder which was fully exempted from independent Shareholders' approval, annual review and all disclosure requirements of Chapter 14A of the Listing Rules.

The Group's banking facilities amounting to RMB235,000,000 (2022: RMB150,000,000) at 31 December 2023 were guaranteed by Ms. Ding Xinyun, the controlling Shareholder, of which RMB40,710,000 (2022: RMB40,000,000) have been utilised for letter of guarantee.

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, the banks are independent third parties (as defined under the Listing Rules) and not connected with the Company and its connected persons (as defined under the Listing Rules) as at the date of this Report of the Directors. Save for Ms. Ding, none of the connected persons have any interest, whether directly or indirectly, in the banking facilities agreements.

Ms. Ding has not and will not receive any form of consideration from the Group for the provision of the personal guarantee.

As Ms. Ding is an executive Director and a controlling Shareholder, the provision of the personal guarantee constituted a connected transaction in the form of financial assistance in favour of the Group. However, as the personal guarantee is not secured by any assets of the Group, and as the Directors consider that the personal guarantee is on normal commercial terms or better, the personal guarantee is fully-exempt from the shareholders' approval, annual review and all disclosure requirements pursuant to Chapter 14A of the Listing Rules.

The independent non-executive Directors have reviewed the above financial assistance received by the Group and confirmed that these transactions have been entered into: (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or on terms no less favourable to the Group than terms available to independent third parties; and (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

INTERESTS AND SHORT POSITIONS OF DIRECTORS AND CHIEF EXECUTIVE IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 December 2023, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was taken or deemed to have under such provisions of the SFO), or as recorded in the register of the Company required to be kept under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuer ("**Model Code**") set out in Appendix C3 to the Listing Rules were as follows:

(i) Long position in the Shares

Name of Director	Capacity/Nature	Number of Shares held/interested in	Percentage of shareholding in the Company
Ms. Ding Xinyun ("**Ms Ding**")	Interest of corporation controlled	1,455,000,000	71.15%

(ii) Long position in the ordinary shares of associated corporation

Name of Director	Name of associated corporation	Capacity/Nature	Number of Share(s) held/ interested in	Percentage of interest
Ms. Ding	Green Leaf	Beneficial owner	1	100%

Save as disclosed above, as at 31 December 2023, none of the Directors or the chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were: (a) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was taken or deemed to have taken under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, recorded in the register referred to therein; or (c) pursuant to the Model Code, notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

So far as is known to the Directors, and as at 31 December 2023, the following persons (not being a Director or chief executive of the Company) have interests or short positions in Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or which would be required to be entered into the registered required to be kept under section 336 of the SFO.

Long Position in the Company

Name	Capacity/Nature of interest	Number of Shares held/interested in	Percentage of interest in the Company
Aztec Pearl (Note 1)	Registered Owner	1,455,000,000	71.15%
Ms. Ding (Note 1)	Interest of corporation controlled	1,455,000,000	71.15%
Green Leaf Development Limited ("**Green Leaf**") (Note 1)	Interest of corporation controlled	1,455,000,000	71.15%
Mr. Cai Aaron Ding	A concert party to an agreement to buy shares described in Section 317(1)(a) of the SFO	1,455,000,000	71.15%
Mr. Yan Shi (Note 2)	Interest of a spouse	1,455,000,000	71.15%

Notes:

1. Ms. Ding holds 100% interest in Green Leaf, which in turn holds 100% interest in Aztec Pearl. Therefore, Ms. Ding and Green Leaf are deemed or taken to be, interested in all the Shares which are beneficially owned by Aztec Pearl.

2. Mr. Yan Shi is the spouse of Ms. Ding. Therefore, Mr. Yan Shi is deemed, or taken to be, interested in all the Shares in which Ms. Ding has, or is deemed to have, an interest for the purpose of the SFO.

Save as disclosed above, as at 31 December 2023, the Directors were not aware of any persons (who were not Directors or chief executives of the Company) who had an interest or short position in the Shares or underlying Shares of the Company, which would fall to be disclosed under Division 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the paragraphs headed "Interests and Short Positions of Directors and Chief Executive in the Shares, Underlying Shares and Debentures of the Company and its Associated Corporations" and "Share Option Scheme" in this annual report, at no time during, or as at the end of, the year ended 31 December 2023 was the Company or any of its subsidiaries a party to any arrangements to enable the Directors and chief executives (including their respective spouse and children under 18 years of age) to acquire benefits by means of the acquisition of shares or underlying shares in, or debentures of, the Company or any of its associated corporation.

DIRECTORS' INTERESTS IN SIGNIFICANT TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

Save for those disclosed under the section headed "Connected Transactions/Continuing Connected Transactions" in this Report of the Directors and those disclosed in note 35 to the consolidated financial statements, of the Company during the year ended 31 December 2023, there was no transaction, arrangement or contract of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a Director or a connected entity of that Director has or had, directly or indirectly, a material interest.

CONTRACTS WITH CONTROLLING SHAREHOLDERS

No contract of significance or contract of significance for the provision of services has been entered into among the Company or any of its subsidiaries and the controlling Shareholders or any of their subsidiaries during the year ended 31 December 2023.

MANAGEMENT CONTRACTS

No contracts, other than employment contracts, concerning the management and administration of the whole or any substantial part of the Group's business were entered into or existed during the year ended 31 December 2023.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this annual report, at least 25% of the Company's issued Shares were held by the public (i.e. the prescribed public float applicable to the Company under the Listing Rules).

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Tuesday, 21 May 2024 to Friday, 24 May 2024, both days inclusive, during which period, no transfer of Shares will be registered. In order to qualify for attending and voting at the AGM, all transfer of Shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, no later than 4:30 p.m. on Monday, 20 May 2024.

ANNUAL GENERAL MEETING

The AGM will be held on Friday, 24 May 2024. A notice convening the meeting will be issued and sent to the shareholders in due course.

AUDITOR

The consolidated financial statements of the Group for the year ended 31 December 2023 were audited by Ernst & Young, the independent auditor of the Company, who shall retire and, being eligible, offer itself for the re-appointment at the AGM. There has been no change in the auditor of the Company during the past three years.

On behalf of the Board

Ding Xinyun
Chairman, Chief executive officer and executive Director
Hong Kong, 26 March 2024

OVERVIEW OF THE REPORT

Edensoft Holdings Limited (the "**Company**" and its subsidiaries, collectively the "**Group**", "**we**", or "**us**") is hereby pleased to present its Environmental, Social and Governance Report (the "**Report**") for the year ended 31 December 2023.

We are pleased to present our sustainability performance for the fiscal year ending on 31 December 2023, along with our forward-looking plans. As a responsible corporate citizen, the Group recognises the vital importance of prudent environmental and societal management in fostering sustainable economic growth, cultivating strong stakeholder relationships, and maintaining a favourable reputation in our communities. Our approach to sustainability encompasses a comprehensive evaluation of diverse factors, including business challenges, ethical practices, global trends, and legal and regulatory frameworks. Considering these factors, we continuously strive to promote business growth while advancing our sustainability goals. Despite the ongoing global challenges posed by the COVID-19 pandemic, the Group remained steadfast in promptly monitoring relevant data and reporting. This reflects our unwavering commitment to fulfilling our social responsibilities and contributing to the creation of a more environmentally conscious and sustainable future.

All in all, the Report consolidates the strategy, practice, and vision of the Group concerning issues related to the environment, society, and governance. It conveys the Group's devotion to sustainability.

In the division of responsibilities concerning ESG matters, our Board assumes the overall responsibility for overseeing the effective design and implementation of our ESG approach and strategy. Specifically, the Board is accountable for establishing the material Key Performance Index (the "**KPI Index**") at the beginning of each Reporting Year and setting targets for each significant KPI. Furthermore, the Group appoints an ESG Working Group, comprising directors, an executive manager, a human resources manager, and a finance manager, to provide support in ESG reporting. This dedicated team plays a crucial role in sourcing ESG data, monitoring the efficacy of implemented measures, and identifying any notable discrepancies between the annual evaluation of ESG performance and the targets set. Based on the findings of the annual evaluation, the Board guides revisions to the ESG strategies and, if necessary, prescribes remedial actions to be implemented across various departments of the Group. As a result, different departments adjust their environmental and social practices, ensuring alignment with the Group's ESG objectives.

Reporting Scope and Reporting Period

The reporting scope of this ESG report aligns with the annual report. It is determined based on two key factors: materiality and revenue contribution of the business segments under the Group's direct operational control. Unless otherwise specified, the scope of the Report covers our businesses and offices in Shenzhen, Dongguan, Shanghai, and Wuhan in the People's Republic of China (the "**PRC**").

This Report covers the period from the financial years dated from 1 January 2023 to 31 December 2023 (the "**Reporting Period**"), consistent with the financial year covered by the Group's 2023 Annual Report.

Preparation Basis of the Report

The Report is prepared in accordance with the Environmental, Social and Governance Reporting Guide (the "**Reporting Guide**") as set out in Appendix C2 to the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). It also complies with all the requirements of "Comply or Explain" as well as the reporting principles as shown below:

Materiality: This Report provides an overview of the materiality assessment, allowing us to identify the significant ESG issues during the Reporting Period. We have provided comprehensive descriptions of our essential stakeholders and transparently disclosed the specific processes through which they have been engaged and participated.

Quantitative: This Report employs quantitative information to disclose the key performance indicators (the "**KPIs**") relevant to our operations' environmental and social aspects. Each KPI is accompanied by a detailed explanation of the measurement standards, methods, hypotheses, and/or calculation tools utilised. In addition, we provide transparent insights into the source of conversion coefficients used for the KPIs, ensuring clarity and accuracy in our reporting.

Balance: This Report presents a comprehensive and objective view of the Group's performance during the Reporting Period by providing a balanced disclosure of both positive and negative information. This approach ensures that the report's contents offer an unbiased and transparent depiction of our ESG performance.

Consistency: This Report adheres to a consistent disclosure approach using standardised scales for comparable indicators. By employing this approach, we aim to provide additional reference points for performance disclosure. Consistency in applying scales ensures that the data presented in the report can be effectively compared and analysed, enabling stakeholders to better understand our performance over time.

We regard this Report as a communication channel with our stakeholders and believe that we should disclose ESG information that is meaningful and important to their decision-making. To serve this purpose, this report is prepared with reference to the fundamental reporting principles set out in the ESG Reporting Guide.

Source of Data and Reliability Statement

The information disclosed in the Report is retrieved from the Group's internal documents, statistical reports, and relevant public information. The Group confirms that this Report does not contain any false information, misleading statement, or material omission and is responsible for the contents' authenticity, accuracy, and completeness.

Confirmation and Approval

The Report was approved by the Board of Directors of the Company (the "**Board**") on 26 March 2024 upon confirmation by the management of the Company. The electronic version of the Report is available on the Stock Exchange website (www.hkexnews.hk).

Contact Us

The Group greatly values the readers' opinions. Should you have any questions or suggestions about the Report, please contact the Group via:

E-mail: enquiry@edensoft.com.cn

Postal address: West, 2nd Floor, Building A, Shenzhen International Innovation Centre (Futian Technology Square), Hua Fu Street, 1006 Shennan Road, Futian District, Shenzhen, PRC

ESG MANAGEMENT

Statement of the Board

As a responsible corporate citizen, the Group acknowledges that quality management of environmental and societal proof and activities is of great importance to promoting sustainable economic growth. The ESG Report summarises the strategy, practice, and vision of the Group in respect of the issues related to ESG. It conveys a clear message of the Group's devotion to sustainability. To address the global concern about climate change that affects the environmental systems and our daily lives, the Group has considered climate-related issues and incorporated them into its risk management system to enhance its resilience and adaptive capacity to potential climate change impacts. The annual risk assessment will cover and evaluate all potential risks impacting the Group's businesses.

The Group has established a governance structure to enhance its management of ESG issues. The Board has overall responsibility for overseeing the Group's ESG-related risks and opportunities, establishing, and adopting the ESG-related strategies and targets of the Group, reviewing the Group's performance annually against the ESG-related targets, and revising the ESG-related strategies as appropriate if significant variance from the ESG-related target is identified. The Group has set up an ESG Working Group comprising middle to senior management members. It supports the Board in implementing ESG-related strategies and targets, conducting materiality assessments of ESG issues, and promoting the implementation of measures concerning ESG issues identified. By the delegation of authority of the Board, the ESG Working Group assists in collecting ESG data from different functional departments of the Group, monitoring the implementation of the measures in relation to ESG issues identified, and investigating any deviations from the ESG-related strategies and targets and liaising with relevant functional departments of the Group to take prompt rectification actions in relation to such deviations.

Based on the set goals and targets, the Board will continue to review the Group's progress in relation to ESG issues to build a more sustainable business and bring more excellent benefits to society.

Governance Structure

Board	The Board is responsible for the overall decision-making, oversees the formulation, administration, and assessment of the ESG system.
ESG Working Group	The ESG Working Group is responsible for assisting the Board in managing and monitoring the ESG matters on a daily basis.
Functional Department	Functional departments are responsible for the execution of implemented measures to achieve the set strategies and targets.

Identification of and Engagement with Stakeholders

Throughout its operations, the Group demonstrates a steadfast commitment to prioritising the significant concerns of its stakeholders. The Group actively seeks and incorporates its stakeholders' valuable insights and opinions through comprehensive and transparent engagement practices to enhance its sustainable development strategies and plans. By addressing the expectations and needs of stakeholders, the Group aims to foster mutual trust, cultivate collaborative relationships, and pave the way for sustainable economic growth, environmental stewardship, and social progress. Below, we provide a detailed overview of the key ESG concerns expressed by our stakeholders and outline the specific methods through which the Group engages with them to ensure their perspectives are considered.

Stakeholders	Areas of ESG Concern	Means of Engagement
Stock Exchange	• Compliance with the Listing Rules; and • Timely and accurate announcement.	• Meetings; • Training and seminars; and • Company's website and announcements.
Government and regulatory authorities	• Operational compliance; • Tax payment as legally required; and • Disclosure of information and submission of materials.	• Annual reviewal process; and • Company's website and announcements.
Investors	• Business strategies and performances; • Effective corporate governance; • Sustainable profitability; and • Investment returns.	• General meetings; • Financial reports and announcements; and • Company's website.
Media and Public	• Corporate governance; • Environmental protection; and • Uphold human rights standards.	• Announcements; • Company's website; and • Press conference.
Suppliers	• Payment schedule; • Demand stability; • Operational compliance; and • Quality services and products.	• Site visits; • Meetings; and • Conference calls and interviews.

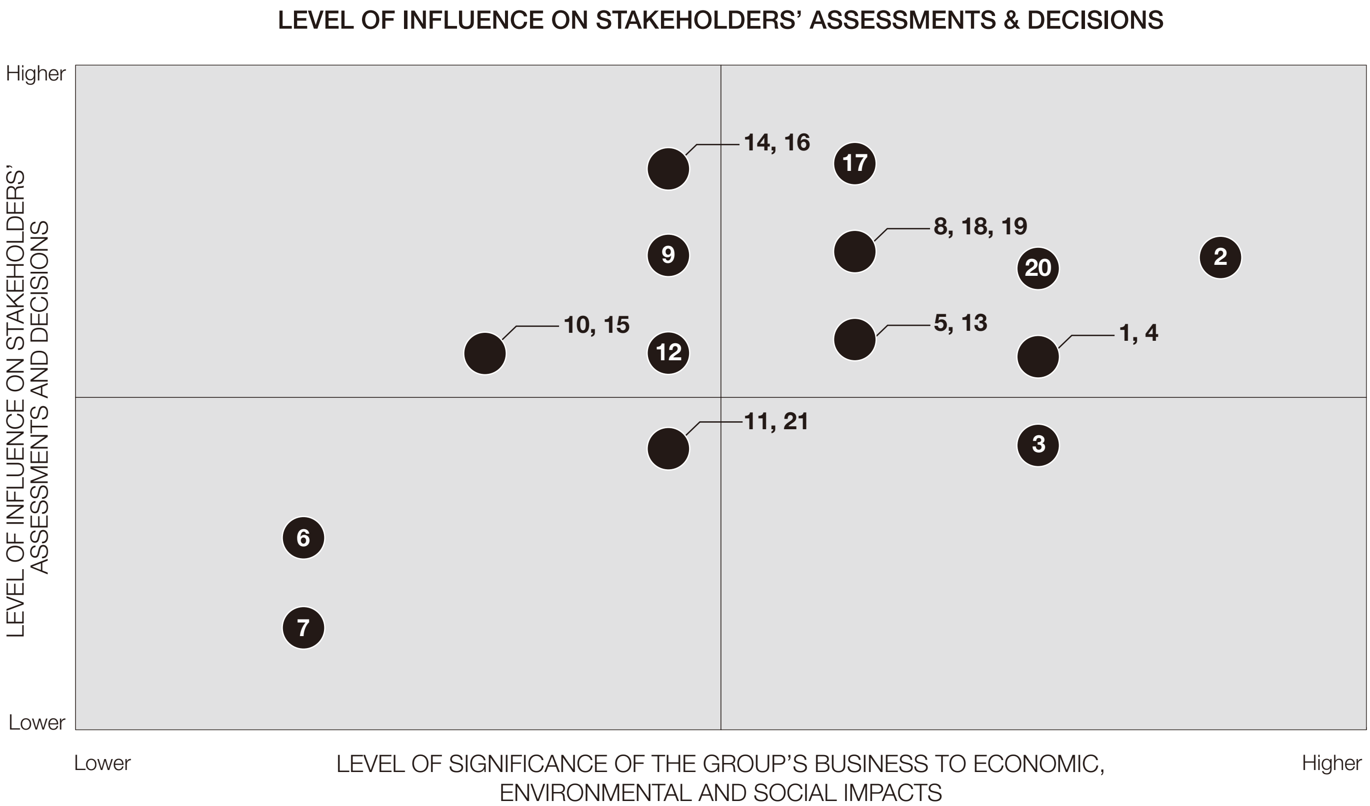
Stakeholders	Areas of ESG Concern	Means of Engagement
Customers	• Quality services and products; • Product safety; • Commercial credibility; • Intellectual property rights and protection; and • Operational compliance.	• Visits; • Meetings; • Conference calls; and • Customers' enquiries handling mechanism.
Employees	• Rights and benefits of employees; • Training and development; • Working environment and occupational safety; and • Equal opportunities.	• Regular meetings; • Employee training; • Annual appraisal; • Opinion box; and • WhatsApp and WeChat group.
Community	• Community development; • Employment opportunities; • Environmental protection; and • Social welfare.	• Community service activities; • Media enquiry; and • Press releases and announcements.

Materiality Assessment

The Group has conducted a thorough process to identify ESG issues that could affect its sustainable development. As mentioned, these issues have been gathered from various sources, including the Group's previous ESG report, internal policies, industry trends, and stakeholder feedback. Furthermore, the Group has utilised the Materiality Map the Sustainability Accounting Standards Board (SASB) provided to ensure a robust analysis. During the materiality assessment, the identified ESG issues were carefully evaluated, taking into consideration factors such as the Group's overall strategy, development, goals, and targets. This assessment aimed to determine the relevance of these issues to the Group's business and stakeholders and their respective levels of impact.

To gain a comprehensive understanding of the concerns and interests expressed by its diverse stakeholders, the Group has conducted a thorough and meticulous materiality assessment through the underlying internal and external stakeholder questionnaire. The Group shows its unwavering commitment to identifying and effectively addressing the most significant ESG issues, making every effort to harmonise its sustainability initiatives with its strategic objectives while simultaneously meeting its stakeholders' evolving expectations. Taking these proactive measures allows the Group to ensure the long-term viability and sustainability of its business operations as well as strengthen its relationships with stakeholders by actively engaging them and responding to their needs.

The results of the materiality assessment on the identified ESG issues are set out in the table below:



ESG Issues

1. Air Pollutants
2. Greenhouse Gas Emissions
3. Waste
4. Energy Usage
5. Water Usage
6. Usage of Packaging Materials
7. Environment and Natural Resources
8. Climate Change
9. Employee Well-being
10. Recruitment and Retention
11. Diversity and Equal Opportunity
12. Occupational Health and Safety
13. Staff training and Career Development
14. Prevention of Child and Forced Labour
15. Supply Chain Management
16. Customer Satisfaction
17. Products and Services Quality Management
18. Protection of Intellectual Property Rights
19. Protection of Customer Privacy
20. Anti-corruption
21. Community Investment

ENVIRONMENTAL

Overview

The Group is an integrated IT solutions and cloud services provider authorised to sell products and/or services from internationally renowned vendors in the PRC. Given the nature of the business, the Group does not generate a significant amount of exhaust gas, and its impact on the environment is minimal. However, the Group acknowledges that its environmental impact primarily arises from paper, electricity, and water consumption during the Reporting Period. In addition, emissions are generated from employee flights taken for business trips and vehicles owned by the Group. Understanding the importance of reporting, the Group is fully aware of the reporting scope and is committed to providing accurate information on its greenhouse gas emissions ("**GHG**"). The intensities in this section are calculated based on the number of employees, ensuring a comprehensive assessment of the environmental impact.

Despite having limited waste origination, the Group keeps abreast of environmental protection and the relevant laws, including but not limited to "Environmental Protection Law of the PRC" (《中華人民共和國環境保護法》), "the Law of the PRC on the Prevention and Control of Atmospheric Pollution" (《中華人民共和國大氣污染防治法》), "the Law of the PRC on the Prevention and Control of Water Pollution" (《中華人民共和國水污染防治法》), "the Law of the PRC on the Prevention and Control of Environmental Pollution of Solid Waste" (《中華人民共和國固體廢物污染環境防治法》), and "the Law of the PRC on Conserving Energy" (《中華人民共和國節約能源法》). When applicable, the Group strives to comply with the laws, fulfilling its obligations. On top of that, the Group ensures that its vision aligns with the sustainability targets outlined in the 14th Five Year Plan (《「十四五」規劃》) of the PRC, where all the Group's Business Units are located. During the Reporting Period, the Group kept track of the formulation of relevant issues, such as capping carbon emissions at sectoral and regional levels and introducing renewables into the energy mix of the PRC. During the Reporting Period, the Group has complied with all applicable environmental portion laws and regulations that significantly impact the Group.

Air Emissions

The Group's business does not involve stationary machines producing gaseous fuel consumption emissions. The emissions, including Nitrogen Oxides (NO_x), Sulphur Oxides (SO_x) and Particulate Matter (PM), were principally generated from the vehicles owned by the Group.

Details of exhaust gas generated by the Group's vehicles:

	Unit	2023	2022
Air Emissions[1]			
Nitrogen oxides (NO_x)	kg	**2.48**	3.58
Sulphur oxides (SO_x)	kg	**0.05**	0.06
Particulate Matter (PM)	kg	**0.18**	0.26

Greenhouse Gases Emissions[2]

The Group's indirect greenhouse gas emissions result principally from purchased electricity, wastepaper disposal at landfills, and business trips taken by employees from the Group. Direct greenhouse gas emissions are incurred fundamentally from the combustion of fuels by vehicles.

During the Reporting Period, greenhouse gas emissions totalled 136.08 (2022: 129.01) tonnes, with an intensity of 0.54 (2022: 0.43) tonnes per employee. As a result of increased business travel following the pandemic recovery, the Group's total GHG emissions intensity increased during the Reporting Period. As a part of the Group's commitment to optimise its energy efficiency, the Group will make every effort to use fewer vehicles and electricity for office and operational purposes during the Reporting Period to maximise its energy efficiency. Due to this, the Group's scope 1 and 2 GHG emissions are declining, but the total GHG emissions intensity has increased. The Group will take all necessary steps to reduce greenhouse gas emissions and explore other innovative ways to enhance energy efficiency.

1 The air emissions and air emissions intensity for the Reporting Period are disclosed in accordance with "Appendix 2: Reporting guidance on Environmental KPIs" issued by the Stock Exchange to provide a more comprehensive performance of the Group.

2 GHG emission data are presented in terms of carbon dioxide equivalent and are based on, including but not limited to, the "Notice on the Management of Enterprise Greenhouse Gas Emissions Reporting by Power Generation Industry for 2023–2025" issued by the Ministry of Ecology and Environment of the PRC, the global warming potential values from the "Sixth Assessment Report" issued by Intergovernmental Panel on Climate Change, "How to prepare an ESG Report – Appendix 2: Reporting Guidance on Environmental KPIs" issued by the Stock Exchange.

Detailed breakdown of Greenhouse gas emissions by the Group:

	Unit	**2023**	2022
GHG Direct Emissions (Scope 1)			
Combustion of fuels in vehicles	tonnes CO_2-e	**8.78**	10.14
GHG Indirect Emissions (Scope 2)[3]			
Purchased electricity	tonnes CO_2-e	**97.19**	108.21
Other Indirect Emissions (Scope 3)			
Waste Paper	tonnes CO_2-e	**3.46**	3.36
Business Trips	tonnes CO_2-e	**26.65**	7.30
Total Greenhouse Gas Emissions			
Total emissions	tonnes CO_2-e	**136.08**	129.01
Total GHG Emission Intensity	tonnes CO_2-e/number of employees	**0.54**	0.44

The Group successfully met the emissions target set in the previous reporting period. By establishing achievable emission targets annually, the Group ensures effective monitoring of its greenhouse gas emissions and strives to improve its sustainability efforts continuously. Considering potential business expansion and varying requirements for business travel, the Group aims to maintain a stable level of exhaust gas and greenhouse gas emissions in the upcoming reporting period. This target is defined as keeping the GHG emission intensity within 80% to 120% of the intensity recorded this year, serving as a short-term goal.

To achieve this objective, the Group implements measures to reduce unnecessary emissions. For more detailed information, please refer to the "Measures to Reduce Waste Generation and Emissions" subsections and "Use of Energy Efficiency". These sections provide comprehensive insights into the specific actions taken by the Group to minimise emissions and enhance its overall environmental performance.

3 According to The Ministry of Ecology and Environment of the People's Republic of China (2023), the National Emission Factor for Mainland China is 0.5703 t-CO_2/MWh.

Hazardous Waste

Due to the Group's business nature, no hazardous materials are generated in the ordinary course of business, including chemical wastes, clinical wastes, and hazardous chemicals.

Non-Hazardous Waste

Regarding non-hazardous waste, the only solid emissions produced during the Reporting Period were wastepaper and stationery. Throughout the Reporting Period, the total amount of non-hazardous waste reached 0.76 tonnes (compared to 0.74 tonnes in 2022), with an intensity per employee of 0.0030 tonnes (compared to 0.0025 tonnes in 2022). Due to increased business operations following the pandemic recovery, there was an increase of approximately 2.70% in the total non-hazardous waste generated and a 20.00% increase in intensity per employee.

Details of the waste generated data of the Group:

	Unit	**2023**	2022
Discharge of non-hazardous waste			
Paper	tonnes	**0.72**	0.70
Stationery	tonnes	**0.04**	0.04
Non-hazardous waste			
Total non-hazardous waste	tonnes	**0.76**	0.74
Non-hazardous waste intensity			
Total non-hazardous waste intensity	tonnes/number of employees[4]	**0.0030**	0.0025

Measures to Reduce Waste Generation and Emissions

During the Reporting Period, paper waste emerged as the primary contributor to waste generation. The Group has adopted a comprehensive approach to address this issue at its core. Currently, used paper is discarded in office bins and collected by cleaners who dispose of it in landfills. The Group's paper consumption stood at approximately 0.72 tonnes, resulting in a non-hazardous waste intensity of 0.0030 tonnes per employee. To minimise waste production, the Group actively promotes Green Office practices that inspire employees to reduce paper usage. To this end, the Group advocates for implementing the four "R" actions in daily operations, emphasising the importance of reducing, reusing, recycling, and replacing materials. As part of these actions, the Group has established double-sided printing as the default mode for all printers. Additionally, employees are encouraged to reuse single-sided paper whenever confidential information is not involved. Furthermore, the Group promotes online communication as an alternative to physical documentation to reduce paper consumption further.

4 Intensity is calculated by dividing tonnes of carbon dioxide by the total number of employees in the Group. The total number of employees during the year ended 31 December 2023 was 253, whereas that of the year ended 31 December 2022 was 295.

As a result of these efforts, the Group aims to maintain the non-hazardous waste intensity within a range of 80% to 120% of the current level for the upcoming Reporting Period, assuming no additional non-hazardous waste sources are introduced. It is worth noting that the Group successfully achieved the target for non-hazardous waste intensity set during the previous reporting period.

The Group adopts several measures to reduce avoidable emissions. The Group promotes reasonable driving, and long-distance travel is subject to strict review to reduce unnecessary travel and mitigate the amount of greenhouse gas and exhaust gas produced by vehicles. All vehicles are under regular maintenance checks to facilitate fuel consumption efficiency, which ensures road safety and keeps air emissions at their minimum. As such, the level of total emissions can remain relatively low, and the level does not pose considerable environmental and social impacts.

Use of Resources

The Group is steadfast in its commitment to becoming a sustainable and environmentally responsible enterprise, actively driving initiatives to promote environmental protection. We have implemented proactive measures to reduce resource consumption and minimise emissions. By adopting efficient resource utilisation practices, encompassing energy, water, and other natural resources, the Group strives to minimise its ecological footprint and mitigate adverse impacts on the natural environment. By prioritising resource-saving and environmentally friendly practices, we aim to foster a culture of sustainability within our operations and contribute to global efforts towards environmental preservation.

Energy Use Management and Efficiency

The Group is dedicated to being a resource-saving and environmentally friendly enterprise, actively working to reduce resource usage and emissions. We prioritise efficient resource utilisation, including energy, water, and natural resources, to minimise adverse environmental impacts. Our commitment to environmental protection drives us to implement innovative technologies and processes, optimising resource efficiency and minimising waste.

During the Reporting Period, the total amount of vehicle fuel consumed, which includes gasoline, amounted to 31,884.47 (2022: 36,927.84) kWh, with an intensity of 126.03 (2022: 125.18) kWh per employee. The Group's efforts to minimise vehicle consumption decreased fuel consumption compared to the previous reporting period. The electricity purchased from providers amounted to 170,423.75 (2022: 189,751.00) kWh, with an intensity of 673.61 (2022: 643.22) kWh per employee. The decrease in electricity consumption can be attributed to the efficient use of energy during the Reporting Period. The overall energy consumption intensity of the Group during the Reporting Period was 799.64 (2022: 768.40) kWh per employee, representing an increase of approximately 4.06% primarily due to a decrease in the number of employees during the Reporting Period.

	Unit	2023	2022
Direct energy consumption			
Fuel consumption	kWh	**31,884.47**	36,927.84
Fuel consumption intensity	kWh/number of employees[4]	**126.03**	125.18
Indirect energy consumption			
Electricity consumption	kWh	**170,423.75**	189,751.00
Electricity consumption intensity	kWh	**673.61**	643.22
Energy Consumption			
Total energy consumption	kWh	**202,308.22**	226,678.84
Total energy consumption intensity	kWh/number of employees[4]	**799.64**	768.40

Given that the Group's primary energy consumption is electricity purchased from the electricity grid, which is also the primary source of Group carbon emission, the Group is committed to improving energy efficiency to reduce energy consumption and lower overall greenhouse gas emissions.

Water Usage

Water conservation is one of the most important objectives that our Group places a high priority on. We have consistently promoted the reduction of unnecessary water consumption throughout our operations. It is worth noting that our existing water supply remains stable and adequately meets our daily operational needs. Consequently, no issues regarding water sourcing were identified during the Reporting Period. Our employees exclusively utilise water resources in our offices for sanitation purposes.

The property management fees incorporate the water consumption data for our Dongguan, Shanghai, and Wuhan offices. Therefore, the figures presented below only represent the water consumption in our Shenzhen office, which was billed separately. Throughout the Reporting Period, our total water consumption amounted to 1,515 cubic meters (2022: 1,199), with an intensity of 5.99 cubic meters per employee (2022: 4.06). Water consumption increased due to higher operational demands, while intensity increased due to a decrease in the overall number of employees during the Reporting Period. Given the nature of our business, we do not produce any sewage, which is why we have not installed a sewage purification system.

	Unit	**2023**	2022
Water consumption			
Total water consumption	m^3	**1,515.00**	1,199.00
Total water consumption intensity	m^3/number of employees[4]	**5.99**	4.06

Use of Energy Efficiency

The Group has implemented various measures to reduce energy consumption and promote energy conservation. Prominent reminders have been displayed throughout our facilities to raise awareness and encourage employees to adopt energy-saving practices. For example, computers and office lights are diligently switched off during non-business hours to minimise light pollution and optimise energy efficiency. Looking ahead, we are committed to sustaining our efforts to reduce energy consumption and maintain our pace of energy conservation.

In addition to our energy conservation initiatives, the Group strongly focuses on water conservation. We actively promote the ideology of water conservation among our employees, recognising the importance of minimising indirect energy consumption associated with water supply. To address this, we will promptly repair dysfunctional water faucets to prevent further leakage and unnecessary freshwater wastage. Furthermore, notices reminding employees to avoid excessive water usage are prominently displayed in our bathrooms, serving as a constant reminder of the significance of water conservation. By fostering a culture of responsible water usage, we aim to contribute to preserving and efficiently managing this vital resource.

The Group aims to reduce electricity and water consumption within our offices by implementing various measures. In the upcoming reporting period, we strive to maintain consumption intensities within a range of 85% to 115% compared to the current Reporting Period. We are pleased to announce that we achieved the energy intensity target set in the previous reporting period. However, we were unable to meet the water consumption intensity target set in the same period. Consequently, we are actively exploring additional measures to improve our water efficiency and conserve this valuable resource. We are firmly convinced that our unwavering commitment to sustainable practices and efficient resource management contributes significantly to ensuring we practice responsible and environmentally conscious resource management. Moving forward, we remain dedicated to monitoring and optimising our resource consumption levels.

Packaging Material

During the Reporting Period, the Group utilised 1.69 tonnes of packaging materials for business promotion and marketing purposes. These materials encompassed a range of items such as envelopes, booklets, and corporate packaging wraps. The consumption intensity per employee during this period was calculated at 0.0067 tonnes. Going forward, the Group is committed to actively monitoring the usage of packaging materials and strives to maintain the intensity of usage for the next reporting period within a range of 85% to 115% of the current level.

	Unit	**2023**	2022
Packaging Materials			
Packaging materials	tonnes	**1.69**	1.58
Total packaging materials consumption intensity	tonnes/number of employees[4]	**0.0067**	0.0053

The Environment and Natural Resources

The provided information indicates that the daily operations of the Group do not result in significant depletion of natural resources or environmental resources. However, it is essential to emphasise that the Group firmly believes that corporate development should not be pursued at the expense of the environment. In line with this commitment, the Group proactively minimises its carbon footprint by continuously monitoring resource usage and strictly adhering to applicable environmental regulations. By prioritising sustainability and adopting a responsible approach to resource management, the Group ensures that its operations align with environmental preservation goals while promoting long-term ecological well-being.

Climate Change

The Group annually reviews and identifies the climate-related risk while conducting the risk assessment. We have considered the potential climate-related dangers in respect of the recommendations of the Task Force on Climate-related Financial Disclosure (TCFD), which are the physical risks like extreme weather conditions and sustained elevated temperature, as well as transition risks, such as regulatory change on environmental matters, and summarised below:

Risk Type	Risks	Potential Financial Impact	Short (current reporting period)	Medium (1–3 years)	Long (4–10 years)	Mitigation Strategy
Physical Risks	• Extreme weather conditions such as flooding and typhoon • Sustained elevated temperature	• Reduced revenue from business and supply chain disruptions • Increased cost related to the rising need for cooling	✔	✔		• Located our offices in cities where the occurrences of extreme weather conditions are relatively rare • Established adverse weather condition policy • Adopted energy conservation measures to avoid overconsumption of natural resources
Transition Risks	• Changes in environmental-related regulations	• Higher operating costs to adopt new practices		✔	✔	• Continue to monitor the regulatory environment to ensure that the Group complies with the environmental related laws and regulations

SOCIAL

Employment and Labour Standards

For the Group, constructing a meaningful relationship with its employees, who are the internal stakeholders, is deemed equally necessary as attracting new customers for business, and so is encouraging the employees to shape their competitive edge. As an information technology solution and cloud services provider, the Group understands that employees with sophisticated technology knowledge are essential assets.

As a responsible corporate citizen who genuinely cares for its employees, the Group strictly abides by all applicable laws and regulations related to employment, including but not limited to the Labour Contract Law of the PRC (《中華人民共和國勞動合同法》), Labour Law of the PRC (《中華人民共和國勞動法》), Regulations on Paid Annual Leave of Employees (《職工帶薪年休假條例》), Law on the Protection of Women's Rights and Interests (《婦女權益保障法》), Law on the Protection of Disabled Persons (《殘障人保障法》), and Social Insurance Law in the PRC (《社會保險法》) and Provisions of the State Council on Working Hours of Workers and Staff (《國務院有關於職工工作時間的規定》). The Group guarantees that no employee is made to work against their will, as forced labour, or be subject to work-related coercion. The Group strictly opposes and prohibits any form of child and forced labour. The Human Resources Department will verify the actual age of the applicants by checking their identification documents during the recruitment process. If one in their probation period is found providing false information, termination of the contract without notice can result. Through the whistle-blowing mechanism, employees can voice out the injustice they face. For any reported cases, the Management will investigate the case immediately and take further follow-up actions if necessary. During the Reporting Period, the Group complied with all applicable labour laws and regulations.

The Group has established an Employee Handbook (員工手冊) and Human Resources and Salary Management (人力資源與薪資管理制度) to manage the staff recruitment, remuneration, working period, leave entitlement, pay rate, and compensation matters and procedures, to increase work efficiency and establish a uniform workflow.

The Group hopes to recruit the most talented and qualified from the job market, bring immense value to the business, and instil trust in its clients. The recruitment process is standardised based on the nature of the department: for positions related to technology, research and development, department heads conduct the first round of interviews, and the Human Resources Department is responsible for the second interview. Meanwhile, for positions related to operations and general business, the interview sequence is reversed. As such, it ensures that competitive candidates are not missed and that respective departments can screen for the most suitable candidates. Also, background checks are performed to ensure candidates have good attributes, and the subjective judgement of interviewers will not affect the selection process.

Competitive remuneration packages and benefits are provided to attract high-calibre talents and motivate existing employees. On top of the five statutory social insurances and one housing fund, employees are entitled to group accident insurance and reimbursement for work injury insurance. Employees who have worked for the Group for over a year are eligible for annual health checks. Employees are provided with essential statutory festive holidays, general holidays, marriage leave, maternity leave, paternity leave, and compassionate leave, with the standard of 5 workdays per week and 8 work hours per day. Continuous service and quarterly/annual bonuses are rewarded to employees based on individual performance. The Group performs appraisals to evaluate employees' quality of work outputs effectively, and they serve as essential bases for rewards and punishment, salary adjustment and promotion, and year-end bonuses. All departments perform appraisals quarterly, except Research and Development, which performs appraisals upon completion of individual projects. As such, the Group's expectations of its employees and the difficulties employees encounter are mutually communicated.

To foster a harmonious work culture and enhance team cohesion, the Group regularly organises regular activities for employees. Birthday parties are held quarterly to let employees celebrate with one another. Birthday gifts, such as quilts and thermal insulation cups, are given to employees. Basketball and Badminton gatherings are hosted after work to reduce pressure and build teamwork. On each Wednesday, afternoon snacks and treats are provided to employees for motivation. Moreover, each department reserves the funds for team building, further facilitating employee relationships.

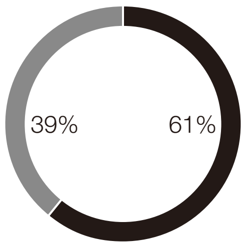
Total Number and Classification of Employees

As of 31 December 2023, the Group had a total of 253 (2022: 295) employees. The detailed employment information is as follows:

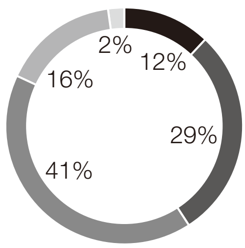
	Unit	**2023**	2022
Employees by Gender			
Male	person	**154**	183
Female	person	**99**	112
Employees by Age Group			
<25	person	**30**	50
25–29	person	**74**	93
30–39	person	**103**	118
40–49	person	**40**	30
≥50	person	**6**	4
Employees by Geographical Region			
Shenzhen	person	**188**	202
Dongguan	person	**1**	8
Shanghai	person	**29**	34
Wuhan	person	**35**	51
Employees by Employment Type			
Full Time	person	**247**	295
Part Time	person	**6**	0

The Group hires based on experience, expertise, and values, regardless of race, colour, creed, national origin, ancestry, sex, marital status, disability, religious or political affiliation, age, or sexual orientation. We formulate equal opportunities and diversity policies for all employees and are committed to building a diversified and inclusive working environment. During the Reporting Period, female employees accounted for approximately 39% of the total workforce within the Group. Being in the STEM sector, which is traditionally considered male-dominated, the Group values gender equality and will continue to strive for a more diversified workforce.

Distribution by Gender



Distribution by Age Group



Employee Turnover

As of 31 December 2023, the total employee turnover rate across the Group was 40%. The detailed turnover information is as follows:

	Unit	2023	2022
Employee Turnover Rate[5]			
Total employee turnover rate	%	**40**	37
Employees Turnover Rate by Gender			
Male	%	**48**	43
Female	%	**28**	28
Employees Turnover Rate by Age Group			
<25	%	**90**	60
25–29	%	**50**	34
30–39	%	**28**	33
40–49	%	**20**	30
≥50	%	**17**	0
Employees Turnover Rate by Geographical Region			
Shenzhen	%	**29**	37
Dongguan	%	**800**	75
Shanghai	%	**41**	35
Wuhan	%	**77**	33

5 Employee turnover rate by category = Total number of employees leaving employment by category during the financial year/Total number of employees by category at the end of the financial year × 100%.

Health and Safety

The Group acknowledges that employees' health and safety are pivotal and sincerely cares for their mental and physical health. Due to the Group's business nature, employees spend most of their work time in offices, resulting in a low chance of encountering work-related injuries. The Group recorded no work-related fatalities and lost days due to work injury during the last three reporting periods. In addition, the Group adheres to applicable laws and regulations regarding occupational health standards, including but not limited to the Law on the Prevention and Control of Occupational Diseases of the PRC (《中華人民共和國職業病防治法》), the Provisions on the Supervision and Administration of Occupational Health at Work Sites (《工作場所職業衛生監督管理規定》).

The Group purchased group accident insurance for employees, who are also entitled to work injury compensation claims. Employees who have worked for the Group for over a year are eligible for annual health checks. To maintain a healthy and pleasant work environment, which is indispensable for both employees' well-being and productivity, the Group has launched several measures, including maintaining the accessibility of emergency exits in offices, establishing a smoke-free workplace, inspecting fire drills and fire extinguishers regularly, and providing adequate illumination and suitable temperature in the offices. On the other hand, the Group strongly opposes any form of discrimination, harassment, and inappropriate conduct. The Group has listed the relevant misconducts in the Employee Handbook, reminding employees to stay well-mannered and respectful. To safeguard the employees further, the Group has set up whistle-blowing procedures so that any concerns about suspected misconduct, malpractice, or impropriety can be raised confidentially.

Leading a work-life balance lifestyle is beneficial to employees' well-being. Therefore, the Group regularly organises sports activities, such as after-work basketball and badminton gatherings, for the employees to train their physique and release work pressure. The Group also encourages employees to enrich their leisure activities and have a positive mindset. Thus, there are books and magazines available in the workplace for employees to borrow, with an initial lending period of 3 months.

The Group recommends that employees prioritise their personal and environmental well-being by adhering to the following practices: maintaining good personal hygiene, practising balanced nutrition, engaging in moderate exercise, ensuring adequate rest, and avoiding excessive fatigue. The workplace should also be ventilated adequately and personal safety measures should be observed diligently.

Development and Training

Rapidly identifying enterprises' needs and tailor-making solutions for them are the core business of the Group, which reckons the process depends on its employees' adaptability to the evolving technology. Given the rationale, continuous development and training of employees are significant for the Group to excel amongst competitors and ultimately to drive sustainable growth.

As outlined in Human Resources and Salary Management (人力資源與薪資管理制度), internal training can be classified into company level and department level. The former refers to training led by the Human Resources Department, while the latter implies training formed by departments. During the Reporting Period, internal training sessions given by experienced and managerial colleagues were available to employees at every level all year round. The scope of the training is diversified and divided into three main categories, which will be illustrated below with examples.

(1) Training to familiarise employees with policies and procedures within the Group

To enhance employees' understanding of our Group's policies and procedures, the Group held an array of internal training sessions on management structure, personnel system, salary management, and other related systems. These training sessions were conducted by respective managerial staff to ensure the training's credibility, efficacy, and quality.

(2) Training to enhance employees' product knowledge and latest technological information

The Group held numerous internal trainings on Surface Products, Citrix Products, Microsoft 365 Products, and PTC products to equip employees with the most updated technological information and sharpen their competitive edge.

The Group is devoted to providing well-rounded training for the employees. Frequent training and relevant seminars create a corporate learning culture, inspiring employees to be inquisitive and embrace life-long learning.

During the Reporting Period, the Group has provided 4,352 hours of training to 250 employees. 99%[6] of employees are being trained. The average training hours per employee is 17.20 hours[7]. The training details of the Group during the Reporting Period are as follows:

	Unit	**2023**	2022
Total Trained Employees	No.	**250**	276
	%	**99**	94
Percentage of Employees Trained by Employment Category[8]			
Management	%	**11**	9
Senior Employee	%	**16**	33
Junior Employee	%	**73**	58
Percentage of Employees Trained by Gender			
Male	%	**61**	66
Female	%	**39**	34
Average Training Hours by Employment Category[9]			
Management	hours/person	**8.00**	6.12
Senior Employee	hours/person	**5.85**	5.22
Junior Employee	hours/person	**20.98**	20.13
Average Training Hours by Gender			
Male	hours/person	**16.95**	16.76
Female	hours/person	**17.60**	18.47

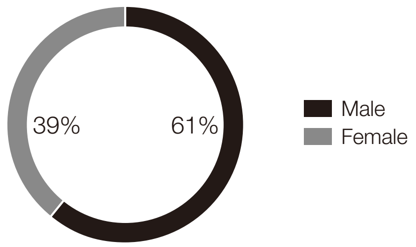
6 Total percentage of employees trained = Total number of employees trained during the financial year/Total number of employees at the end of the financial year × 100%.

7 Average training hours completed per employee = Total number of training hours completed during the financial year/Total number of employees at the end of the financial year.

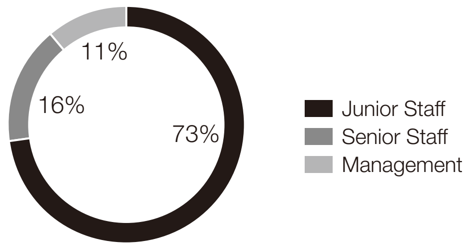
8 Percentage of employees trained = Number of employees trained by category during the financial year/Number of employees trained during the financial year.

9 Average training hours = Number of training hours completed by category during the financial year/Number of employees by category at the end of the financial year.

Distribution by Gender



Distribution by Employee Category



Supply Chain Management

The Group places great emphasis on the procurement principles. In purchasing materials, equipment and services, the Group promotes fair and open competition based on established procurement policies and procedures to ensure that the price, quality, delivery, and services align with the best economic benefits. As a responsible organisation, the Group adheres to the spirit of the contract and abides by the contract's principle, purpose, and content with the supplier. In return, the Group expects its suppliers to uphold the principles of integrity and pragmatism and provide products and services in compliance with all applicable laws and regulations.

To standardise the procurement procedures of products and services, the Group has adopted strict new supplier selection criteria in the Procurement and Payment Management System (採購至付款管理制度). It conducts ongoing assessments and regular inspections of our existing suppliers. Moreover, the suppliers, who are ranked in the top 30 in terms of frequency of transactions with the Group or transaction amount, are reviewed at least on an annual basis to ensure that product qualities, delivery schedule, after-sales service and environmental and social practices still exceed the Group's expectations.

Before cooperating with new suppliers, the purchasing agent will assess the supplier's capabilities based on their background information, professional qualifications, product and service quality, and reputation. Due to the Group's business nature, most purchases are classified into technology-related hardware and software. Therefore, professional qualifications such as relevant business licenses, certificates of authorisation, and ISO System Certifications are especially crucial for suppliers. Issues such as human rights management adopted by the suppliers and environmental protection are considered in the selection process. In addition, the suppliers are reviewed annually to ensure that product qualities, delivery schedule, after-sales service, and environmental and social practices exceed the Group's expectations. The qualified suppliers are included in the Approved Vendor List (合格供應商名單) upon the Procurement Department Manager's approval.

As of 31 December 2023, the Group has 819 (2022: 813) suppliers. Among them, 622 (2022: 616) suppliers are in the PRC. The remaining 197 (2022: 197) suppliers are in Hong Kong. As mentioned earlier, the Procurement and Payment Management System was applied to all Group suppliers during the Reporting Period.

Product and Service Responsibility

The Group emphasises the importance of reliable products and services with high quality. It is committed to improving the quality of its core business: cloud services and integrated information technology solutions. The quality control system is classified into two main components: service quality and product quality. Meanwhile, the Group's products and services, such as software and cloud services, are intangible goods delivered virtually. Thus, they are not subject to direct health and safety concerns and are seen as less likely to harm and/or threaten customers physically.

For product quality control, the Group follows the supplier management process of ISO 9001 to manage the quality of suppliers and subcontractors. The product quality control team is responsible for inspecting IT products procured from suppliers and sold to customers and for quality control of the procurement, storage, and sales of the hardware. The Group also regularly evaluates suppliers' performance quality and is open to forming partnerships with new potential suppliers. In addition, the relevant suppliers have warranted hardware and software products used in the Group's IT services for around 12 to 36 months. If any defects are found, such suppliers will be liable, and customers may contact them directly to replace the hardware or software.

Service quality is highly dependent on highly qualified technicians who master the operation of significant products and are proficient in the business model of the downstream industries of the IT solution services industry. During the Reporting Period, the Group has achieved the qualified status of six Microsoft License Partners (LSP) through the Microsoft Cloud Partner Program (MCPP), highlighting our cloud capabilities. In addition, the Group firmly encourages its employees to obtain professional qualifications, especially in software and technical engineering positions. During the Reporting Period, various employees within the Group held certificates and qualifications awarded by renowned units, including but not limited to Microsoft Azure Data Engineer Associate, Microsoft Certified Azure Solutions Architect Expert, Citrix Virtualization Certified Associate, and ITIL Foundation Certificate. The Group believes that employees' knowledge enhancement will contribute to better identification of clients' needs and provision of IT solutions.

Complaints and Responses

The Group takes all customer feedback and complaints seriously and will ensure immediate follow-up actions are taken upon receiving complaints. Employees from the Sales Department are responsible for recording and tracking the progress of complaint handling. The employee liable for a complaint investigates the issues and implements corrective actions. The process and measures taken are documented in the Client Complaints Form for the review of the Sales Department Director. The Group did not record product and service-related complaints during the Reporting Period.

Intellectual Property

The core business of the Group includes cloud services and software development, rendering intellectual property a pivotal part of the Group's business cycle. Externally, the Group strictly complies with "Trademark Law" (《中華人民共和國商標法》), "Patent Law" (《中華人民共和國專利法》), and the "Civil Code" (《中國民典法》) in the PRC. Internally, the Group has adopted Intellectual Property and Trademark Management System (知識產權及商標管理制度) to monitor and standardise the management of trademarks, domains, copyrights, and patents. During the Reporting Period, the Group did not receive any material claim against itself for infringement of any intellectual property right, nor was it aware of any pending or threatened claims about any such breach.

Computer software programs developed by the Group are critical intangible assets. After the Research and Development Department complete the development of new software, the Group will seek a third-party intellectual property agent for the registration of Computer Software Copyright (計算機軟件著作權) at the Copyright Protection Centre of China (中國版權保護中心), which serves as the only national copyright registration institution in the PRC. Internally, the Group has adopted the List of Computer Software Copyright (公司著作權清單) to record the successfully registered copyrights and respective details, including development and approval dates, registration numbers. Currently, the Group owns more than 125 Computer Software Copyrights, with each software's development date and owner stated. Regulations on the Protection of Computer Software (《計算機軟件保護條例》) and Measures for the Registration of Computer Software Copyright (《計算機軟件著作權登記辦法》) are applicable regarding software copyright issues in the PRC. The Group, a registered software owner, is entitled to several exclusive rights: the right to reproduce, the right to distribute copies to the public by license, sale or otherwise, and the right to create derivative or modified versions, to name a few. Once the Group disputes software ownership, the copyrights provide rationales for the Group's self-defence, protecting the Group from potential litigation and lawsuits. When unauthorised copying of software or infringement is found, relevant laws and regulations lay grounds for the Group to protect the source and object code, as well as certain unique original elements of the user interface.

Internally, the Group has established guidelines for handling confidential materials, such as the information technology solutions drafted for its clients. Under the Group's current Confidentiality Management System (保密管理辦法), there are three fixed durations of the confidentiality obligations. The information technology solutions and technical secrets, which have not been made public, are entitled to a confidentiality term of 30 years. Thus, employees understand that the production, transfer, usage, and disposal of these materials are restricted and regulated by specific rules. As such, the chance of accidental leakage of the Group's intellectual property can be minimised.

Concerning advertising and labelling matters, the Group adheres to the "Advertising Law" (《廣告法》) of the PRC. As an IT solutions and cloud services provider, the Group does not have material issues concerning advertising and labelling matters. Currently, the Group provides complete, true, accurate, and clear information on the services and products in dealing with its clients. On top of that, the Board is liable for ensuring that the Group does not publish or publicly distribute advertisements that misrepresent the information.

Privacy Protection

The Group dramatically values the privacy protection of its existing clients and asserts that safeguarding the data being handled and processed will contribute to its reputation in the market. A good reputation, in return, will instil trust in its potential clients and usher in sustainable business growth. On the other hand, since small to medium enterprises are often the Group's clients, the Group acknowledges the social responsibility and commits to enhancing privacy protection.

The Group strictly adheres to applicable laws and regulations, including but not limited to the "Information Security Technology – Personal Information Security Specification" (《信息安全技術個人信息安全規範》), the "Personal Information Protection Law" (《中華人民共和國個人信息保護法》), and the "Network Security Law" (《中華人民共和國網絡安全法》). The Group also obtained ISO 27001 and ISO 20000-1 under the Information Security Management System (ISMS) standards. During the Reporting Period, the Group has complied with all applicable laws and regulations relating to information security in the PRC.

Under the Group's current "Confidentiality Management System" (《保密管理辦法》), Customer Relationship Management ("**CRM**") information is under confidentiality of infinite duration. The CRM system implemented is a customer database to enhance sales and marketing efficiency to target customers, including personal information and purchasing histories. Without the approval of the Chief Executive Officer, no one is permitted to copy or scan any information in the Group's CRM system or verbally communicate to unauthorised parties. If exposure to sensitive data is found, the responsible personnel is subjected to penalties such as warnings, termination of contract, or even transfer to the judiciary. Employees shall undertake the obligation to keep such as warnings, termination of contract or may face legal action. Employees shall be obligated to keep such information confidential per the scope agreed upon in the internal documents. In addition, the Group adopted the "Data Protection Regulation" (《個人信息管理制度》), which outlines the authorised parties for accessing personal data and the controls to prevent excessive collection and usage of protected personal data. Contingency plans for data leakage highlight that the response speed must be within the designated time for both critical and minor incidents. The Group believes that prompt handling and investigation are necessary for privacy protection.

Improving Network Security Management

In terms of network security, the Group uses ISS Crypto to turn on or off protocols, cyphers, hashes, and key exchange algorithms for a safer online experience. The Group has also developed a series of network security management, including prohibiting employees from browsing or logging on unknown and unsafe websites, requiring complication and frequent renewal for passcodes, banning the usage of personal email accounts in offices, and forbidding the downloads of unknown email attachments. As such, the Group believes related measures will reduce its risk of cyberattack exposure.

Anti-corruption

The Group strictly complies with all applicable laws and regulations regarding anti-corruption, including "Anti-Money Laundering Law of the PRC" (《中華人民共和國反洗錢法》), the "Anti-Unfair Competition Law of the PRC" (《中華人民共和國反不正當競爭法》), and the "Criminal Law of the PRC" (《中華人民共和國刑法》). As part of the commitment, all bribery and corruption are despised and will not be tolerated.

The Group has established two crucial policies to ensure ethical conduct within its operations: the Edensoft Software Employee Anti-Corruption Compliance Manual (伊登軟件員工反腐敗合規手冊) and the Anti-Fraud, Anti-Money Laundering, and Terrorist Financing Policy (反舞弊、反洗錢及恐怖分子資金籌集政策). These policies offer comprehensive guidance to employees, encompassing various provisions, including, but not limited to, the following:

- Employees are prohibited from accepting gifts or benefits beyond standard business hospitality;
- Employees must not offer bribes to obtain or retain business; and
- Falsifying documents and providing false accounting records are strictly forbidden.

A three-tier organisational structure has been established to ensure effective compliance, consisting of the Board of Directors, the Anti-Corruption Compliance Management Department, and compliance contact persons within each department and branch. This structure enables timely and effective supervision, inspection, evaluation, and assessment of the implementation of anti-corruption compliance policies and procedures by the unit and its staff. In addition, the Employee Handbook (員工手冊) clearly prohibits any fraudulent or unfaithful conduct, such as embezzlement of company funds, misappropriation of company assets, improper reimbursement of expenses, and similar actions.

During the Reporting Period, the Group held 2 quarterly anti-corruption compliance training sessions for our employees and directors conducted by external professionals such as law firms. These trainings enhance their understanding of the anti-corruption regulatory and disclosure responsibilities of listed companies in Hong Kong.

The Group values and welcomes our employees to report any suspected malpractices confidentially via email or phone to Executive Directors or Independent Non-Executive Directors for whistleblowing. A full investigation will then be conducted, and reports will be presented to the Board. Disciplinary action will be applied to the relevant employees upon confirmation of the occurrence.

During the Reporting Period, the Group was not involved in any legal cases regarding corruption and was not aware of any bribery, extortion, fraud, money laundering, or other violations.

Community Investment

The Group is firmly committed to upholding its corporate social and environmental responsibilities, acknowledging the significance of public welfare as a cornerstone of its organisational culture. Although the ongoing repercussions of the COVID-19 pandemic have temporarily impeded the Group's capacity to carry out public welfare activities during the current Reporting Period, our unwavering dedication remains intact to actively contribute to the advancement of our community in the future. Our focal points encompass education, environment, and culture, wherein our objective is to effectuate a beneficial change. The Group will proactively explore opportunities within local communities to allocate resources and involve our employees in meaningful community service initiatives. Through these endeavours, we endeavour to foster robust connections with the community, promote social well-being, and establish a lasting positive influence.

Award and Recognition

During the reporting period, the Group has received several certificates and awards that demonstrate its recognition and approval by relevant national departments or international organisations for its exceptional scientific and technological innovation, robust market competitiveness, and impressive growth. The following list presents the awards and recognitions obtained:

Certificate of National High-tech Enterprise

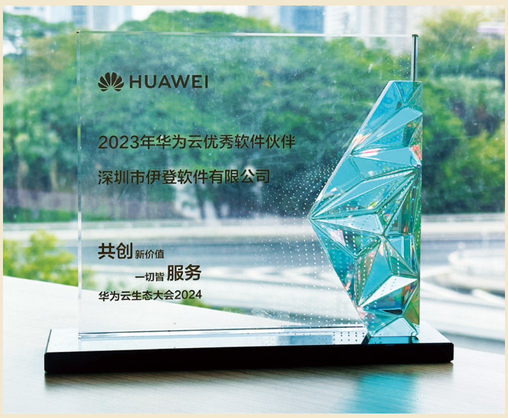
CMMI Level 3 Certification

2022 "Excellence in Talent Award"

2022 Technology and Innovation Award

Certificate of the first "Technology Innovation China Construction Service Committee" – Director Unit of Digital and Fashion Special Committee

Kylinsoft Outstanding Partner of the Year 2022



2023 Huawei Cloud Excellent Software Partner

Huawei Cloud "Specialised Partner" of the Year 2022

Certificate of Honor for "Huawei Cloud Innovation Center Outstanding Service and Delivery Partner"

Shenzhen Futian District 23rd "Fixed Contribution Award"

Shenzhen Futian District 23rd "High Growth Star"

aws
PARTNER
Solution Provider

Certification of AWS Solution Provider Program

HKEX ENVIRONMENTAL, SOCIAL AND GOVERNANCE GUIDE CONTENT INDEX

Aspect	Description	Chapter/Section
A. Environmental		
A1 Emissions		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Overview
KPI A1.1	The types of emissions and respective emissions data.	Air Emissions
KPI A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Greenhouse Gases Emissions
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Hazardous Waste
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Non-hazardous Waste Measures to Reduce Waste Generation and Emissions
KPI A1.5	Description of emissions target(s) set and steps taken to achieve them.	Measures to Reduce Waste Generation and Emissions
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	Measures to Reduce Waste Generation and Emissions

Aspect	Description	Chapter/Section
A2 Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Overview
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in ’000s) and intensity (e.g. per unit of production volume, per facility).	Use of Resources
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Water Usage
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Use of Energy Efficiency
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	Water Usage
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Packaging Material
A3 The Environment and Natural Resources		
General Disclosure	Policies on minimising the issuer’s significant impact on the environment and natural resources.	The Environment and Natural Resources
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	
A4 Climate Change		
KPI A4.1	Description of the significant climate-related issues which have impacted, the issuer, and the actions taken to manage them.	Climate Change

Aspect	Description	Chapter/Section
B. Social		
B1 Employment		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Employment and Labour Standards
KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	Employment and Labour Standards
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Employment and Labour Standards
B2 Health and Safety		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Health and Safety
KPI B2.1	Number and rate of work-related fatalities.	Health and Safety
KPI B2.2	Lost days due to work injury.	Health and Safety
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	Health and Safety

Aspect	Description	Chapter/Section
B3 Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work.	Development and Training
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Development and Training
KPI B3.2	The average training hours completed per employee by gender and employee category.	Development and Training
B4 Labour Standards		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Employment and Labour Standards
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	Employment and Labour Standards
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	Employment and Labour Standards
B5 Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Supply Chain Management
KPI B5.1	Number of suppliers by geographical region.	Supply Chain Management
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	Supply Chain Management

Aspect	Description	Chapter/Section
B6 Product and Service Responsibility		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Product and Service Responsibility
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Product and Service Responsibility
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	Complaints and Responses
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Intellectual Property
KPI B6.4	Description of quality assurance process and recall procedures.	Product and Service Responsibility
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Privacy Protection Improving Network Security Management

Aspect	Description	Chapter/Section
B7 Anti-corruption		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Anti-corruption
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Anti-corruption
KPI B7.2	Description of preventive measures, how they are implemented and monitored.	Anti-corruption
B8 Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Community Investment
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Community Investment
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	Community Investment

CORPORATE GOVERNANCE PRACTICES

The Company is committed to achieving and maintaining high standards of corporate governance to safeguard the stakeholders' interests and to enhance their confidence and support. The Board of the Company is pleased to report that for the year ended 31 December 2023, the Company has adopted and complied with the code provisions of the Corporate Governance Code ("**CG Code**") in force as set out in Appendix C1 to the Listing Rules except the deviation from CG Code provision C.2.1 as discussed in the paragraph headed "Chairman and Chief Executive" below in this Corporate Governance Report. The Board will review and continue to enhance the Company's corporate governance standards as the Directors and the management of Group recognise the significance of sound corporate governance to the long-term and continuing development of the Group. The Board is committed to upholding good corporate standards and procedures for the best interests of the Shareholders.

CHAIRMAN AND CHIEF EXECUTIVE

CG Code provision C.2.1 stipulates that the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. Since the Listing Date, Ms. Ding Xinyun has been acting as both the chairman of the Board and the chief executive officer of the Company. In the view that Ms. Ding is one of the founders of the Group and has been operating and managing Eden Information, the major operating subsidiary of the Company since November 2002, the Board believes that vesting of both the roles of chairman and chief executive officer in Ms. Ding is beneficial to the business operations and management of the Group and will provide a strong and consistent leadership to the Group. The Directors will continue to review and consider splitting the roles of chairperson and chief executive officer of the Company at a time when it is appropriate and suitable by taking into account the circumstances of the Group as a whole.

THE BOARD

Responsibilities, Accountabilities and Contributions of the Board

The Board has the responsibility for leadership and control of the Group. The Directors are collectively responsible for promoting the success of the Group by directing and supervising the Group's affairs. The Board is accountable to the Shareholders for the strategic development of the Group with the goal of maximising long-term shareholder value, while balancing broader stakeholder interests. The Board has delegated the day-to-day responsibilities to the executive Directors and senior management of the Company who will meet regularly to review the financial results and performance of the Group as well as to make financial and operational decisions for the implementation of strategies and plans approved by the Board.

The Board is also responsible for communicating with shareholders and regulatory bodies and, where appropriate, making recommendations to the Shareholders on final dividends and approving the declaration of any interim dividend.

The Company has arranged appropriate insurance coverage on the liabilities of the Directors in respect of any legal actions taken against the Directors arising out of corporate activities. The insurance coverage is reviewed on an annual basis.

Corporate Governance Functions

The Board is responsible for, among others, performing the corporate governance duties as set out in the code provision A.2.1 of the CG Code, which includes:

(a) to develop and review the Group's policies and practices on corporate governance and make recommendations;

(b) to review and monitor the training and continuous professional development of the Directors and senior management;

(c) to review and monitor the Group's policies and practices on compliance with legal and regulatory requirements;

(d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to the Directors and employees; and

(e) to review the Group's compliance with the CG Code and disclosure in the corporate governance report.

The Company will continue to review and enhance its corporate governance practices to ensure compliance with the CG Code.

COMPOSITION OF THE BOARD

The Board currently consists of five members including two executive Directors and three independent non-executive Directors. In compliance with Rules 3.10 and 3.10A of the Listing Rules, the Company has appointed three independent non-executive Directors, representing more than one-third of the Board and at least one of them has appropriate professional qualifications, or accounting or related financial management expertise. The Board is of the view that the Board comprises members with diversified background and industry expertise to oversee and operate the Company efficiently and safeguard the interests of various stakeholders of the Company.

Executive Directors

Executive Directors are responsible for making major decision, formulating the Group's overall strategic plan, overseeing the Group's overall business development and setting policy. They are also responsible for ensuring proper risk management and internal control systems are in place and the Group complies with applicable laws and regulations.

Executive Directors

Ms. Ding Xinyun *(Chairman & Chief Executive Officer)*
Ms. Li Yi

Independent Non-Executive Directors

Independent non-executive Directors are responsible for supervising and providing independent judgment to the Board.

Independent Non-Executive Directors

Mr. Leung Chu Tung
Ms. Zhu Weili
Mr. Hou Hsiao Wen

All independent non-executive Directors are professionals with well recognised experience and expertise to bring valuable advice to the Board. Mr. Leung Chu Tung possesses the appropriate professional qualifications, accounting and related financial management expertise as required under Rule 3.10(2) of the Listing Rules. None of the independent non-executive Directors has any business or financial interests with the Company and all independent non-executive Directors confirmed their independence to the Group as at 31 December 2023 in accordance with Rule 3.13 of the Listing Rules. The Company considered all the independent non-executive Directors to be independent in accordance with the independence requirements set out in Rule 3.13 of the Listing Rules.

The Company has established a mechanism to ensure independent views and input are available to the Board through the external independent professional advice from legal advisers and auditor, as well as the full attendance of all INEDs at all the meetings of the Board and its relevant committees. The Board reviews the implementation and effectiveness of the aforementioned mechanisms on an annual basis.

RELATIONSHIP AMONG BOARD MEMBERS

There is no financial, business, family or other material or relevant relationship among members of the Board. The biographical details of each of the Directors are set out in the section headed “Biographical details of Directors and Senior Management” of this annual report.

BOARD DIVERSITY POLICY

Pursuant to Rule 13.92 of the Listing Rules, the Company is required to adopt a board diversity policy. The Board has adopted the board diversity policy (the “**Board Diversity Policy**”) on 14 April 2020 with an aim to achieve diversity in the Board in order to have a balance of skills, experience and diversity of perspectives in accordance with the business nature of the Company. In designing the Board’s composition, board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. All Board appointments will be based on meritocracy, and candidates will be considered against selection criteria. The Board Diversity Policy will be reviewed annually from time to time by the Nomination Committee, and where appropriate, revisions will be made with the approval from the Board.

The Board comprises of five members, including two female executive Directors and one female independent non-executive Directors. The Directors also have a balanced mix of knowledge and experience in the areas of integrated IT solution and cloud services, legal, finance and accounting. None of the Directors is related to one another. The three independent non-executive Directors have different industry backgrounds, representing more than one-third of the members of the Board.

The Group recognises the importance of diversity and has a diverse workforce in terms of gender, providing a variety of ideas and levels of competency that contribute to the Group’s success. In the hiring process, the Group takes into account a number of measurable factors, including but not limited to gender, age, cultural and educational background, ethnicity, professional specialisation, experience, skills, knowledge and other qualifications. Appointment of candidates is solely based on meritocracy, and candidates will be considered against objective criteria, having due regards for the benefits of diversity in the Group. As of 31 December 2023, the gender ratio of the Group’s workforce is 61% male and 39% female. Overall, the Board considers the recruitment strategy adopted by the Group is effective and adequate.

BOARD MEETINGS

Pursuant to code provision C.5.1 of the CG Code, the Board should meet regularly and Board meetings should be held at least four times a year. Additional meeting would be arranged if and when required. Directors may participate either in person or through electronic means of communications. Directors are free to contribute and share their views at meetings and major decisions will only be taken after deliberation at Board meetings. Directors who are considered to have conflict of interests or material interests in the proposed transactions or issues to be discussed will not be counted in the quorum of meeting and will abstain from voting on the relevant resolutions. Full minutes are prepared after the meetings and the draft minutes are sent to all Directors for their comments on the final version of which are endorsed in the subsequent Board meeting.

During the year ended 31 December 2023, five Board meetings were held and the attendance records are as follows:

Name of Directors	Meetings attended/ Meetings held during his/her tenure
Executive Directors	
Ms. Ding Xinyun	5/5
Ms. Li Yi	5/5
Independent Non-executive Directors	
Mr. Leung Chu Tung	5/5
Ms. Zhu Weili	5/5
Mr. Hou Hsiao Wen	5/5

GENERAL MEETING

During the year ended 31 December 2023, one general meeting of the Company was held and the attendance records are as follows:

Name of Directors	Meetings attended/ Meetings held during his/her tenure
Executive Directors	
Ms. Ding Xinyun	1/1
Ms. Li Yi	1/1
Independent Non-executive Directors	
Mr. Leung Chu Tung	1/1
Ms. Zhu Weili	1/1
Mr. Hou Hsiao Wen	1/1

APPOINTMENT, RE-ELECTION AND REMOVAL OF DIRECTORS

The Company established its Nomination Committee on 14 April 2020. The Nomination Committee has from time to time identified individuals suitably qualified to become Board members and make recommendations to the Board.

Each of the executive Directors and independent non-executive Directors has entered into a contract of appointment with the Company, which may be terminated on whichever is earlier of (i) the date of expiry of the term; (ii) removal of a director for any reason pursuant to the Articles of Association or any other applicable law; or (iii) either the Company or the Director giving to the other not less than one month's notice in writing in accordance with the term of the contract.

In accordance with Article 108 of the Articles of Association, at each annual general meeting, one-third of the Directors for the time being, or, if the number is not three or a multiple of three, the number nearest to but not less than one-third, shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. In addition, according to Article 112 of the Articles of Association, any Director appointed by the Board to fill casual vacancy or as an addition to the existing Board shall hold office only until the first annual general meeting of the Company and shall then be eligible for re-election at such meeting but shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at such meeting.

NOMINATION POLICY

The Board has adopted a nomination policy (the "**Nomination Policy**") on 14 April 2020 which sets out the criteria and process in the nomination and appointment of the Directors, aiming to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the Company and to ensure the Board's continuity and appropriate leadership. The Nomination Committee shall identify candidates who are qualified/suitable to become a member of the Board and to make recommendations to the Board on the selection of candidates nominated for directorships. The selection of candidates will be based on a range of selection criteria as set out in the Nomination Policy, including but not limited to, character and integrity, qualification, potential contributions the candidate can bring to the Board in terms of qualifications, skill, experience, independence and gender diversity, and the candidate's willingness and ability to devote adequate time to discharge duties as a member of the Board.

For the appointment of Directors, the Nomination Committee will first identify individual(s) suitably qualified to become Board members and assesses the independence of the proposed independent non-executive Director(s). Then, the Nomination Committee will make recommendation to the Board for the Board to consider, having regard to the Board Diversity Policy and the Nomination Policy. The Board will confirm the appointment of the suitable candidate or recommend the candidate to stand for election at a general meeting of the Company. The candidate(s) who is/are appointed by the Board to fill a casual vacancy or as an addition to the Board will be subject to re-election by shareholders of the Company at the next annual general meeting after initial appointment in accordance with the Articles of Association.

For the re-appointment of Directors, the Nomination Committee will also consider the retiring Directors based on the Board Diversity Policy and the Nomination Policy, and assess their independence before the Nomination Committee makes recommendation to the Board to consider. After the Board considers each retiring director, the Board will recommend the suitable retiring Director(s) to stand for re-election at the annual general meeting in accordance with the Articles of Association. The Shareholders will approve the re-election of directors at the annual general meeting.

The Nomination Committee shall review the structure, size, composition (including skills, knowledge, experience and length of service) of the Board on a regular basis at least annually and diversity of the Board to ensure that it has a balance of expertise, skills and experience and diversity of perspective appropriate to the requirements for the business of the Company.

BOARD COMMITTEES

The Board has established three Board committees, namely, the Remuneration Committee, the Nomination Committee and the Audit Committee, in compliance with the Listing Rules and for overseeing particular aspects of the Company's affairs. All Board committees have been established with defined written terms of reference, which are posted on the HKEx website and on the Company's website at www.edensoft.com.cn. All the Board committees should report to the Board on their decisions or recommendations.

Remuneration Committee

The Remuneration Committee was established on 14 April 2020 with its terms of reference in compliance with the code provision E.1.2 of the CG Code. The Remuneration Committee consists of three members, namely, Ms. Zhu Weili, Mr. Leung Chu Tung and Mr. Hou Hsiao Wen, all being independent non-executive Directors. Ms. Zhu Weili currently serves as the chairman of the Remuneration Committee.

The Remuneration Committee has been charged with the responsibility of making recommendations to the Board on the Company's policy and structure for the remuneration of all Directors and senior management of the Company and on the establishment of a formal and transparent procedure for developing remuneration policy. With reference to the terms of reference of the Remuneration Committee, the duties of the Remuneration Committee, among others, are as follows:

(a) to review and make recommendations to the Board on the Company's policy and structure for remuneration of the Directors and senior management of the Company;

(b) to make recommendations to the Board on the remuneration packages of individual executive Directors and senior management of the Group;

(c) to make recommendations to the Board on the remuneration of non-executive Directors;

(d) to review and approve compensation payable to executive Directors and senior management of the Group for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive with the market practice;

(e) to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate; and

(f) to review and/or approve matters relating to share schemes under Chapter 17 of the Listing Rules, including any grants of options or awards to Directors or senior management, and to make disclosure and give explanation on the appropriateness to such material matters (if any) being approved in the corporate governance report.

The Remuneration Committee held two meetings during the year ended 31 December 2023 to determine the policy for the remuneration of executive Directors, assess performance of executive Directors and review matters relating to share schemes under Chapter 17.

During the year ended 31 December 2023, two Remuneration Committees' meetings were held and the attendance records are as follows:

Name of Directors	**Meetings attended/ Meetings held during his/her tenure**
Independent Non-executive Directors	
Ms. Zhu Weili *(Chairman)*	2/2
Mr. Leung Chu Tung	2/2
Mr. Hou Hsiao Wen	2/2

Nomination Committee

The Nomination Committee was established on 14 April 2020 with its terms of reference in compliance with the code provision B.3.1 of the CG Code. The Nomination Committee comprises Ms. Ding Xinyun, Mr. Leung Chu Tung and Ms. Zhu Weil, comprising one executive Director and two independent non-executive Directors. Ms. Ding Xinyu, the chairman of the Board, currently serves as the chairman of the Nomination Committee.

With reference to its terms of reference, the primary duties of the Nomination Committee, among others are as follows:

(a) to formulate nomination policy for the Board's consideration and implement the Board's approved nomination policy;

(b) to review the structure, size, composition and diversity (including the skills, knowledge, experience and length of service) of the Board with the Board Diversity Policy at least annually, and to make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

(c) to identify individuals suitably qualified to become members of the Board and select or make recommendations to the Board on the selection of individuals nominated for directorship and senior management for the Board's approval;

(d) to assess the independence of independent non-executive Directors and to review the independent non-executive Directors' annual confirmations on their independence; and to make disclosure of its review results in the corporate governance report;

(e) to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular, the chairman and the chief executive of the Company; and

(f) to review the Board Diversity Policy and the progress on achieving the objectives set for implementing the said Policy.

During the year ended 31 December 2023, two Nomination Committees' meetings were held and the attendance records are as follows:

Name of Directors	Meetings attended/ Meetings held during his/her tenure
Executive Directors	
Ms. Ding Xinyun *(Chairman)*	2/2
Independent Non-executive Directors	
Mr. Leung Chu Tung	2/2
Ms. Zhu Weili	2/2

Audit Committee

The Audit Committee was established on 14 April 2020 with its terms of reference in compliance with the Listing Rules. The Audit Committee consists of three members, namely, Mr. Leung Chu Tung, Ms. Zhu Weili and Mr. Hou Hsiao Wen, all being independent non-executive Directors. Mr. Leung Chu Tung currently serves as the chairman of the Audit Committee.

With reference to the terms of reference of the Audit Committee, the primary duties of the Audit Committee, among others, are as follows:

(a) to be primarily responsible for making recommendations to the Board on the appointment, re-appointment and removal of the Company's external auditor, and to approve the remuneration and terms of engagement of the Company's external auditor;

(b) to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with the applicable standards;

(c) to develop and implement policy on engaging the Company's external auditor to supply non-audit services;

(d) to monitor integrity of the Company's financial statements and the annual report and accounts, half-year reports and accounts, and to review significant financial reporting judgments contained in them;

(e) to discuss the risk management and internal control systems with management of the Group to ensure that the management of the Group has performed its duty to have effective systems; and

(f) to review the financial and accounting policies and practices of the Group, to provide advice and comments to the Board on matters related to corporate governance and to ensure compliance with the laws and regulations relevant to the Group.

Besides, whistle-blowing policy is established to provide reporting channels and guidance for employees and related third parties who have business dealings with the Group (e.g. customers and suppliers) to raise concerns, in confidence and anonymity, about any suspected misconduct or malpractice within the Company. The Audit Committee, delegated by the Board, shall ensure that proper arrangements are in place for fair and independent investigation of any concerns raised, appropriate follow up actions are taken and other recommendations are provided, if thinks fit.

The Company has complied with Rule 3.21 of the Listing Rules that at least one of the members of the Audit Committee (which must comprise a minimum of three members and must be chaired by an independent non-executive Director) is an independent non-executive Director who possesses appropriate qualifications or accounting or related financial management expertise.

Two Audit Committee meetings were held during the year ended 31 December 2023 to discuss and review the consolidated interim results and annual results of the Group and to plan for the 2023 annual audit. The Audit Committee has also reviewed the risk management and internal control systems of the Group the effectiveness of the Group's internal audit function, as well as the continuing connected transaction(s) entered into by the Group as disclosed in the section headed "Report of the Directors" of this annual report (if any). The Audit Committee was of the opinion that the consolidated financial statements of the Group for the year ended 31 December 2023 had complied with applicable accounting standards and the Listing Rules and that adequate disclosures have been made. There is no disagreement between the Directors and the Audit Committee regarding the selection and appointment of the external auditor. The Audit Committee has recommended to the Board that Ernst & Young be nominated for re-appointment as the independent auditor of the Company at forthcoming annual general meeting of the Company.

During the year ended 31 December 2023, the attendance record of the Audit Committees' meetings of each member are set out below:

Name of Directors	**Meetings attended/ Meetings held during his/her tenure**
Independent Non-executive Directors	
Mr. Leung Chu Tung *(Chairman)*	2/2
Ms. Zhu Weili	2/2
Mr. Hou Hsiao Wen	2/2

ACCOUNTABILITY AND AUDIT

The Directors acknowledged their responsibilities to prepare the consolidated financial statements of the Group and other financial disclosure required under the Listing Rules and the management has provided such explanation and information to the Board to enable it to make an informed assessment of the financial and other Board decisions. As at 31 December 2023, the Board was not aware of any material uncertainties relating to events or conditions that might cast significant doubt upon the Group's ability to continue as a going concern. The Directors believed that they have selected suitable accounting policies and applied the consistently, made judgement and estimates that are prudent and reasonable and ensured the consolidated financial statements are prepared on a going concern basis.

The responsibility of the external auditor is to form an independent opinion based on their audit on the consolidated financial statements prepared by the Board and to report their opinion to the Shareholders. The independent auditor's report by external auditor, Ernst & Young, about their reporting responsibility on the consolidated financial statements of the Group is set out in the independent auditor's report on pages 88 to 93 of this annual report.

DIRECTORS' TRAINING AND DEVELOPMENT

Pursuant to the code provision C.1.4 under Appendix C1 to the Listing Rules, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills. During the year ended 31 December 2023, all Directors, namely Ms. Ding Xinyun, Ms. Li Yi, Mr. Leung Chu Tung, Ms. Zhu Weili and Mr. Hou Hsiao Wen participated in continuing professional development regarding their duties and responsibilities as a director of a listed company by reading materials regarding anti-bribery and integrity of Directors and Listing Rules compliances. The Group will from time to time provide briefings to all Directors to refresh their duties and responsibilities. The Directors are also encouraged to attend relevant training courses provided by legal advisers and/or any appropriate institutions. During the year ended 31 December 2023, the key methods of attaining continuous professional development by each of the Directors are summarised as follows:

Name of Directors	Attending courses/seminars	Reading regulatory material
Executive Directors		
Ms. Ding Xinyun *(Chairman & Chief Executive Officer)*	✓	✓
Ms. Li Yi	✓	✓
Independent Non-Executive Directors		
Mr. Leung Chu Tung	✓	✓
Ms. Zhu Weili	✓	✓
Mr. Hou Hsiao Wen	✓	✓

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the required standard set out in the Appendix C3 of the Listing Rules as the code of conduct (the "**Code of Conduct**") regarding securities transactions by the Directors in respect of the Shares. The Company has made specific enquiry to all Directors and all of them confirmed that they have fully complied with the required standard of dealings set out in the Code of Conduct for the year ended 31 December 2023.

COMPANY SECRETARY

Ms. Mok Ming Wai has resigned and Ms. Peng has been appointed as the company secretary of the Company on 11 July 2023. Please refer to the section "Biographical details of Directors and Senior Management" in this annual report for her biographical information. During the year ended 31 December 2023, Ms. Peng has undertaken no less than 15 hours of relevant professional training in accordance with Rule 3.29 of the Listing Rules.

INDEPENDENT AUDITOR'S REMUNERATION

The amount of fees charged by the Company's external auditor, Ernst & Young, generally depends on the scope and volume of the external auditor's work performed. For the year ended 31 December 2023, the remuneration paid or payable to the external auditor of the Company, Ernst & Young, in respect of the audit and non-audit services were as follows:

Services rendered	Remuneration paid/ payable RMB'000
Audit services	
– Statutory audit services	1,030
Non-audit services	–

RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

The Board is responsible for evaluating and determining the nature and extent of the risks it is willing to take in achieving the strategic objectives of the Group and ensuring that the Group establishes and maintains appropriate and effective risk management and internal control systems.

The Group's risk management framework sets out the process of identification, evaluation and management of the principal risks affecting the business. The Group has adopted a set of internal control measures to address various potential operational, financial and legal risk identified in relation to the operation, including but not limited to procurement management, inventory management, information disclosure control, IT management and other various financial control and monitor procedures.

The Board is responsible for reviewing the effectiveness of the Group's risk management and internal control systems through regular meetings with the management. In addition, the Audit Committee with professional advices and opinions from the external internal control consultant of the Company is responsible for ensuring the sufficiency and effectiveness of the Group's risk management and internal control systems through regular inspection and monitoring. Ms. Li Yi, an executive Director, has been appointed as the compliance officer and is responsible for reviewing the compliance policies and procedures of the Group annually. Ms. Li will also be responsible for updating the compliance policies and procedures of the Group to ensure that they are up to date in accordance with the applicable regulatory requirements. The Group's risk management and internal control systems will be reviewed annually for the past financial year.

The Group has in place an anti-bribery and anti-corruption policy to safeguard against any corruption within the Group. The policy explains potential bribery and corruption conduct and the Group's anti-bribery and anti-corruption measures. The Group makes its internal reporting channel open and available for its employees to report any bribery and corruption acts, and its employees can also make anonymous reports to the compliance officer. The Group's compliance officer is reporting for investigating the reported incidents and taking appropriate measures in response to the relevant incidents, if any. To strengthen internal control of the Group in relation to anti-bribery and anti-corruption, the Group has also started to provide trainings of anti-bribery and anti-corruption to all its employees since August 2021 every quarter of the year.

The risk management framework, coupled with the internal controls, ensures that the risk associated with different divisions of the Group are effectively controlled and in line with the Group's appetite. However, the Group's risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objective, and can only provide reasonable and not absolute assurance against material misstatement or loss.

As the corporate and operation structure of the Group is relatively not complex and a separate internal audit department may divert resources of the Group, the Group currently does not have an internal audit department. However, the Group engaged an external internal control consultant, BT Corporate Governance Limited, to conduct a review on the internal control system of the Group during the year ended 31 December 2023. The review covered certain operational procedures and included recommendations for improvement and strengthening of the internal control system of the Group. No significant control failings or weakness have been identified by the external internal control consultant during the review.

The Board has conducted a review of the effectiveness of the internal control system for the year ended 31 December 2023 and considered the internal control system effective and adequate and no significant areas of concern which might affect shareholders were identified.

Handling and Dissemination of Inside Information

With respect to the handling and dissemination of inside information, the Group has adopted various procedures and measures on disclosure of inside information with an aim to ensure that the insiders abide by the confidentiality requirements and that inside information is to be disseminated to the public in equal and timely manner in accordance with the applicable laws and regulations. Such procedures include, among others, notification of regular blackout period and securities dealing restrictions to the Directors and employees, dissemination of information to specified persons on a need-to-know basis and use of identify projects.

DIVIDEND POLICY

The Company has set up a dividend policy (the "**Dividend Policy**") on 14 April 2020 with an aim to strike a balance between maintaining sufficient capital to develop and operate the business of the Group and rewarding the Shareholders of the Company. According to the Dividend Policy, in deciding whether to propose a dividend and in determining the dividend amount, the Board shall take into account the following factors:

(a) the financial results of the Group;

(b) the Shareholders' interests of the Company;

(c) general business conditions, strategies and future expansion needs of the Group;

(d) the Group's capital requirements;

(e) the payment by its subsidiaries of cash dividends to the Company;

(f) the possible effects on liquidity and financial position of the Group; and

(g) other factors the Board may deem relevant.

The declaration and payment of dividend by the Company is also subject to any restrictions under the Companies Laws of the Cayman Islands, any applicable laws, rules and regulations and the Articles of Association. The declaration and payment of future dividend under the Dividend Policy are subject to the Board's determination that the same would be in the best interests of the Group and the Shareholders of the Company as a whole. The Board will review the Dividend Policy from time to time and may exercise at its sole and absolute discretion to update, amend and/or modify the Dividend Policy at any time as it deems fit and necessary.

COMMUNICATION WITH AND RIGHTS OF THE SHAREHOLDERS

Communications with the Shareholders and Investor Relations

The Company has adopted a Shareholders' communication policy (the "**Shareholders' Communication Policy**") with the objective of ensuring that the Shareholders and potential investors are provided with ready, equal and timely access to balanced and understandable information about the Company (including the financial performance, strategic goals and plans, material developments, governance and risk profile), in order to enable the Shareholders to exercise their rights in an informed manner, and to allow the shareholders and potential investors to engage actively with the Company. In accordance with the Shareholders' Communication Policy, the Company has established a range of communication channels between itself and its Shareholders and potential investors. These include, information of the Company will be communicated to the Shareholders and potential investors mainly through the Company's financial reports (interim and annual reports), answering questions through the annual general meetings and other general meetings that may be convened, as well as the publication of notices, announcements and circulars on the websites of the Stock Exchange and the Company. During the year ended 31 December 2023, the Board has considered and reviewed the Shareholders' Communication Policy and considers it to be effective.

Procedures for the Shareholders to Convene an Extraordinary General Meeting

The following procedures for the Shareholders to convene an extraordinary general meeting are subject to Article 64 of the Articles of Association and the applicable legislation and regulation.

According to Article 64 of the Articles of Association, extraordinary general meetings of the Company shall be convened on the requisition of one or more shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings of the Company, on a one vote per share basis in the share capital of the Company, and the foregoing shareholders shall be able to add resolutions to the meeting agenda. Such requisition shall be made in writing to the Board or the Company Secretary for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may convene a physical meeting at only one location which will be the principal meeting place, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

At any general meeting, a resolution put to the vote of the meeting shall be decided by poll save that the chairman of the meeting may, pursuant to the Listing Rules, allow a resolution to be voted by a show of hands.

Procedures for Putting forward Proposals by Shareholders at Shareholders' Meetings

Shareholders may include a resolution to be considered at an extraordinary general meeting. The requirements and procedures are set out above in the paragraph headed "Procedures for the Shareholders to convene an extraordinary general meeting".

Shareholders may also propose a person for election as Director. According to Article 113 of the Articles of Association, notice in writing of the intention to propose that person for election as a Director – signed by a Shareholder (other than the person to be proposed) duly qualified to attend and vote at the meeting for which such notice is given and notice in writing by that person of his willingness to be elected shall have been lodged at the Head Office or at the Registration Office. The period for lodgment of the notices will commence no earlier than the day after the despatch of the notice of the general meeting appointed for such election and end no later than seven days prior to the date of such general meeting and the minimum length of the period during which such notices to the Company may be given will be at least seven days. For details, please refer to the Procedures for Shareholders to Propose a Person for Election as a Director adopted by the Board on 14 April 2020 and posted on the Company's website at www.edensoft.com.cn.

Enquiries of Shareholders

Shareholders should direct their questions about their shareholdings, share transfer, registration and payment of dividend to the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong. Should there be any enquiries and concerns from Shareholders, they may send in their written enquiries to the Board by addressing them to the principal place of business of the Company in Hong Kong under Part 16 of the Companies Ordinance (located at 5/F, Manulife Place, 348 Kwun Tong Road, Kowloon, Hong Kong) by post or by email to the Company at enquiry@edensoft.com.cn for the attention of the Board and/or the company secretary of the Company. Shareholders are reminded to lodge their questions together with their detailed contact information for the prompt response from the Company if it deems appropriate.

SIGNIFICANT CHANGES IN CONSTITUTIONAL DOCUMENTS

In order to further improve the corporate governance of the Company and to conform to the core shareholder protection standards set out in Appendix A1 to the Listing Rules, the Board has resolved on 31 March 2023 to propose to make certain amendments to the Memorandum and Articles of Association. The said proposed amendments were considered and approved by the Shareholders at the annual general meeting of the Company held on 28 June 2023 by way of a special resolution. For details, please refer to the announcement of the Company dated 12 April 2023, the circular of the Company dated 27 April 2023 and the poll results announcement of the Company dated 28 June 2023.

Save as disclosed above, during the year ended 31 December 2023, there was no change in the Memorandum and Articles of Association of the Company.

* English translation name is for identification purpose only

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To the shareholders of Edensoft Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Edensoft Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 94 to 175, which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

KEY AUDIT MATTERS *(Continued)*

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of trade receivables	
As at 31 December 2023, the carrying value of trade receivables amounted to RMB190,352,000 for which loss allowance of RMB18,774,000 was recorded. Management applied judgement in assessing the expected credit losses ("ECLs"). ECLs are estimated by assessing the likelihood of recovery, taking into account the nature of customers and ageing category and applying expected credit loss rates ("ECL rates") to the respective gross carrying amounts of the receivables. The ECL rates are determined based on historical credit loss experience and are adjusted to reflect current and forward-looking information such as macroeconomic factors affecting the ability of the customers to settle the receivables. We focused on this area due to the magnitude of the trade receivables and the estimation and judgement involved in determining the ECLs for the trade receivables. The Group's disclosures about the impairment of trade receivables are included in note 2.4, note 3 and note 19 to the financial statements.	Our procedures in relation to management's ECL assessment on trade receivables mainly included the following: Obtaining an understanding of internal controls of impairment assessment of trade receivables and discussed with management on the estimates on ECL; Testing the aging of trade receivables by comparing individual items in the analysis, on sample basis, to historical billing and collection information; Evaluating the techniques and methodology in the ECL model against the requirements of HKFRS 9; Assessing the reasonableness of management's ECL estimates by examining the information used by management to form such judgements, including testing the accuracy of the historical default data, evaluating whether the historical loss rates are adjusted based on current economic conditions and forward-looking information and assessing whether there was an indication of management bias when recognising the loss allowances; and Reading and assessing the adequacy of relevant disclosures made in the financial statements in relation to impairment assessment of trade receivables.

KEY AUDIT MATTERS *(Continued)*

Key audit matter	How our audit addressed the key audit matter
Goodwill impairment assessment	
The Group had goodwill amounting to RMB6,217,000 as at 31 December 2023 arising from the acquisition of Shenzhen Heweiteng Technology Limited in 2020, which was significant to the financial statements. In the impairment test of goodwill, the management calculated the recoverable amount of cash-generating unit, which is the higher of the fair value less costs of disposal and the value in use. The calculation of the recoverable amount involved significant judgements and assumptions, such as revenue growth rate, gross margins, discount rate, which may be affected by unexpected future market or economic conditions. The Group's disclosures about goodwill impairment assessment are included in note 2.4, note 3 and note 15 to the financial statements.	For goodwill impairment assessment, our audit procedures included the following: Obtaining an understanding of internal controls of goodwill impairment assessment and discussed with management on the impairment test model; With the assistance of our internal valuation specialists, evaluating the assumptions and the methodologies used by management, in particular, the discount rate and the long-term growth rate; Assessing the reasonableness of the assumptions and parameters used in the impairment test by comparing the forecasts with the historical performance of the respective cash-generating units, reviewing the business development plan and corroborating the assumptions with current market trend; Checking the mathematical accuracy of the management's recoverable amount calculations in the impairment assessment; and Reading and assessing the adequacy of relevant disclosures made in the financial statements.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is M.L. Chau.

Certified Public Accountants
Hong Kong
26 March 2024

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
REVENUE	5	**815,325**	680,322
Cost of sales		**(716,190)**	(604,761)
Gross profit		**99,135**	75,561
Other income and gains	5	**8,644**	2,044
Selling and distribution expenses		**(30,679)**	(29,786)
Administrative expenses		**(25,133)**	(24,184)
Research and development expenses	6	**(35,661)**	(38,605)
Other expenses		**(1,987)**	(10,931)
Impairment losses on financial and contract assets, net	6	**(6,805)**	(10,695)
Finance costs	7	**(2,250)**	(746)
Share of profit of an associate	6	**–**	1,513
PROFIT/(LOSS) BEFORE TAX	6	**5,264**	(35,829)
Income tax credit	10	**826**	8,058
PROFIT/(LOSS) FOR THE YEAR		**6,090**	(27,771)
Attributable to:			
Owners of the parent		**6,137**	(27,770)
Non-controlling interests		**(47)**	(1)
		6,090	(27,771)
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	12		
Basic and diluted			
– For profit/(loss) for the year		**RMB0.30 cents**	RMB(1.36) cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2023

	2023 RMB'000	2022 RMB'000
PROFIT/(LOSS) FOR THE YEAR	**6,090**	(27,771)
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on currency translation	**(769)**	197
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:		
Exchange differences on currency translation of the parent	**968**	6,033
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**199**	6,230
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	**6,289**	(21,541)
Attributable to:		
Owners of the parent	**6,336**	(21,540)
Non-controlling interests	**(47)**	(1)
	6,289	(21,541)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2023

	Notes	31 December 2023 RMB'000	31 December 2022 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**768**	972
Right-of-use assets	14	**9,352**	7,646
Goodwill	15	**6,217**	6,217
Other intangible assets	16	**346**	566
Investment in an associate	17	**–**	1,279
Deferred tax assets	28	**9,514**	9,128
Total non-current assets		**26,197**	25,808
CURRENT ASSETS			
Inventories	18	**89,790**	54,508
Trade and bills receivables	19	**234,064**	142,864
Prepayments, deposits and other receivables	20	**62,442**	34,678
Financial assets at fair value through profit or loss	22	**–**	5,050
Contract assets	21	**1,727**	3,447
Time deposits and pledged deposits	23	**15,136**	1,650
Cash and cash equivalents	23	**5,643**	55,256
Total current assets		**408,802**	297,453
CURRENT LIABILITIES			
Trade and bills payables	24	**143,543**	76,766
Other payables and accruals	25	**7,585**	9,692
Contract liabilities	26	**33,596**	20,748
Interest-bearing bank borrowings	27	**48,232**	19,562
Lease liabilities	14	**3,218**	3,594
Tax payable		**3,295**	5,124
Total current liabilities		**239,469**	135,486
NET CURRENT ASSETS		**169,333**	161,967
TOTAL ASSETS LESS CURRENT LIABILITIES		**195,530**	187,775

31 December 2023

	Notes	**31 December 2023 RMB'000**	31 December 2022 RMB'000
NON-CURRENT LIABILITIES			
Lease liabilities	14	**3,865**	2,501
Deferred tax liabilities	28	**87**	142
Total non-current liabilities		**3,952**	2,643
Net assets		**191,578**	185,132
EQUITY			
Equity attributable to owners of the parent			
Share capital	29	**18,654**	18,654
Reserves	31	**172,972**	166,479
		191,626	185,133
Non-controlling interests		**(48)**	(1)
Total equity		**191,578**	185,132

Ms. Ding Xinyun
Director

Ms. Li Yi
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2023

	Attributable to owners of the parent										
	Share capital RMB'000 (note 29)	Other capital reserve RMB'000 (note 31(ii))	Share premium reserve RMB'000 (note 31(iii))	Statutory surplus reserve RMB'000 (note 31(iv))	Merger reserve RMB'000 (note 31(v))	Awarded share reserve RMB'000 (note 30)	Exchange fluctuation reserve RMB'000 (note 31(vi))	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 31 December 2021 and 1 January 2022	18,289	(1,152)#	81,273#	14,736#	28,877#	–#	(7,977)#	74,358#	208,404	–	208,404
Loss for the year	–	–	–	–	–	–	–	(27,770)	(27,770)	(1)	(27,771)
Other comprehensive income for the year:											
Exchange differences on currency translation	–	–	–	–	–	–	6,230	–	6,230	–	6,230
Total comprehensive income/(loss) for the year	–	–	–	–	–	–	6,230	(27,770)	(21,540)	(1)	(21,541)
Share Award Scheme											
– share allotted	365	–	(365)	–	–	–	–	–	–	–	–
– vested awarded shares	–	–	1,130	–	–	(1,130)	–	–	–	–	–
– value of services	–	–	–	–	–	1,418	–	–	1,418	–	1,418
Final 2021 dividend declared	–	–	(3,149)	–	–	–	–	–	(3,149)	–	(3,149)
At 31 December 2022	18,654	(1,152)#	78,889#	14,736#	28,877#	288#	(1,747)#	46,588#	185,133	(1)	185,132

These reserve accounts comprise the consolidated reserves of RMB166,479,000 in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2023

	Attributable to owners of the parent										
	Share capital RMB'000 (note 29)	Other capital reserve RMB'000 (note 31(ii))	Share premium reserve RMB'000 (note 31(iii))	Statutory surplus reserve RMB'000 (note 31(iv))	Merger reserve RMB'000 (note 31(v))	Awarded share reserve RMB'000 (note 30)	Exchange fluctuation reserve RMB'000 (note 31(vi))	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 31 December 2022 and 1 January 2023	18,654	(1,152)#	78,889#	14,736#	28,877#	288#	(1,747)#	46,588#	185,133	(1)	185,132
Profit for the year	–	–	–	–	–	–	–	6,137	6,137	(47)	6,090
Other comprehensive income for the year:	–	–	–	–	–	–	–	–	–	–	–
Exchange differences on currency translation	–	–	–	–	–	–	199	–	199	–	199
Total comprehensive income/(loss) for the year	–	–	–	–	–	–	199	6,137	6,336	(47)	6,289
Share Award Scheme											
– vested awarded shares	–	–	206	–	–	(206)	–	–	–	–	–
– value of services	–	–	–	–	–	157	–	–	157	–	157
Transfer from retained profits	–	–	–	632	–	–	–	(632)	–	–	–
At 31 December 2023	18,654	(1,152)#	79,095#	15,368#	28,877#	239#	(1,548)#	52,093#	191,626	(48)	191,578

These reserve accounts comprise the consolidated reserves of RMB172,972,000 in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax		**5,264**	(35,829)
Adjustments for:			
Depreciation of property, plant and equipment	13	**231**	199
Depreciation of right-of-use assets	14	**3,734**	1,799
Share of profits of an associate	17	**–**	(1,513)
Losses from disposal of an associate			
Write-down of inventories to net realisable value	6	**691**	6,815
Covid-19-related rent concessions from lessors	14	**–**	(335)
Bank interest income	5	**(381)**	(404)
Gain on financial assets at fair value through profit or loss		**–**	(50)
Gain on disposal of property, plant and equipment		**–**	(4)
Gain on disposal of right-of-use assets		**(389)**	(4)
Impairment losses on financial and contract assets	6	**6,805**	10,695
Employee share award schemes value of employee services		**157**	1,418
Amortisation of other intangible assets	16	**220**	222
Foreign exchange losses net		**1,171**	4,115
Finance costs	7	**2,250**	746
		19,777	(12,130)
Increase in inventories		**(35,973)**	(7,011)
Increase in trade and bills receivables		**(98,007)**	(12,218)
Increase in prepayments, deposits and other receivables		**(27,919)**	(19,451)
(Increase)/decrease in contract assets		**1,857**	(199)
Increase/(decrease) in trade and bills payables		**66,777**	(46,560)
Decrease in other payables and accruals		**(2,110)**	(69)
Increase/(decrease) in contract liabilities		**12,848**	(2,140)
(Increase)/decrease in restricted and pledged bank deposits		**(13,486)**	7,350
Cash generated from operations		**(76,236)**	(92,428)
Income tax paid		**(1,441)**	(720)
Net cash flows used in operating activities		**(77,677)**	(93,148)

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(27)**	(389)
Proceeds from disposal of property, plant and equipment		**–**	80
Additions of financial assets at fair value through profit or loss		**–**	(5,000)
Proceeds from disposal of financial assets at fair value through profit or loss		**5,050**	–
Dividends received from an associate		**55**	688
Disposal of an associate		**1,200**	–
Interest received		**381**	404
Proceeds from redemption of time deposits		**–**	16,364
Net cash flows from investing activities		**6,659**	12,147
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans		**165,577**	65,699
Repayment of bank loans		**(136,907)**	(46,137)
Principal and interest elements of lease payments	32(c)	**(4,357)**	(2,560)
Cash dividends paid to shareholders		**–**	(3,149)
Interest paid		**(1,956)**	(467)
Net cash flows from financing activities		**22,357**	13,386
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(48,661)**	(67,615)
Cash and cash equivalents at the beginning of year		**55,256**	120,756
Effect of foreign exchange rate changes, net		**(952)**	2,115
CASH AND CASH EQUIVALENTS AT END OF YEAR	23	**5,643**	55,256

1. CORPORATE AND GROUP INFORMATION

Edensoft Holdings Limited is a limited liability company incorporated in the Cayman Islands on 4 September 2018. The registered office address of the Company is 71 Fort Street, P.O. Box 500, George Town, Grand Cayman KY1-1106, Cayman Islands.

The Company is an investment holding company. During the year, the principal activities of the subsidiaries were the provision of IT infrastructure services, IT implementation and supporting services and cloud services in Chinese Mainland.

Under the Listing Rules, as at the date of this report, Aztec Pearl Limited, Ms. Ding Xinyun ("Ms. Ding") and Green Leaf Development Limited ("Green Leaf") are regarded as the Company's controlling shareholders.

Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Name	Place of incorporation/ registration and business	Issued capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
			%	%	
Frontier View Limited	British Virgin Islands	US$1	100	–	Investment holding
Edensoft International Limited	Hong Kong	HK$1	–	100	Provision of IT infrastructure services, IT implementation and supporting services and cloud services
Edensoft Pte. Ltd.	Singapore	SG$2.39	–	100	Provision of IT infrastructure services, IT implementation and supporting services and cloud services
Shenzhen Yundeng Technology Limited (深圳市雲登科技有限公司) ("Shenzhen Yundeng")*^	Chinese Mainland	RMB10,000,000	–	100	Provision of IT infrastructure services, IT implementation and supporting services and cloud services
Eden Information Service Limited (深圳市伊登軟件有限公司) ("Eden Information")^	Chinese Mainland	RMB30,345,000	–	100	Provision of IT infrastructure services, IT implementation and supporting services and cloud services

1. CORPORATE AND GROUP INFORMATION (Continued)

Information about subsidiaries (Continued)

Name	Place of incorporation/ registration and business	Issued capital	Percentage of equity attributable to the Company Direct %	Indirect %	Principal activities
Dongguan Edensoft Limited (東莞市伊登軟件有限公司) ("Dongguan Edensoft")^	Chinese Mainland	RMB2,160,000	–	100	Provision of IT infrastructure services, IT implementation and supporting services and cloud services
Shenzhen Heweiteng Technology Limited (深圳市合威騰信息技術有限公司) ("Shenzhen Heweiteng")^	Chinese Mainland	RMB1,000,000	–	100	Provision of IT implementation and supporting services and cloud services
Shanghai Eden Yunlian Technology Co., Ltd. (上海市伊登雲聯技術有限公司) ("Shanghai Yunlian")	Chinese Mainland	–	–	100	Provision of IT infrastructure services, IT implementation and supporting services and cloud services
Zhengzhou Tengyun Electronic Technology Co., Ltd. (鄭州市騰雲電子科技有限公司) ("Zhengzhou Tengyun")	Chinese Mainland	–	–	100	Provision of IT infrastructure services, IT implementation and supporting services and cloud services
Shenzhen Shenghan Information Technology Co., Ltd. (深圳市盛涵信息科技有限公司) ("Shenzhen Shenghan")	Chinese Mainland	–	–	80	Provision of IT infrastructure services, IT implementation and supporting services and cloud services

* Shenzhen Yundeng is registered as a wholly-foreign-owned enterprise under Chinese Mainland law.

^ The English names of these subsidiaries registered in Chinese Mainland represent the translated names of these companies as no English names have been registered.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, derivative financial instruments, wealth management products and equity investments which have been measured at fair value. These financial statements are presented in Chinese Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

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

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

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

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

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

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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

2.1 BASIS OF PREPARATION *(Continued)*

Basis of consolidation *(Continued)*

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

HKFRS 17	*Insurance Contracts*
Amendments to HKAS 1 and HKFRS Practice Statement 2	*Disclosure of Accounting Policies*
Amendments to HKAS 8	*Definition of Accounting Estimates*
Amendments to HKAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
Amendments to HKAS 12	*International Tax Reform – Pillar Two Model Rules*

The nature and the impact of the new and revised HKFRSs that are applicable to the Group are described below:

(a) Amendments to HKAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. 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. Amendments to HKFRS Practice Statement 2 *Making Materiality Judgements* provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has disclosed the material accounting policy information in note 2.4 to the financial statements. The amendments did not have any impact on the measurement, recognition or presentation of any items in the Group's financial statements.

(b) Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. Since the Group's approach and policy align with the amendments, the amendments had no impact on the Group's financial statements.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

(c) Amendments to HKAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* narrow the scope of the initial recognition exception in HKAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions.

Upon the application of the amendments, the Group has determined the temporary differences arising from right-of-use assets and lease liabilities separately, which have been reflected in the reconciliation disclosed in note 28 to the financial statements. However, they did not have any material impact on the overall deferred tax balances presented in the consolidated statement of financial position as the related deferred tax balances qualified for offsetting under HKAS 12.

(d) Amendments to HKAS 12 *International Tax Reform – Pillar Two Model Rules* introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. The Group has applied the amendments retrospectively. Since the Group did not fall within the scope of the Pillar Two model rules, the amendments did not have any impact to the Group.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

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

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

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

Further information about those HKFRSs that are expected to be applicable to the Group is described below.

Amendments to HKFRS 10 and HKAS 28 address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 was removed by the HKICPA. However, the amendments are available for adoption now.

Amendments to HKFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively to sale and leaseback transactions entered into after the date of initial application of HKFRS 16 (i.e., 1 January 2019). Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period. The amendments shall be applied retrospectively with early application permitted. An entity that applies the 2020 Amendments early is required to apply simultaneously the 2022 Amendments, and vice versa. The Group is currently assessing the impact of the amendments and whether existing loan agreements may require revision. Based on a preliminary assessment, the amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 7 and HKFRS 7 clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. Earlier application of the amendments is permitted. The amendments provide certain transition reliefs regarding comparative information, quantitative information as at the beginning of the annual reporting period and interim disclosures. The amendments are not expected to have any significant impact on the Group's financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

Amendments to HKAS 21 specify how an entity shall assess whether a currency is exchangeable into another currency and how it shall estimate a spot exchange rate at a measurement date when exchangeability is lacking. The amendments require disclosures of information that enable users of financial statements to understand the impact of a currency not being exchangeable. Earlier application is permitted. When applying the amendments, an entity cannot restate comparative information. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening balance of retained profits or to the cumulative amount of translation differences accumulated in a separate component of equity, where appropriate, at the date of initial application. The amendments are not expected to have any significant impact on the Group's financial statements.

2.4 MATERIAL ACCOUNTING POLICIES

Investments in associates

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

The Group's investments in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

Adjustments are made to bring into line any dissimilar accounting policies that may exist.

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

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

2.4 MATERIAL ACCOUNTING POLICIES *(Continued)*

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

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

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

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss. Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

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

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

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

2.4 MATERIAL ACCOUNTING POLICIES *(Continued)*

Business combinations and goodwill *(Continued)*

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

Fair value measurement

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

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

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

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

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

2.4 MATERIAL ACCOUNTING POLICIES *(Continued)*

Fair value measurement *(Continued)*

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

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, contract assets, deferred tax assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

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

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

2.4 MATERIAL ACCOUNTING POLICIES *(Continued)*

Related parties

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

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

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

or

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

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

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

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

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

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

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

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

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

2.4 MATERIAL ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment and depreciation

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

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

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

Office and other equipment	20%
Motor vehicles	10%
Leasehold improvements	Over the shorter of lease terms and 20%

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

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

Intangible assets (other than goodwill)

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

Software copyrights

Purchased software copyrights are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of 5 years.

2.4 MATERIAL ACCOUNTING POLICIES *(Continued)*

Intangible assets (other than goodwill) *(Continued)*

Research and development costs

All research costs are charged to profit or loss as incurred.

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

Leases

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

Group as a lessee

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

(a) Right-of-use assets

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

Office premises	2 to 3 years
Residence property	20 years

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

2.4 MATERIAL ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

Group as a lessee *(Continued)*

(b) Lease liabilities

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

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

(c) Short-term leases and leases of low-value assets

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

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

2.4 MATERIAL ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets

Initial recognition and measurement

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

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

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

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

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

Subsequent measurement

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

Financial assets at amortised cost (debt instruments)

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

2.4 MATERIAL ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets *(Continued)*

Subsequent measurement *(Continued)*

Financial assets at fair value through profit or loss

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

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on the equity investments are also recognised as other income in profit or loss when the right of payment has been established.

Derecognition of financial assets

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

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

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

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

Impairment of financial assets

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

2.4 MATERIAL ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets *(Continued)*

Impairment of financial assets *(Continued)*

General approach

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

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

Stage 1: Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2: Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3: Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

2.4 MATERIAL ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets *(Continued)*

Impairment of financial assets *(Continued)*

Simplified approach

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

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

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

The Group's financial liabilities include trade and other payables, lease liability and interest-bearing bank borrowings.

Subsequent measurement

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

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

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

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

2.4 MATERIAL ACCOUNTING POLICIES *(Continued)*

Financial liabilities *(Continued)*

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

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

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

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

2.4 MATERIAL ACCOUNTING POLICIES *(Continued)*

Income tax

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

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

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

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

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and does not give rise to equal taxable and deductible temporary differences.

- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and does not give rise to equal taxable and deductible temporary differences; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

2.4 MATERIAL ACCOUNTING POLICIES *(Continued)*

Income tax *(Continued)*

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

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

Government grants

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

Revenue recognition

Revenue from contracts with customers

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

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

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

2.4 MATERIAL ACCOUNTING POLICIES *(Continued)*

Revenue recognition *(Continued)*

Revenue from contracts with customers *(Continued)*

The following is a description of the accounting policy for the principal stream of the Group:

– IT infrastructure services:

  Revenue from IT infrastructure services are generally recognised at the point in time when the control of the software and/or hardware products are transferred to the customer, generally after the completion of assessing customers' needs and their existing IT environment, advising them on the suitable hardware and/or software products that their IT environment would require, procuring the relevant hardware and/or software products from IT product vendors, and installing these software and/or hardware products in customers' IT environment.

– IT implementation and supporting services:

  The Group provides multiple deliverables to customers under the contracts of IT implementation and supporting services which comprise (i) IT design and implementation services, (ii) the provision of IT supporting and maintenance services, and (iii) the sale of solution-based software and/or hardware products and related services. Each of the multiple deliverables is sold at the standalone selling price specified in the contract.

  Revenue from the provision of IT design and implementation services is generally recognised over time, using an input method to measure progress towards complete satisfaction of the services because the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced. The input method recognises revenue based on the proportion of the actual costs incurred relative to the estimated total costs for satisfaction of the services.

  Revenue from the provision of IT supporting and maintenance services is generally recognised over the scheduled period on a straight-line basis because the customer simultaneously receives and consumes the benefits provided by the Group.

  Revenue from the sale of solution-based software and/or hardware products and related services is recognised at the point in time when control of the asset is transferred to the customer.

2.4 MATERIAL ACCOUNTING POLICIES *(Continued)*

Revenue recognition *(Continued)*

Revenue from contracts with customers *(Continued)*

– Cloud services:

The Group offer design, management and technical support for using cloud platforms which include our self-developed cloud platform and other third-party cloud platforms. The Group provides multiple deliverables to customers under the contracts of cloud services, which comprise (i) contracts for cloud platform design services, (ii) contracts for cloud solution services, and (iii) contracts for the sale of solution-based software and/or hardware products and related services. Each of the multiple deliverables is sold at the standalone selling price specified in the contract.

Revenue from the provision of cloud platform design services is generally recognised over time, using an input method to measure progress towards complete satisfaction of the service because the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced. The input method recognises revenue based on the proportion of the actual costs incurred relative to the estimated total costs for satisfaction of the services.

Revenue from the provision of cloud solution services in relation to annual/monthly subscription fee for cloud-related software used under the cloud platforms is generally recognised over the scheduled period of time on a straight-line basis because our customers simultaneously receive and consume the benefits provided by the Group.

Revenue from the sale of solution-based software and/or hardware products and related services is recognised at the point in time when control of the asset is transferred to the customer.

Other income

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

Contract assets

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

Contract liabilities

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

2.4 MATERIAL ACCOUNTING POLICIES *(Continued)*

Employee retirement benefits

The employees of the Group's subsidiaries which operate in Chinese Mainland are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

Share-based payments

The Company operates a Share Award Plan (the "Plan"). Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services in exchange for equity instruments ("equity-settled transactions"). The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by the share price as at the grant date.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification. Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately.

2.4 MATERIAL ACCOUNTING POLICIES *(Continued)*

Borrowing costs

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

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

The functional currency of the Company is Hong Kong dollars ("HK$"). The Historical Financial Information is presented in Chinese Renminbi ("RMB"), which is the functional currency of the majority of the Company's subsidiaries. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

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

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

The functional currencies of certain overseas subsidiaries are currencies other than the Chinese Renminbi. As at the end of the reporting period, the assets and liabilities of these entities are translated into Chinese Renminbi at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into Chinese Renminbi at the weighted average exchange rates for the year.

2.4 MATERIAL ACCOUNTING POLICIES *(Continued)*

Foreign currencies *(Continued)*

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Judgements

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

Revenue from contracts with customers

The Group applied the following judgements that significantly affect the determination of the amount and timing of revenue from contracts with customers:

(i) Identifying performance obligations in a bundled sale of IT supporting and maintenance services and solution-based software and/or hardware products and related integrated services

The Group generally provide bundled IT implementation and supporting services to cater for the customer's specific requirements, and the scope of such bundled contract usually includes (i) the sale of solution-based software and/or hardware products and related integrated services and (ii) IT supporting and maintenance services. The IT supporting and maintenance services are a promise to transfer services in the future and are part of the negotiated exchange between the Group and the customer.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

Judgements *(Continued)*

Revenue from contracts with customers *(Continued)*

(i) Identifying performance obligations in a bundled sale of IT supporting and maintenance services and solution-based software and/or hardware products and related integrated services (Continued)

The Group determined that both the sale of solution-based software and/or hardware products and related integrated services and IT supporting and maintenance services are each capable of being distinct. The fact that the Group regularly sells both solution-based software and/or hardware products and related integrated services and IT supporting and maintenance services on a standalone basis indicates that the customer can benefit from both products on their own. The Group also determined that the promises to transfer the sale of solution-based software and/or hardware products and related integrated services and to provide IT supporting and maintenance services are distinct within the context of the contract. The sale of solution-based software and/or hardware products and related integrated services and IT supporting and maintenance services are not inputs to a combined item in the contract. The Group is not providing a significant integration service because the presence of the sale of solution-based software and/or hardware products and related integrated services and IT supporting and maintenance services together in the contract does not result in any additional or combined functionality and neither the solution-based software and/or hardware products nor the IT supporting and maintenance services modifies or customises the other. In addition, the solution-based software and/or hardware products and related integrated services and IT supporting and maintenance services are not highly interdependent or highly interrelated, because the Group would be able to transfer the solution-based software and/or hardware products and related integrated services even if the customer declined IT supporting and maintenance services and would be able to provide IT supporting and maintenance services in relation to software and/or hardware sold by other distributors.

(ii) Determining the timing of satisfaction of IT design and implementation services and cloud platform design services

The Group concluded that the revenue for IT design and implementation services and cloud platform design services is to be recognised over time because the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced.

The Group determined that the input method is the best method in measuring the progress of the IT technical services because there is a direct relationship between the Group's effort (i.e., man hours incurred) and the transfer of services to the customer. The Group recognises revenue based on the proportion of the actual costs incurred relative to the estimated total costs for satisfaction of the services. If an entity does not have a reasonable basis to measure its progress, the Group recognise revenue up to the amount of the costs incurred, until progress can be reasonably measured.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

Estimation uncertainty

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

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2023 was RMB6,217,000 (2022: RMB6,217,000). Further details are given in note 15.

Provision for expected credit losses on trade and bills receivables and contract assets

The Group uses a provision matrix to calculate ECLs for trade and bills receivables and contract assets. The provision rates are based on invoice ageing of customers.

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

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade and bills receivables and contract assets is disclosed in notes 19 and 21 to the financial statements, respectively.

Leases – Estimating the incremental borrowing rate

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

Estimation uncertainty *(Continued)*

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The amount of unrecognised tax losses at 31 December 2023 was RMB14,644,000 (2022: RMB7,803,000). Further details are contained in note 28 to the financial statements.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their services and has three reportable operating segments as follows:

– IT infrastructure services: Assessing customers' needs and their existing IT environment and providing IT infrastructure services by advising them on the suitable hardware and/or software products that their IT environment would require, and procuring the relevant hardware and/or software products from IT product vendors and installing these IT products in customers' IT environment.

– IT implementation and supporting services: (i) the design of IT solutions, (ii) the development and/or implementation of solution-based software and/or hardware products, and (iii) the provision of technical and maintenance supporting services.

– Cloud services: Offering design, management and technical support for using cloud platforms which include the self-developed cloud platform and other third-party cloud platforms.

Revenue and expenses are allocated to the reportable segments with reference to revenue generated by those segments and the expense incurred by those segments. The measure used for reporting segment profit is gross profit. No inter-segment sales have occurred during the reporting period. The Group's other income and expense items, such as administrative expenses, and assets and liabilities are not measured under individual segments. Accordingly, neither information on segment assets and liabilities nor information concerning capital expenditure, depreciation and amortisation, interest income and interest expense is presented.

4. OPERATING SEGMENT INFORMATION *(Continued)*

Information regarding the Group's reportable segments as provided to the Group's management for the purposes of resource allocation and assessment of segment performance is set out below:

	Year ended 31 December 2023			
	IT infrastructure services RMB'000	IT implementation and supporting services RMB'000	Cloud services RMB'000	Total RMB'000
Reportable segment revenue	**322,227**	**233,051**	**260,047**	**815,325**
Reportable segment cost of sales	**(294,571)**	**(190,270)**	**(231,349)**	**(716,190)**
Reportable segment gross profit	**27,656**	**42,781**	**28,698**	**99,135**

	Year ended 31 December 2022			
	IT infrastructure services RMB'000	IT implementation and supporting services RMB'000	Cloud services RMB'000	Total RMB'000
Reportable segment revenue	279,580	171,205	229,537	680,322
Reportable segment cost of sales	(249,581)	(153,358)	(201,822)	(604,761)
Reportable segment gross profit	29,999	17,847	27,715	75,561

4. OPERATING SEGMENT INFORMATION *(Continued)*

Geographical information

(a) Revenue from external customers

	2023 RMB'000	2022 RMB'000
Chinese Mainland	**796,988**	659,483
Hong Kong	**18,337**	13,438
Singapore	**–**	7,401
	815,325	680,322

(b) Non-current assets

All non-current assets of the Group (excluding deferred tax assets) are located in Chinese Mainland.

Information about a major customer

Revenue of approximately RMB163,788,000 (2022: RMB121,019,000) was derived from sales to a single customer, including sales to a group of entities which are known to be under common control with that customer.

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2023 RMB'000	2022 RMB'000
Revenue from contracts with customers	**815,325**	680,322

Revenue from contracts with customers

(a) Disaggregated revenue information

For the year ended 31 December 2023

Segments	IT infrastructure services RMB'000	IT implementation and supporting services RMB'000	Cloud services RMB'000	Total RMB'000
Types of goods or services				
Sale of software and/or hardware products and related services	322,227	–	–	322,227
Sale of solution-based software and/or hardware products and related services	–	166,923	252,607	419,530
IT supporting and maintenance services	–	25,584	–	25,584
IT design and implementation services	–	40,544	–	40,544
Cloud platform design services	–	–	7,440	7,440
Total revenue from contracts with customers	322,227	233,051	260,047	815,325
Geographical markets				
Chinese Mainland	309,634	227,824	259,530	796,988
Hong Kong	12,593	5,227	517	18,337
Total revenue from contracts with customers	322,227	233,051	260,047	815,325
Timing of revenue recognition				
Services transferred over time	–	66,128	7,440	73,568
Services transferred at a point in time	322,227	166,923	252,607	741,757
Total revenue from contracts with customers	322,227	233,051	260,047	815,325

5. REVENUE, OTHER INCOME AND GAINS *(Continued)*

Revenue from contracts with customers *(Continued)*

(a) Disaggregated revenue information *(Continued)*

For the year ended 31 December 2022

Segments	IT infrastructure services RMB'000	IT implementation and supporting services RMB'000	Cloud services RMB'000	Total RMB'000
Types of goods or services				
Sale of software and/or hardware products and related services	279,580	–	–	279,580
Sale of solution-based software and/or hardware products and related services	–	128,585	214,498	343,083
IT supporting and maintenance services	–	17,099	–	17,099
IT design and implementation services	–	25,521	–	25,521
Cloud platform design services	–	–	15,039	15,039
Total revenue from contracts with customers	279,580	171,205	229,537	680,322
Geographical markets				
Chinese Mainland	258,741	171,205	229,537	659,483
Hong Kong	13,438	–	–	13,438
Singapore	7,401	–	–	7,401
Total revenue from contracts with customers	279,580	171,205	229,537	680,322
Timing of revenue recognition				
Services transferred over time	–	42,620	15,039	57,659
Services transferred at a point in time	279,580	128,585	214,498	622,663
Total revenue from contracts with customers	279,580	171,205	229,537	680,322

5. REVENUE, OTHER INCOME AND GAINS *(Continued)*

Revenue from contracts with customers *(Continued)*

(a) Disaggregated revenue information (Continued)

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period and recognised from performance obligations satisfied in previous periods:

	2023 RMB'000	2022 RMB'000
Revenue recognised that was included in the contract liabilities at the beginning of the reporting period:		
IT infrastructure services	**6,391**	7,300
IT implementation and supporting services	**6,925**	10,994
Cloud services	**7,432**	4,594
	20,748	22,888

(b) Performance obligations

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

Sale of software and/or hardware products and related services

The performance obligation is satisfied upon delivery of the software and/or hardware products and related services and payment is generally due within 30 to 90 days from issuance of the invoices, except for new customers, where payment in advance is normally required. However, management considers the cost of installation services is insignificant and no transaction price is allocated to such services.

Sale of solution-based software and/or hardware products and related integrated services

The performance obligation is satisfied upon delivery of the solution-based software and/or hardware products and related integrated services, and payment is generally due within 30 to 90 days from delivery and customer acceptance, except for new customers, where payment in advance is normally required.

However, management considers the cost of installation services is insignificant and no transaction price is allocated to the services.

5. REVENUE, OTHER INCOME AND GAINS *(Continued)*

Revenue from contracts with customers *(Continued)*

(b) Performance obligations *(Continued)*

IT supporting and maintenance services

The performance obligation is satisfied over time on a straight-line basis as services are rendered and payment is generally due within 30 to 90 days upon completion of the services, except for new customers, where payment in advance is normally required.

Cloud solution services

The performance obligation is satisfied over time on a straight-line basis as services are rendered and payment is generally due within 30 to 90 days upon completion of the services and customer acceptance.

IT design and implementation services and Cloud platform design services

The performance obligation is satisfied over time, using an input method to measure progress towards complete satisfaction of the services, as services are rendered and payment is generally due within 30 to 90 days upon completion of the services and customer acceptance, except for new customers, where payment in advance is normally required.

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December are as follows:

	2023 **RMB'000**	2022 RMB'000
Amounts expected to be recognised as revenue:		
Within one year	**10,934**	8,851
More than one year	**217,166**	153,245
	228,100	162,096

5. REVENUE, OTHER INCOME AND GAINS *(Continued)*

Revenue from contracts with customers *(Continued)*

(b) Performance obligations *(Continued)*

IT design and implementation services and Cloud platform design services (Continued)

The remaining performance obligations expected to be recognised in more than one year relate to sale of solution-based software and/or hardware products and related services, IT supporting and maintenance services, IT design and implementation services, Cloud solution services, and Cloud platform design services that are to be satisfied within 3 years. All the other remaining performance obligations are expected to be recognised within one year.

	2023	2022
	RMB'000	RMB'000
Other income		
Bank interest income	**381**	404
Government grants – related to income*	**1,199**	1,505
Tax preference**	**7,090**	–
Total other income	**8,670**	1,909
Gains		
Gain on financial assets at fair value through profit or loss	**–**	50
Losses on disposal of an associate***	**(24)**	–
Others	**(2)**	85
Total gains	**(26)**	135
Total other income and gains	**8,644**	2,044

* Various government grants have been received from local government authorities in the Chinese Mainland as an encouragement for the Group's technological innovation. There are no unfulfilled conditions and other contingencies relating to these grants.

** Since 1 January 2023, taxpayers in the living service industries are allowed to enjoy additional 10% of input VAT amount deductible from tax payable. Such additional VAT deduction was recorded as "Other income and gains".

*** In 2023, the company recognised a disposal loss of RMB24,000 due to the liquidation of its associate, Fuzhou Donghu Education Technology Ltd..

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Notes	2023 RMB'000	2022 RMB'000
Cost of inventories sold		**525,920**	451,612
Cost of services provided		**190,270**	153,149
Depreciation of property, plant and equipment	13	**231**	199
Depreciation of right-of-use assets	14	**3,734**	1,799
Amortisation of other intangible assets	16	**220**	222
Auditor's remuneration		**1,030**	1,030
Lease payments not included in the measurement of lease liabilities	32(c)	**363**	164
Research and development expenses		**35,661**	38,605
Employee benefit expense (including directors' remuneration):			
Wages and salaries		**36,990**	41,756
Equity-settled share award expense		**157**	1,418
Pension scheme contributions*		**11,758**	8,451
		48,905	51,625
Foreign exchange differences, net**		**1,171**	4,115
Impairment losses on financial assets, and contract assets, net		**6,805**	10,695
Gain on financial assets at fair value through profit or loss	5	**–**	50
Share of profits of an associate	17	**–**	(1,513)
Losses on disposal of an associate	17	**24**	–
Write-down of inventories to net realisable value**		**691**	6,815

* There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions.

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

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2023 RMB'000	2022 RMB'000
Interest on bank loans	**1,956**	467
Interest on lease liabilities	**294**	279
	2,250	746

8. DIRECTORS' REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2023 RMB'000	2022 RMB'000
Fees	**2,338**	1,695
Other emoluments:		
Salaries, allowances and benefits in kind	**1,005**	391
Pension scheme contributions	**137**	50
Total	**3,480**	2,136

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2023 RMB'000	2022 RMB'000
Mr. Liang Chi (Resigned)	**–**	41
Mr. Leung Chu Tung	**109**	107
Ms. Zhu Wei Li	**109**	107
Ms. Zhang Shuo (Resigned)	**–**	94
Mr. Hou Xiao Wen	**115**	5
	333	354

There were no other emoluments payable to the independent non-executive directors during the year (2022: Nil).

8. DIRECTORS' REMUNERATION *(Continued)*

(b) Executive directors

2023

	Fees RMB'000	Salaries, allowances, and benefits in kind RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
Ms. Ding Xinyun	**1,087**	**36**	**5**	**1,128**
Ms. Li Yi	**267**	**315**	**49**	**631**
	1,354	**351**	**54**	**1,759**

2022

	Fees RMB'000	Salaries, allowances, and benefits in kind RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
Ms. Ding Xinyun	1,072	36	6	1,114
Ms. Li Yi	268	355	45	668
	1,340	391	51	1,782

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

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included one director (2022: one director), details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining four (2022: four) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2023	2022
	RMB'000	RMB'000
Salaries, allowances and benefits in kind	**4,486**	3,141
Pension scheme contributions	**164**	179
	4,650	3,320

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

	Number of employees	
	2023	2022
Nil to HK$1,000,000	**2**	3
HK$1,000,001 to HK$1,500,000	**2**	1
	4	4

During the reporting period, no remuneration was paid by the Group to any of the five highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office.

10. INCOME TAX EXPENSE

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

Pursuant to the rules and regulations of the Cayman Islands, the Company is not subject to any tax in the Cayman Islands.

Pursuant to the rules and regulations of the British Virgin Islands, the Group is not subject to any tax in the British Virgin Islands.

Hong Kong profits tax has been provided at the rate of 16.5% (2022: 16.5%) on the estimated assessable profits arising in Hong Kong during the year, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime. The first HK$2,000,000 (2022: HK$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (2022: 8.25%) and the remaining assessable profits are taxed at 16.5% (2022: 16.5%).

Pursuant to the Chinese Mainland Income Tax Law and the respective regulations, subsidiaries of the Group operating in Chinese Mainland are subject to Corporate Income Tax at a rate of 25% (2022: 25%) on the taxable income. Preferential tax treatment is available to the Group's operating subsidiaries, Eden Information, Dongguan Edensoft, Shenzhen Yundeng, Zhengzhou Tengyun and Shenzhen Heweiteng, since Eden Information was recognised as a "High and New Technology Enterprise" and was entitled to a preferential tax rate of 15% (2022: 15%), and Dongguan Edensoft, Shenzhen Yundeng, Zhengzhou Tengyun and Shenzhen Heweiteng were recognised as Micro and Small Companies. Under the 2023 tax regime of Micro and Small Companies, Dongguan Edensoft, Shenzhen Yundeng, Zhengzhou Tengyun and Shenzhen Heweiteng are entitled to a preferential tax rate of 5% (2022: 2.5%) for the first RMB1,000,000 of assessable profits and the remaining assessable profits below RMB3,000,000 are taxed at 5% (2022: 5%).

The subsidiary of the Group operating in Singapore was subject to the corporate income tax rate of 17% for the year ended 31 December 2023.

	2023 **RMB'000**	2022 RMB'000
Current – Chinese Mainland		
– charge for the year	**(385)**	531
Deferred (note 28)	**(441)**	(8,589)
Total tax charge for the year	**(826)**	(8,058)

10. INCOME TAX EXPENSE *(Continued)*

A reconciliation of the tax expense applicable to profit before tax at the statutory rate for the jurisdiction in which the Company and its subsidiaries are domiciled to the tax expense at the effective tax rate, and a reconciliation of the applicable rate to the effective tax rate, are as follows:

	2023		2022	
	RMB'000	**%**	RMB'000	%
(Loss)/profit before tax	**5,264**		(35,829)	
Tax at the statutory tax rate	**2,530**	**48.1**	(7,575)	21.1
Entities subject to lower statutory income tax rates	**(956)**	**(18.2)**	3,056	(8.5)
(Income)/loss attributable to an associate	**(3)**	**(0.1)**	(227)	0.6
Additional deduction for research and development expense	**(4,218)**	**(80.1)**	(4,146)	11.6
Expenses not deductible for tax	**421**	**8.0**	97	(0.3)
Tax losses utilised from previous periods	**148**	**2.8**	–	–
Adjustments in respect of current tax of previous periods	**(410)**	**(7.8)**	498	(1.39)
Tax losses not recognised	**1,662**	**31.6**	239	(0.7)
Tax charge at the Group's effective tax rate	**(826)**	**(15.7)**	(8,058)	22.5

Pursuant to the Chinese Mainland Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Chinese Mainland. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Chinese Mainland and the jurisdiction of the foreign investors. For the Group, the applicable rate is 10% and may be reduced to 5% if certain criteria could be met under the Double Taxation Arrangement (Hong Kong). The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Chinese Mainland in respect of earnings generated from 1 January 2008.

As at 31 December 2023, no deferred tax (2022: Nil) has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Chinese Mainland. In the opinion of the Directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amounts of temporary differences associated with investments in subsidiaries in Chinese Mainland for which deferred tax liabilities have not been recognised totalled approximately RMB83,351,000 (2022: RMB71,375,000).

11. DIVIDENDS

The Board does not recommend any final dividends for the years ended 31 December 2023 (2022: Nil).

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

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 2,044,947,350 (2022: 2,044,947,350) in issue during the year.

The effect of shares assumed to have been issued at no consideration has been excluded from the computation of diluted loss per share for the year ended 31 December 2023 as its effects would be anti-dilutive.

The calculation of basic earnings per share is based on:

	2023	2022
	RMB'000	RMB'000
Earnings		
(Loss)/Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	**6,137**	(27,771)

	Number of shares	
	2023	2022
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**2,044,947,350**	2,044,947,350

13. PROPERTY, PLANT AND EQUIPMENT

31 December 2023

	Office and other equipment RMB'000	Motor vehicles RMB'000	Leasehold improvements RMB'000	Total RMB'000
At 1 January 2023:				
Cost	1,865	360	1,861	4,086
Accumulated depreciation	(1,218)	(35)	(1,861)	(3,114)
Net carrying amount	647	325	–	972
At 1 January 2023, net of accumulated depreciation	647	325	–	972
Additions	27	–	–	27
Depreciation provided during the year (note 6)	(197)	(34)	–	(231)
At 31 December 2023, net of accumulated depreciation	477	291	–	768
At 31 December 2023:				
Cost	1,892	360	1,861	4,113
Accumulated depreciation	(1,415)	(69)	(1,861)	(3,345)
Net carrying amount	477	291	–	768

13. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

31 December 2022

	Office and other equipment RMB'000	Motor vehicles RMB'000	Leasehold improvements RMB'000	Total RMB'000
At 1 January 2022:				
Cost	1,732	611	1,861	4,204
Accumulated depreciation	(1,067)	(418)	(1,861)	(3,346)
Net carrying amount	665	193	–	858
At 1 January 2022, net of accumulated depreciation	665	193	–	858
Additions	133	256	–	389
Disposals	–	(76)	–	(76)
Depreciation provided during the year (note 6)	(151)	(48)	–	(199)
At 31 December 2022, net of accumulated depreciation	647	325	–	972
At 31 December 2022:				
Cost	1,865	360	1,861	4,086
Accumulated depreciation	(1,218)	(35)	(1,861)	(3,114)
Net carrying amount	647	325	–	972

14. LEASES

The Group as a lessee

The Group has lease contracts for office properties used in its operations. Leases of office properties generally have lease terms between 2 and 3 years, and leases of residence property generally have lease terms of 20 years. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Office premises RMB'000	**Residence property** RMB'000	**Total** RMB'000
As at 1 January 2022	4,108	2,919	7,027
Additions	5,359	–	5,359
Depreciation charge	(1,607)	(192)	(1,799)
Disposal	(68)	–	(68)
Revision of rent concessions from lessors	(2,873)	–	(2,873)
As at 31 December 2022 and 1 January 2023	4,919	2,727	7,646
Additions	6,239	–	6,239
Depreciation charge	(3,638)	(96)	(3,734)
Disposal	(147)	–	(147)
Revision of rent concessions from lessors	(652)	–	(652)
As at 31 December 2023	6,721	2,631	9,352

14. LEASES *(Continued)*

The Group as a lessee *(Continued)*

(b) Lease liabilities

The carrying amount of lease liabilities and the movements during the year are as follows:

	2023 RMB'000	2022 RMB'000
Carrying amount at 1 January	**6,095**	6,297
New leases	**6,239**	5,359
Accretion of interest recognised during the year	**294**	279
Disposal	**(160)**	(72)
Revision of rent concessions from lessors	**(1,028)**	(2,873)
Covid-19-related rent concessions from lessors	**–**	(335)
Payments	**(4,357)**	(2,560)
Carrying amount at 31 December	**7,083**	6,095
Analysed into:		
Current portion	**3,218**	3,594
Non-current portion	**3,865**	2,501

The maturity analysis of lease liabilities is disclosed in note 38 to the financial statements.

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

	2023 RMB'000	2022 RMB'000
Interest on lease liabilities	**294**	279
Depreciation charge of right-of-use assets	**3,734**	1,799
Expense relating to short-term leases (included in administrative expenses)	**363**	164
Covid-19-related rent concessions from lessors	**–**	(335)
Total amount recognised in profit or loss	**4,391**	1,907

(d) The total cash outflow for leases is disclosed in note 32(c) to the financial statements.

15. GOODWILL

	RMB'000
Cost at 1 January 2022, net of accumulated impairment	6,217
Impairment from 2022 to 2023	–
Cost and net carrying amount at 31 December 2023	6,217
At 31 December 2023:	
Cost	**6,217**
Accumulated impairment	**–**
Net carrying amount	**6,217**

Impairment testing of goodwill

Goodwill acquired through business combinations is allocated to the Shenzhen Heweiteng IT products cash-generating unit ("the CGU") for impairment testing. The recoverable amount of the CGU has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projections is 20.3% (2022: 20.7%). The growth rate used to extrapolate the cash flows of the CGU beyond the five-year period is 2.0%.

Assumptions were used in the value-in-use calculation of the CGU for 31 December 2023. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Revenue growth rate – The revenue growth rate is based on the expected revenue from the provision of IT implementation and supporting services and cloud services in the future.

Budgeted gross margins – The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the past years and the expectation for market development.

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

The values assigned to the key assumptions on market development and the discount rate are consistent with external information sources.

16. OTHER INTANGIBLE ASSETS

	Software copyrights RMB'000
31 December 2023	
Cost at 1 January 2023, net of accumulated amortisation	**566**
Amortisation provided during the year (note 6)	**(220)**
At 31 December 2023	**346**
At 31 December 2023:	
Cost	**1,100**
Accumulated amortisation	**(754)**
Net carrying amount	**346**
31 December 2022	
Cost at 1 January 2022, net of accumulated amortisation	788
Amortisation provided during the year (note 6)	(222)
At 31 December 2022	566
At 31 December 2022:	
Cost	1,100
Accumulated amortisation	(534)
Net carrying amount	566

17. INVESTMENT IN AN ASSOCIATE

	2023 RMB'000	2022 RMB'000
Share of net assets	–	1,279

In 2023, the company recognised a disposal loss of RMB24,000 due to the liquidation of its associate, Fuzhou Donghu Education Technology.

Particulars of the associate of the Company are as follows:

Company name	Particulars of issued shares held	Place of incorporation/ registration and business	Percentage of ownership interest attributable to the Group	Principal activities
Fuzhou Donghu Education Technology Ltd. (福州東湖教育科技有限公司) ("Fuzhou Donghu")	Ordinary shares	Chinese Mainland	24	Research and development of education software

The Group's shareholding in the associate is held through Eden Information, a wholly-owned subsidiary of the Company. The following table illustrates the financial information of the Group's associate:

	2023 RMB'000	2022 RMB'000
Share of the associate's profit for the year	–	1,513
Share of the associate's total comprehensive profit	–	1,513
Aggregate carrying amount of the Group's investment in the associate	–	1,279

The Group received a dividend of RMB54,545 from the associate company (2022: RMB688,000).

18. INVENTORIES

	2023 RMB'000	2022 RMB'000
Commodity products	**89,790**	54,508

At 31 December 2023, the amount of inventories is net of a write-down of approximately RMB7,506,000 (2022: RMB6,815,000).

19. TRADE AND BILLS RECEIVABLES

	2023 RMB'000	2022 RMB'000
Trade receivables	**209,126**	138,200
Impairment	**(18,774)**	(11,967)
Trade receivables, net	**190,352**	126,233
Bills receivable	**43,712**	16,631
	234,064	142,864

The Group grants certain credit periods to customers, except for new customers, where payment in advance is normally required. The credit period for specific customers is considered on a case-by-case basis and set out in the sales contracts, as appropriate.

The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management.

As at 31 December 2022 and 2023, certain of the Group's interest-bearing bank borrowings were secured by the Group's trade and bills receivables with carrying values of RMB10,065,000 and nil respectively. Trade and bills receivables are non-interest-bearing, and the carrying amounts of the trade and bills receivables approximate to their fair values. Information about the pledged assets is disclosed in note 27 to the financial statements.

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date, is as follows:

	2023 RMB'000	2022 RMB'000
Within 6 months	**154,061**	100,155
6 to 12 months	**32,959**	27,179
Over 12 months	**22,106**	10,866
	209,126	138,200

19. TRADE AND BILLS RECEIVABLES *(Continued)*

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

	2023 RMB'000	2022 RMB'000
At beginning of year	**11,967**	1,739
Impairment losses	**6,807**	10,228
At end of year	**18,774**	11,967

The increase in the allowance for expected credit losses was mainly due to a net increase in trade receivables which were past due for over 1 year.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses (ECLs). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if past due for more than three years and are not subject to enforcement activity.

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

	Ageing			
	Less than 6 months	6 to 12 months	Over 12 months	Total
As at 31 December 2023				
Expected credit loss rate	**2.16%**	**9.68%**	**55.43%**	**8.98%**
Gross carrying amount (RMB'000)	**154,061**	**32,959**	**22,106**	**209,126**
Expected credit losses (RMB'000)	**3,332**	**3,189**	**12,253**	**18,774**
As at 31 December 2022				
Expected credit loss rate	1.53%	8.38%	75.05%	8.66%
Gross carrying amount (RMB'000)	100,155	27,179	10,866	138,200
Expected credit losses (RMB'000)	1,535	2,277	8,155	11,967

20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2023 RMB'000	2022 RMB'000
Prepayments	**59,432**	31,373
Deposits and other receivables	**3,010**	3,305
	62,442	34,678

The financial assets included in the above balances relate to receivables for which there was no recent history of default and past due amounts. As at 31 December 2023 and 2022, the loss allowance was assessed to be minimal.

21. CONTRACT ASSETS

	31 December 2023 RMB'000	31 December 2022 RMB'000	1 January 2022 RMB'000
Contract assets arising from			
IT implementation and supporting services	**1,833**	3,690	3,492
Impairment	**(106)**	(243)	(37)
	1,727	3,447	3,455

Contract assets are initially recognised for revenue earned from the provision of IT implementation and supporting services as the receipt of consideration is conditional on successful completion of the implementation of IT solutions. Upon completion of the implementation and acceptance by the customer, the amounts recognised as contract assets are reclassified to trade receivables. The increase in contract assets was the result of the increase in the ongoing provision of IT implementation and supporting services at the end of the years.

The expected timing of recovery or settlement for contract assets as at the end of the reporting period is as follows:

	2023 RMB'000	2022 RMB'000
Within one year	**1,727**	3,447

21. CONTRACT ASSETS *(Continued)*

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

	2023 RMB'000	2022 RMB'000
At beginning of year	**243**	37
Impairment losses, net	**(137)**	206
At end of year	**106**	243

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates for the measurement of the expected credit losses of the contract assets are based on those of the trade receivables as the contract assets and the trade receivables are from the same customer bases.

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

	2023	2022
Expected credit loss rate	**5.78%**	6.59%
Gross carrying amount (RMB'000)	**1,833**	3,690
Expected credit losses (RMB'000)	**106**	243

22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2023 RMB'000	2022 RMB'000
Other unlisted investments, at fair value	**–**	5,050

The above unlisted investments were wealth management products issued by banks in Chinese Mainland. They were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

23. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	2023 RMB'000	2022 RMB'000
Cash and bank balances	**20,779**	56,906
Less:		
Restricted and pledged bank deposits*	**(15,136)**	–
Cash and cash equivalents	**5,643**	55,256

* At the end of the current year, of the Group's cash and bank balances with restricted ownership, there are mainly by (1) bank deposits frozen as a result of the litigation, of RMB10,006,729 (31 December 2022: nil); (2) security deposit placed in bank for the issuance of bank acceptance bills of RMB5,100,000 (31 December 2022: nil); and (3) there was no security deposit placed in the bank for the issuance of guarantee letter during the year (31 December 2022: RMB1,650,000). Details of the Group's litigation are included in note 33 to the financial statements.

Cash and cash equivalents denominated in:

	2023 RMB'000	2022 RMB'000
RMB	**2,900**	54,372
US$	**1,395**	–
HK$	**988**	652
EUR	**31**	–
SGD	**329**	232
Cash and cash equivalents	**5,643**	55,256

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

As at 31 December 2023, approximately RMB5,643,000 (31 December 2022: RMB55,256,000) were cash and cash equivalents and approximately RMB15,136,000 (31 December 2022: RMB1,650,000) were time deposits and pledged deposits.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

As at 31 December 2022 and 31 December 2023, cash and cash equivalents of the Group were considered to be of low credit risk, and thus the Group has assessed that the ECL for cash and cash equivalents is immaterial under the 12-month expected credit loss method.

24. TRADE AND BILLS PAYABLES

An ageing analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	2023 RMB'000	2022 RMB'000
Within 30 days	129,602	64,642
31 to 60 days	8,733	6,481
61 to 90 days	9	47
Over 90 days	5,199	5,596
	143,543	76,766

The trade payables are non-interest-bearing and are normally settled on terms of 30 to 90 days. The carrying amounts of the trade payables approximate to their fair values.

25. OTHER PAYABLES AND ACCRUALS

	2023 RMB'000	2022 RMB'000
Salary and welfare payables	4,341	5,999
Other payables and accruals	3,244	3,693
	7,585	9,692

The other payables and accruals are non-interest-bearing and are repayable within one year.

26. CONTRACT LIABILITIES

	31 December 2023 RMB'000	31 December 2022 RMB'000	1 January 2022 RMB'000
Short-term advances received from customers			
IT infrastructure services	**16,134**	6,391	7,300
IT implementation and supporting services	**7,434**	6,925	10,994
Cloud services	**10,028**	7,432	4,594
	33,596	20,748	22,888

Contract liabilities include short-term advances received to deliver IT products and render services. The increase in contract liabilities in 2023 and 2022 was mainly due to the increase in short-term advances received from customers in relation to the provision of IT implementation and supporting services at the end of the year.

27. INTEREST-BEARING BANK BORROWINGS

	2023			2022		
	Contractual interest rate (%)	**Maturity**	**RMB'000**	Contractual interest rate (%)	Maturity	RMB'000
Current						
Bank loans – secured			**–**	3.1	2023/4/27	10,000
Bank loans – secured			**–**	3.65	2023/3/17	3,555
Bank loans – secured			**–**	3.65	2023/3/20	6,007
Bank loans – secured	**3.40%**	**2024/5/30**	**30,017**			–
Bank loans – secured	**0.00%**	**2024/3/13**	**983**			–
Bank loans – secured	**4.20%**	**2024/12/13**	**14,028**			–
Bank loans – secured	**3.90%**	**2024/3/19**	**3,204**			–
			48,232			19,562

	2023 RMB'000	2022 RMB'000
Analysed into:		
Bank loans:		
Within one year	**48,232**	19,562

27. INTEREST-BEARING BANK BORROWINGS *(Continued)*

All interest-bearing bank borrowings are repayable within one year and are denominated in RMB.

The Group's bank borrowings amounting to RMB48,232,000 (2022: RMB19,562,000), of which RMB47,249,000 were interest-bearing borrowings and RMB983,000 were interest-free borrowings. Both were secured by line of credit of the Group amounting to RMB65,000,000 (2022: RMB10,000,000) as at 31 December 2023.

The Group's banking facilities amounting to RMB235,000,000 (2022: RMB150,000,000) as at 31 December 2023 were guaranteed by Ms. Ding Xinyun, a controlling shareholder of the Group, of which amounts of RMB40,710,000 (2022: RMB40,000,000) have been utilised for letters of guarantee.

28. DEFERRED TAX

The movements in deferred tax assets and liabilities during the year are as follows:

Deferred tax liabilities

	Fair value adjustments arising from acquisition of a subsidiary RMB'000	**Right-of-use assets** RMB'000	**Total** RMB'000
At 1 January 2022	197	617	814
Deferred tax charged/(credited) to profit or loss during the year (note 10)	(55)	121	66
Gross deferred tax liabilities at 31 December 2022 and 1 January 2023	142	738	880
Deferred tax charged/(credited) to profit or loss during the year (note 10)	(55)	231	176
At 31 December 2023	87	969	1,056

28. DEFERRED TAX *(Continued)*

Deferred tax assets

	Impairment of financial and contract assets RMB'000	Write-down of inventories to net realisable value RMB'000	Leases Liabilities RMB'000	Losses available for offsetting against future taxable profits RMB'000	Total RMB'000
At 1 January 2022	266	–	945	–	1,211
Deferred tax charged/(credited) to profit or loss during the year (note 10)	1,598	1,022	(31)	6,066	8,655
Gross deferred tax assets at 31 December 2022 and 1 January 2023	1,864	1,022	914	6,066	9,866
Deferred tax charged/(credited) to profit or loss during the year (note 10)	553	104	108	(148)	617
At 31 December 2023	2,417	1,126	1,022	5,918	10,483

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

	2023 RMB'000	2022 RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	**9,514**	9,128
Net deferred tax liabilities recognised in the consolidated statement of financial position	**87**	142

The Group has tax losses arising in Chinese Mainland of RMB7,654,000 (2022: RMB5,213,000) that are available in the next five years for offsetting against future taxable profits of the companies in which the losses arose. The Group has tax losses arising in Hong Kong of RMB6,990,000 (2022: RMB2,590,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

29. SHARE CAPITAL

Share	2023	2022
Authorised:		
5,000,000,000 (2022: 5,000,000,000) ordinary shares of HK$0.01 each (HK$'000)	**50,000**	50,000
Issued and fully paid:		
2,044,947,350 (2022:2,044,947,350) ordinary shares (HK$'000)	**20,449**	20,449
Equivalent to RMB'000	**18,654**	18,654

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

	Number of ordinary shares of HK$0.01 each	Nominal value of ordinary shares HK$'000	Nominal value of ordinary shares RMB'000
At 1 January 2022	2,000,000,000	20,000	18,289
Issue of new shares under Share Award Scheme* (note 30)	44,947,350	449	365
At 31 December 2022 and 1 January 2023	2,044,947,350	20,449	18,654
At 31 December 2023	2,044,947,350	20,449	18,654

* On 23 March 2022, the Board has resolved to grant 44,947,350 award shares to 42 selected participants, all of whom are employees. Under the Share Award Plan, no funds will be raised from the allotment and issue of the new shares. Please refer also to note 30.

30. SHARE AWARD SCHEME

The Company adopted a Share Award Plan (the "Plan") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Plan will be selected by the committee, which comprises Directors and senior management of the Group. The Plan became effective on 9 November 2021 (the "Adoption Date") and, subject to any early termination in accordance with the rules of the Plan, the Plan shall be valid and effective for a term of 10 years commencing from the Adoption Date. According to the Share Award Plan, any Award Shares shall either be (i) existing Shares as may be purchased by the trustee on the Stock Exchange or off the market; or (ii) new Shares to be allotted and issued to the trustee by the Company pursuant to general mandate or specific mandate granted by Shareholders at general meeting(s) of the Company from time to time.

30. SHARE AWARD SCHEME *(Continued)*

The trustee shall purchase Shares at the prevailing market price (subject to such maximum price as may be from time to time prescribed by the Committee). In the event that the trustee effects any purchases by off-market transactions, the purchase price for such purchases shall not be higher than the lower of the following: (i) the closing market price on the date of such purchase, and (ii) the average closing market price for the five (5) preceding trading days on which the Shares were traded on the Stock Exchange.

Where any Award is specified to be satisfied by an allotment and issue of new Shares to the trustee, such allotment and issue should only be made upon fulfilment of the following conditions:

(i) the Company having obtained Shareholders' approval in general meeting under general mandate or specific mandate to authorise the Directors to allot and issue new Shares, provided that the total number of Shares to be allotted and issued to the trustee under the Share Award Plan shall not exceed the plan limit; and

(ii) the Listing Committee of the Stock Exchange having granted the listing of and permission to deal in the Shares which may be allotted and issued by the Company to the trustee pursuant to the Share Award Plan.

On 23 March 2022, the Board has resolved to grant 44,947,350 Award shares to 42 Selected Participants. The Award Shares represent (i) approximately 2.25% of the issued share capital of the Company as at the Adoption Date; and (ii) approximately 2.20% of the issued share capital of the Company after the allotment and as at the date of this report. As at the date of this report, the Company's total outstanding shares are 2,044,947,350. No funds were raised from the allotment and issue of the new Shares.

Vesting Schedule

Subject to the fulfilment of the relevant conditions and/or performance targets, the Award Shares shall be vested in the Grantees in the following manner:

1. For 8 of the Grantees (the "1st Batch Grantees"):

Vesting date	% of the Award Shares to be vested
30 April 2022	50%
30 April 2023	50%

2. For 34 of the Grantees (the "2nd Batch Grantees"):

Vesting date	% of the Award Shares to be vested
30 April 2023	25%
30 April 2024	25%
30 April 2025	25%
30 April 2026	25%

30. SHARE AWARD SCHEME *(Continued)*

Vesting Conditions

The vesting of the Award Shares is subject to the following vesting conditions:

1. the Grantee remaining as an Eligible Participant on and before the relevant vesting date (other than for reason of death or retirement);

2. the Grantee having achieved his/her respective performance targets as specified in the relevant grant letter;

3. the Grantee having completed the relevant filings and obtained the necessary approvals in respect of the transfer of the Award Shares by the trustee to him/her (if required); and

4. the Grantee having returned duly executed acceptance form and/or transfer documents within a specified period of time prescribed by the trustee.

The vesting of the second tranche of the Award Shares granted to the 1st Batch Grantees is subject to the following performance targets:

(i) such Grantee shall obtain an overall grade of "B" or above for his/her personal position performance appraisal conducted by the Company before the vesting date in respect of such tranche; and

(ii) the Group shall have achieved a year-on-year growth of at least 20% in the audited revenue or audited net profits in the immediately preceding financial year.

In respect of the 2nd Batch Grantees, the performance targets are that:

(i) such Grantee shall obtain an overall grade of "B" or above for his/her personal position performance appraisal conducted by the Company before each of the vesting date in respect of each of the tranches; and

(ii) in respect of each tranche, the Group shall have achieved a year-on-year growth of at least 20% in the audited revenue or audited net profits in the immediately preceding financial year.

30. SHARE AWARD SCHEME *(Continued)*

Movements during the year

Movements in the number of awarded shares for the year ended 31 December 2023 are as follows:

	Number of awarded shares 2023	2022
At 1 January	**9,000,000**	–
Granted during the year	**–**	44,947,350
Vested during the year	**(2,950,000)**	(16,173,675)
Forfeited during the year	**–**	(19,173,675)
Lapsed during the year	**(150,000)**	(600,000)
At 31 December	**5,900,000**	9,000,000

The Company used the share price (HK$0.086 per share) as of 23 March 2022 to estimate the fair values of the above award shares as at the grant date. The Group recognised a share award expense of RMB157,000 during the year ended 31 December 2023.

On 23 March 2022, a total of 44,947,350 new shares had been allotted and issued to the trustee by the Company as awarded shares and will be held on trust by the trustee for the Selected Persons until the end of the vesting period subject to fulfilment of the vesting conditions out of which 19,123,675 Awarded Shares were vested as at 31 December 2023.

31. RESERVES

(i) The amounts of the Group's reserves and the movements therein for the current year and the prior year are presented in the consolidated statement of changes in equity on pages 98 to 99 of the financial statements.

(ii) Other capital reserve of the Group mainly arises from transactions undertaken with non-controlling interests.

(iii) Share premium reserve represents the difference between the par value of the shares issued and the consideration received.

(iv) In accordance with the Chinese Mainland Company Law, the Chinese Mainland subsidiaries of the Group are required to allocate 10% of their profit after tax to the statutory surplus reserve (the "SSR") until such reserve reaches 50% of the registered capital of the Chinese Mainland subsidiaries. Subject to certain restrictions set out in the Chinese Mainland Company Law, part of the SSR may be converted to increase the paid-up capital/issued capital of the Chinese Mainland subsidiaries, provided that the remaining balance after the capitalisation is not less than 25% of the registered capital.

(v) Merger reserve of the Group represents the issued capital of the then holding company of the companies now comprising the Group and the capital contributions from the equity holders of certain subsidiaries now comprising the Group before the completion of the reorganisation.

(vi) The exchange fluctuation reserve comprises all foreign exchange differences arising from the translation of the financial statements of companies outside Chinese Mainland. The reserve is dealt with in accordance with the accounting policy set out in note 2.4 to the financial statements.

32. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB6,239,000 (2022: RMB5,359,000) and RMB6,239,000 (2022: RMB5,359,000), respectively, in respect of lease arrangements for buildings used in its operations.

(b) Changes in liabilities arising from financing activities

2023

	Bank borrowings RMB'000	**Lease liabilities RMB'000**
At 1 January 2023	**19,562**	**6,095**
Proceeds from loans and borrowings	**165,577**	**–**
Additions to lease liabilities	**–**	**6,239**
Accretion of interest expenses (note 7)	**1,956**	**294**
Repayment of interest expenses	**(1,956)**	**(294)**
Repayment of loans and borrowings	**(136,907)**	**–**
Principal elements of lease payments	**–**	**(4,063)**
Reassessment and revision of lease terms	**–**	**(1,188)**
At 31 December 2023	**48,232**	**7,083**

2022

	Bank borrowings RMB'000	Lease liabilities RMB'000
At 1 January 2022	–	6,297
Proceeds from loans and borrowings	65,699	–
Additions to lease liabilities	–	5,359
Accretion of interest expenses (note 7)	–	279
Repayment of interest expenses	–	(279)
Repayment of loans and borrowings	(46,137)	–
Principal elements of lease payments	–	(2,281)
Disposal	–	(72)
Reassessment and revision of lease terms	–	(2,873)
Covid-19-related rent concessions from lessors	–	(335)
At 31 December 2022	19,562	6,095

32. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

(c) Total cash outflow for leases

The total cash outflow for leases included in cash flows is as follows:

	2023	2022
	RMB'000	RMB'000
Within operating activities	**363**	164
Within financing activities	**4,357**	2,560
	4,720	2,724

33. CONTINGENT LIABILITIES

On 24 March 2023, due to the dispute between Eden Information Service Limited* (深圳市伊登軟件有限公司) ("Eden Information"), one of the Group's subsidiaries, and its supplier (the "Plaintiff") over the contractual services provision scope of a service purchase agreement (the "Agreement") entered into between them, the Plaintiff filed a claim with the People's Court of Futian District, Shenzhen City* (深圳市福田區人民法院) against Eden Information (the "Lawsuit").

Under the Agreement, the Plaintiff shall be responsible for providing the domestic portion of the CDN acceleration services according to the Agreement, including the services of statics content acceleration and the dynamic site acceleration, to Eden Information for satisfying the demands from the Customer, during the period from the date on which the services were actually provided by the Plaintiff to 30 December 2021, i.e., the contractual period of the Agreement. According to the Plaintiff's claim, the Agreement shall be terminated with compensation for the Plaintiff based on the reason that Eden Information failed to fully pay for the dynamic site acceleration request times during the contractual period of the Agreement. In July 2023, the plaintiff added a claim for more compensation without new reasons and/or basis in the same lawsuit. Subject to the Plaintiff's claim, the Court froze part of Eden Information's deposits in a commercial bank and its shares of Dongguan Eden Software Co., Ltd.* (東莞市伊登軟件有限公司) according to standard judicial procedures in the Chinese Mainland in June 2023.

In the view of the Plaintiff's unreasonable claims after the expiration of the Agreement and in order to assert its legitimate rights and interests under the Agreement, Eden Information filed its counterclaim against the Plaintiff to the Court on 26 July 2023, claiming that (i) the Plaintiff's aforementioned claims for compensation shall be denied based on the reasons that (a) as informed by the Customer, the Plaintiff did not provide complete and sufficient dynamic site acceleration services as required by the Customer during the contractual period of the Agreement and the Customer is also not satisfied with the quality of dynamic site acceleration services, which had been provided by the Plaintiff; and (b) the fees for dynamic site acceleration request times were never included in the monthly statements that Plaintiff sent to Eden Information during the contractual period of the Agreement, which, Eden Information is of the view, as such the Plaintiff has no basis to charge its claims for services fees for dynamic site acceleration request times under the Agreement in the lawsuit; (ii) Eden Information shall only pay the Plaintiff additional service fees of approximately RMB0.2 million for dynamic site acceleration bandwidth according to the Agreement and the monthly statements sent by the Plaintiff to Eden Information; and (iii) the Plaintiff shall bear all the relevant legal costs, attorney's fees and preservation fees incurred during the aforementioned disputes.

* English translation name is for identification purpose only

33. CONTINGENT LIABILITIES *(Continued)*

As at the date of this report, the Lawsuit had its first hearing and second hearing on 8 August 2023 and 18 September 2023, respectively, and is still awaiting the result of judgement.

34. PLEDGE OF ASSETS

Details of the Group's assets pledged for the Group's interest-bearing bank borrowings, factoring loans and letters of guarantee are included in notes 23 and 27 to the financial statements.

As at 31 December 2023, the assets, 88.0% of the shares in the subsidiary (Dongguan Eden Software Co., LTD. (東莞市伊登軟件有限公司) and pledged bank deposit amounting to approximately RMB10,000 were restricted due to the reason of judicial freezing. Details of the Group's litigation are included in note 33 to the financial statements.

35. RELATED PARTY TRANSACTIONS

(1) Other transactions with a related party:

	2023 **RMB'000**	2022 RMB'000
Banking facilities and borrowings guaranteed by:		
Ms. Ding Xinyun*	**2,235,000**	150,000

* The Controlling Shareholder of the Company.

The Group's banking facilities amounting to RMB40,710,000 (2022: RMB40,000,000) have been utilised for a letter of guarantee at 31 December 2023.

(2) Compensation of key management personnel of the Group, including directors' remuneration as detailed in note 8 above:

	2023 **RMB'000**	2022 RMB'000
Salaries, allowances and benefits in kind	**3,343**	3,433
Pension scheme contributions	**132**	149
	3,475	3,582

36. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

Financial assets

	Financial assets at amortised cost	
	2023	2022
	RMB'000	RMB'000
Trade and bills receivables	**234,064**	142,864
Financial assets included in deposits and other receivables	**3,010**	3,305
Financial assets at fair value through profit or loss	**–**	5,050
Time deposits and pledged deposits	**15,136**	1,650
Cash and cash equivalents	**5,643**	55,256
	257,853	208,125

Financial liabilities

	Financial liabilities at amortised cost	
	2023	2022
	RMB'000	RMB'000
Trade payables	**143,543**	76,766
Financial liabilities included in other payables and accruals	**3,244**	1,749
Interest-bearing bank borrowings	**48,232**	19,562
Lease liabilities	**7,083**	6,095
	202,102	104,172

37. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

At 31 December 2023 and 2022, the fair values of the Group's financial assets and financial liabilities approximated to their respective carrying amounts.

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

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

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

The fair values of the non-current portion of lease liabilities has been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The changes in fair value as a result of the Group's own non-performance risk for lease liabilities as at the end of each of the Relevant Periods were assessed to be insignificant.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing bank borrowings and cash and cash equivalents. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade and bills receivables, other receivables, trade payables, lease liabilities and other payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are foreign currency risk, credit risk and liquidity risk. The directors review and agree policies for managing each of these risks and they are summarised below.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Foreign currency risk

The Group has transactional currency exposures. These exposures arise from sales or purchases by operating units in currencies other than the units' functional currencies. None of the Group's sales were denominated in currencies other than the functional currency of the operating units making the sale, whilst approximately 83% and 89% of costs were denominated in the units' functional currencies for the years ended 31 December 2023 and 2022, respectively.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the US$, HK$, EUR, and GBP exchange rates, with all other variables held constant, of the Group's profit before tax (due to changes in the fair values of monetary assets and liabilities) and the Group's equity.

	Increase/ (decrease) in exchange rate	**Increase/ (decrease) in profit before tax**	**Increase/ (decrease) in equity**
	%	RMB'000	RMB'000
As at 31 December 2023			
If RMB strengthens against HK$	**5**	**(844)**	**(717)**
If RMB weakens against HK$	**(5)**	**844**	**717**
If RMB strengthens against US$	**5**	**29,517**	**25,089**
If RMB weakens against US$	**(5)**	**(29,517)**	**(25,089)**
If RMB strengthens against EUR	**5**	**1,451**	**1,233**
If RMB weakens against EUR	**(5)**	**(1,451)**	**(1,233)**
If RMB strengthens against GBP	**5**	**183**	**156**
If RMB weakens against GBP	**(5)**	**(183)**	**(156)**
As at 31 December 2022			
If RMB strengthens against HK$	5	4,110	3,494
If RMB weakens against HK$	(5)	(4,110)	(3,494)
If RMB strengthens against US$	5	28	24
If RMB weakens against US$	(5)	(28)	(24)
If RMB strengthens against EUR	5	9	8
If RMB weakens against EUR	(5)	(9)	(8)
If RMB strengthens against GBP	5	–	–
If RMB weakens against GBP	(5)	–	–

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Maximum exposure and year-end staging

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

31 December 2023

	12-month ECLs Stage 1 RMB'000	Lifetime ECLs Simplified approach RMB'000	Total RMB'000
Trade receivables*	**–**	**209,126**	**209,126**
Bills receivable	**43,712**	**–**	**43,712**
Contract assets*	**–**	**1,833**	**1,833**
Financial assets included in prepayments, deposits and other receivables	**3,010**	**–**	**3,010**
Time deposits and pledged deposits	**15,136**	**–**	**15,136**
Cash and cash equivalents	**5,643**	**–**	**5,643**
	67,501	**210,959**	**278,460**

31 December 2022

	12-month ECLs Stage 1 RMB'000	Lifetime ECLs Simplified approach RMB'000	Total RMB'000
Trade receivables*	–	138,200	138,200
Bills receivable	16,631	–	16,631
Contract assets*	–	3,690	3,690
Financial assets included in prepayments, deposits and other receivables	3,305	–	3,305
Time deposits and pledged deposits	1,650	–	1,650
Cash and cash equivalents	55,256	–	55,256
	76,842	141,890	218,732

* For trade receivables and contract assets to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in notes 19 and 21 to the financial statements, respectively.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Liquidity risk

The Group's policy is to maintain sufficient cash and cash equivalents and have available funding through capital contribution and financial support from related parties and bank borrowings.

The maturity profile of financial liabilities as at 31 December 2023 and 2022, based on the contractual undiscounted payments, was as follows:

	As at 31 December 2023			
	On demand RMB'000	Less than 1 year RMB'000	2 to 5 years RMB'000	Total RMB'000
Trade and bills payables	–	143,543	–	143,543
Financial liabilities included in other payables and accruals	–	3,244	–	3,244
Lease liabilities	–	3,218	3,865	7,083
	–	150,005	3,865	153,870

	As at 31 December 2022			
	On demand RMB'000	Less than 1 year RMB'000	2 to 5 years RMB'000	Total RMB'000
Trade payables	–	76,766	–	76,766
Financial liabilities included in other payables and accruals	–	1,749	–	1,749
Lease liabilities	–	3,594	2,501	6,095
	–	82,109	2,501	84,610

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value. The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2023 and 2022.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Capital management *(Continued)*

The Group monitors capital using a gearing ratio, which is net debt divided by capital plus net debt. Net debt includes interest-bearing bank borrowings, lease liabilities, trade and bills payables, financial liabilities included in other payables and accruals, less cash and cash equivalents. Capital represents equity attributable to owners of the parent. The Group's policy is to keep the gearing ratio at a reasonable level. The gearing ratios at the end of the reporting periods are as follows:

	2023	2022
	RMB'000	RMB'000
Interest-bearing bank borrowings	**48,232**	19,562
Lease liabilities	**7,083**	6,095
Trade and bills payables	**143,543**	76,766
Financial liabilities included in other payables and accruals	**3,244**	1,749
Less: Cash and cash equivalents	**(5,643)**	(55,256)
Net debt	**196,459**	48,916
Equity attributable to owners of the parent	**191,626**	185,133
Capital and net debt	**388,085**	234,049
Gearing ratio	**51%**	21%

39. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	Note	**2023** **RMB'000**	2022 RMB'000
NON-CURRENT ASSETS			
Investment in a subsidiary		**9,214**	9,214
Total non-current assets		**9,214**	9,214
CURRENT ASSETS			
Prepayments, deposits and other receivables		**63,180**	63,733
Cash and cash equivalents		**104**	136
Total current assets		**63,284**	63,869
CURRENT LIABILITIES			
Other payables and accruals		**5,641**	5,481
Total current liabilities		**5,641**	5,481
NET CURRENT ASSETS		**57,643**	58,388
Net assets		**66,857**	67,602
EQUITY			
Equity attributable to owners of the parent			
Share capital	29	**18,654**	18,654
Reserves		**48,203**	48,948
Total equity		**66,857**	67,602

39. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

A summary of the Company's reserves is as follows:

	Share capital RMB'000	**Share premium reserve** RMB'000	**Awarded share reserve** RMB'000	**Exchange fluctuation reserve** RMB'000	**Accumulated losses** RMB'000	**Total** RMB'000
At 31 December 2022 and 1 January 2023	18,654	78,889	288	(2,480)	(27,749)	67,602
Loss for the year	–	–	–	–	(1,870)	(1,870)
Other comprehensive income for the year:						
Exchange differences on currency translation	–	–	–	968	–	968
Total comprehensive income/(loss) for the year	–	–	–	968	(1,870)	(902)
Share Award Scheme						
– vested awarded shares	–	206	(206)	–	–	–
– value of services	–	–	157	–	–	157
At 31 December 2023	18,654	79,095	239	(1,512)	(29,619)	66,857

40. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 26 March 2024.

FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the past five years, as extracted from the published consolidated financial statements or the prospectus of the Company is set out below.

	Results of the Group for the year ended 31 December				
	2023	2022	2021	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**815,325**	680,322	800,510	690,717	791,888
(Loss)/Profit before tax	**5,264**	(35,829)	20,460	19,266	28,874
Income tax credit/(expenses)	**826**	8,058	(1,026)	(3,241)	(4,326)
(Loss)/Profit for the year	**6,090**	(27,771)	19,434	16,025	24,548

	Assets and liabilities of the Group as at 31 December				
	2023	2022	2021	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets	**26,197**	25,808	15,938	19,262	10,819
Current assets	**408,802**	297,453	360,248	348,629	195,681
Total assets	**434,999**	323,261	376,186	367,891	206,500
Current liabilities	**239,469**	135,486	165,709	173,358	108,009
Non-current liabilities	**3,952**	2,643	2,073	3,637	2,230
Net assets	**191,578**	185,132	208,404	190,896	96,261