

edensoft

EDENSOFT HOLDINGS LIMITED

伊登軟件控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1147)



2023
INTERIM REPORT



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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. Mok Ming Wai

(resigned on 11 July 2023)

Ms. Peng Hui

(appointed 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. Mok Ming Wai

(resigned on 11 July 2023)

Ms. Peng Hui

(appointed 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

West, 2nd Floor, Building A

Shenzhen International Innovation Center
(Futian Technology Square)

Hua Fu Street, 1006 Shennan Road

Futian District

Shenzhen, PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

5/F

Manulife Place

348 Kwun Tong Road

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



LEGAL ADVISER

As to Hong Kong law

Eric Chow & Co. in Association with
Commerce & Finance Law Offices

3401

Alexandra House

18 Chater Road

Central

Hong Kong

PRINCIPAL BANKERS

China Merchants Bank

Room No. B1, 1st Floor, Anlian Plaza

No. 4018 Jintian Road

Futian District, Shenzhen, PRC

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, PRC

STOCK CODE

1147

WEBSITE

www.edensoft.com.cn

The board of directors of the Company (the “**Board**”) is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (together, the “**Group**”) for the six months ended 30 June 2023 together with the unaudited comparative figures for the corresponding period in 2022 as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2023

	Notes	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
REVENUE	5	474,201	377,526
Cost of sales		(421,160)	(331,701)
Gross profit		53,041	45,825
Other income and gains	5	3,824	1,119
Selling and distribution expense		(13,161)	(13,934)
Administrative expense		(11,544)	(13,127)
Research and development expense		(21,955)	(13,969)
Other expense		(2,159)	(504)
Reversal/(recognition) of impairment losses on financial and contract assets, net		313	(38)
Finance costs	8	(1,351)	(533)
Share of profits of an associate		–	1,533
PROFIT BEFORE TAX	6	7,008	6,372
Income tax expense	7	(626)	(476)
PROFIT FOR THE PERIOD		6,382	5,896
Attributable to:			
Owners of the parent		6,430	5,896
Non-controlling interests		(48)	–
		6,382	5,896



Notes	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
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OTHER COMPREHENSIVE (LOSS)/ INCOME

Other comprehensive (loss)/income that will not be reclassified to profit or loss in subsequent periods:

Exchange differences on currency translation

(470)	2,362
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TOTAL COMPREHENSIVE INCOME FOR THE YEAR

5,912	8,258
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Attributable to:

Owners of the parent

5,960	8,258
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Non-controlling interests

(48)	-
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5,912	8,258
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EARNINGS PER SHARE ATTRIBUTABLE TO THE OWNERS OF PARENT

10

- Basic and diluted

RMB0.31 cents	RMB0.29 cents
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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

	Notes	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	11	872	972
Right-of-use assets		6,403	7,646
Goodwill		6,217	6,217
Other intangible assets		456	566
Investment in an associate		1,669	1,279
Deferred tax assets		8,476	9,128
Total non-current assets		24,093	25,808
CURRENT ASSETS			
Inventories		70,518	54,508
Trade and bills receivables	12	206,601	142,864
Prepayments, deposits and other receivables		13,227	34,678
Financial assets at fair value through profit or loss		–	5,050
Contract assets		2,391	3,447
Time deposits and pledged deposits		7,647	1,650
Cash and cash equivalents		39,401	55,256
Total current assets		339,785	297,453
CURRENT LIABILITIES			
Trade payables	13	90,672	76,766
Other payables and accruals		8,633	9,692
Contract liabilities		13,680	20,748
Interest-bearing bank borrowings		49,468	19,562
Lease liabilities		2,804	3,594
Tax payable		5,784	5,124
Total current liabilities		171,041	135,486
NET CURRENT ASSETS		168,744	161,967
TOTAL ASSETS LESS CURRENT LIABILITIES		192,837	187,775

	Notes	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
NON-CURRENT LIABILITIES			
Lease liabilities		1,556	2,501
Deferred tax liabilities		115	142
Total non-current liabilities		1,671	2,643
Net assets		191,166	185,132
EQUITY			
Equity attributable to owners of the parent			
Share capital	14	18,654	18,654
Reserves		172,561	166,479
Non-controlling interests		191,215 (49)	185,133 (1)
Total equity		191,166	185,132

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2023

	Attributable to owners of the parent										
	Share capital	Other capital reserve	Share premium reserve	Statutory surplus reserve	Merger reserve	Awarded share reserve	Exchange fluctuation reserve	Retained profits	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2022 (audited)	18,654	(1,152)	78,889	14,736	28,877	288	(1,747)	46,588	185,133	(1)	185,132
Profit for the year	-	-	-	-	-	-	-	6,430	6,430	(48)	6,382
Other comprehensive income for the year:											
Exchange differences on currency translation	-	-	-	-	-	-	(470)	-	(470)	-	(470)
Total comprehensive income/(loss) for the year	-	-	-	-	-	-	(470)	6,430	5,960	(48)	5,912
Release of vested awarded shares	-	-	-	-	-	122	-	-	122	-	122
At 30 June 2023 (unaudited)	18,654	(1,152)	78,889	14,736	28,877	410	(2,217)	53,018	191,215	(49)	191,166

For the six months ended 30 June 2022

	Attributable to owners of the parent							Total equity RMB'000
	Share capital RMB'000 (note 14)	Other capital reserve RMB'000	Share premium reserve RMB'000	Statutory surplus reserve RMB'000	Merge reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	
At 31 December 2021 (audited)	18,289	(1,152)	81,273	14,736	28,877	(7,977)	74,358	208,404
Profit for the period	-	-	-	-	-	-	5,896	5,896
Other comprehensive income for the period:								
Exchange differences on currency translation	-	-	-	-	-	2,362	-	2,362
Total comprehensive income for the period	-	-	-	-	-	2,362	5,896	8,258
Issue of shares for Award Shares	365	-	(365)	-	-	-	-	-
Employee share award schemes – value of employee services	-	-	757	-	-	-	-	757
Cash dividends	-	-	-	-	-	-	(3,079)	(3,079)
At 30 June 2022 (unaudited)	18,654	(1,152)	81,665	14,736	28,877	(5,615)	77,175	214,340

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2023

	Notes	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		7,008	6,372
Adjustments for:			
Depreciation of property, plant and equipment	6	116	118
Depreciation of right-of-use assets	6	1,876	1,630
Amortisation of other intangible assets	6	110	112
Share of profits of an associate		–	(1,533)
Bank interest income	5	(165)	(260)
Recognition of impairment losses on financial and contract assets		(313)	39
Employee share award schemes-value of employee services		122	757
Foreign exchange losses/(gains), net		2,151	–
Finance costs	8	1,351	533
		12,256	7,768
Increase in inventories		(16,010)	(10,731)
Increase in trade and bills receivables		(63,616)	(28,397)
(Increase)/decrease in prepayments, deposits and other receivables		21,451	2,826
Decrease in contract assets		1,248	1,807
Increase/(decrease) in trade payables		13,906	(18,809)
Increase/(decrease) in other payables and accruals		259	(849)
Decrease in contract liabilities		(7,068)	(13,928)
(Increase)/decrease in pledged deposits		(5,997)	6,502
		(43,571)	(53,811)
Cash used in operations		(43,571)	(53,811)
Income tax paid		(659)	1,023
		(44,230)	(52,788)
Net cash flows from operating activities		(44,230)	(52,788)

	Notes	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		(16)	(111)
Proceeds from disposal of equity investments at fair value through profit or loss		5,050	-
Purchases of financial assets at fair value through profit or loss		-	(5,000)
Interest received	5	165	260
Decrease in pledged deposits		-	13,812
		<hr/>	<hr/>
Net cash flows from investing activities		5,199	8,961
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank and other borrowings		146,897	31,137
Repayment of bank and other borrowings		(116,991)	(31,137)
Principal and interest elements of lease payments		(2,502)	(1,505)
Cash dividends paid to shareholders		-	(3,079)
Interest paid		(1,217)	(392)
		<hr/>	<hr/>
Net cash flows from/(used in) financing activities		26,187	(4,976)
NET DECREASE IN CASH AND CASH EQUIVALENTS			
		(12,844)	(48,803)
Cash and cash equivalents at the beginning of period		55,256	120,756
Effect of foreign exchange rate changes, net		(3,011)	2,362
		<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD		39,401	74,315



NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2023

1. CORPORATE INFORMATION

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

The Company is an investment holding company. During the six months ended 30 June 2023, the principal activities of the subsidiaries comprised provision of IT infrastructure services, IT implementation and supporting services and cloud services in the Mainland China.

2. BASIS OF PRESENTATION

The interim condensed consolidated financial information for the six months ended 30 June 2023 has been prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2022.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2022, except for the adoption of the following new and revised Hong Kong Financial Reporting Standards (“**HKFRSs**”) for the first time for the current period’s financial information.

Amendments to HKAS 1 and HKFRS

Practice Statement 2

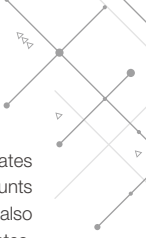
Amendments to HKAS 8

Disclosure of Accounting Policies

Definition of Accounting Estimates

The nature and 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 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has applied the amendments since 1 January 2023. The amendments did not have any impact on the Group’s interim condensed consolidated financial information but are expected to affect the accounting policy disclosures in the Group’s annual consolidated financial statements.

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- (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. The Group has applied the amendments to changes in accounting policies and changes in accounting estimates that occur on or after 1 January 2023. Since the Group's policy of determining accounting estimates aligns with the amendments, the amendments did not have any impact on the financial position or performance of the Group.

4. 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 products vendors and installing these IT products in customers' IT environment.
- IT implementation and supporting services: (i) design of IT solutions, (ii) development and/or implementation of solution-based software and/or hardware products and (iii) provision of technical and maintenance supporting services.
- Cloud services: Offering design, management and technical support for using cloud platforms which include self-developed cloud platform and other third party cloud platforms.

Revenue and expense 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 periods ended 30 June 2022 and 2023. The Group's other income and expense items, such as administrative expense, 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.

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 for the six months ended 30 June 2023 and 2022 is set out below:

	Six months ended 30 June 2023			
	IT			
	IT infrastructure services	IT implementation and supporting services	Cloud services	Total
	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Reportable segment revenue	161,075	166,640	146,486	474,201
Reportable segment cost of sales	(144,523)	(141,952)	(134,685)	(421,160)
Reportable segment gross profit	16,552	24,688	11,801	53,041
	Six months ended 30 June 2022			
	IT			
	IT infrastructure services	IT implementation and supporting services	Cloud services	Total
	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Reportable segment revenue	168,396	91,330	117,800	377,526
Reportable segment cost of sales	(147,130)	(85,338)	(99,233)	(331,701)
Reportable segment gross profit	21,266	5,992	18,567	45,825

5. REVENUE AND OTHER INCOME AND GAINS

Revenue from contracts with customers

Disaggregated revenue information

	Six months ended 30 June 2023			Six months ended 30 June 2022		
	IT infrastructure services RMB'000 (Unaudited)	IT implementation and supporting services RMB'000 (Unaudited)	Cloud services RMB'000 (Unaudited)	IT infrastructure services RMB'000 (Unaudited)	IT implementation and supporting services RMB'000 (Unaudited)	Cloud services RMB'000 (Unaudited)
Type of services						
Sale of software and/or hardware products and related services	161,075	-	-	168,396	-	-
Sale of solution-based software and/or hardware products and related services	-	63,796	-	-	56,923	100,304
IT supporting and maintenance services	-	14,598	-	-	3,156	-
IT design and implementation services	-	88,246	-	-	31,251	-
Cloud solution services	-	-	141,992	-	-	16,042
Cloud platform design services	-	-	4,494	-	-	1,454
Total revenue from contracts with customers	161,075	166,640	146,486	168,396	91,330	117,800
Geographical markets						
Mainland China	154,776	166,640	146,486	160,997	91,330	117,800
Hong Kong	6,299	-	-	7,399	-	-
Total revenue from contracts with customers	161,075	166,640	146,486	168,396	91,330	117,800
Timing of revenue recognition						
At a point in time	161,075	63,796	-	168,396	56,923	100,304
Over time	-	102,844	146,486	-	34,407	17,496
Total revenue from contracts with customers	161,075	166,640	146,486	168,396	91,330	117,800



Six months ended 30 June
2023 2022
RMB'000 RMB'000
(Unaudited) (Unaudited)

Other income

Bank interest income	165	260
Government grants – related to income	3,659	839

	3,824	1,099
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Gains

Others	–	20
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	3,824	1,119
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6. PROFIT BEFORE TAX

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

Six months ended 30 June
2023 2022
RMB'000 RMB'000
(Unaudited) (Unaudited)

Cost of inventories sold and services provided	416,502	331,701
Depreciation of property, plant and equipment	116	118
Depreciation of right-of-use assets	1,876	1,630
Lease payments not included in the measurement of lease liabilities	252	85
Research and development expenses	26,613	14,048
Tax surcharges	568	878

Employee benefit expense (including Directors' remuneration):

Wages and salaries	26,378	20,204
Pension scheme contributions	3,474	4,033

	29,852	24,237
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Foreign exchange differences, net*	2,151	503
Impairment of trade and bills receivables	(122)	38
Impairment of contract assets	(191)	–
Share of profits of an associate	–	(1,533)

* Included in "Other income and gains" or "Other expense" in profit or loss.

7. 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 operated.

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% on the estimated assessable profits arising in Hong Kong during periods ended 30 June 2023 and 2022, except for one subsidiary of the Company which is a qualifying entity under the two-tier profit tax rate regime effective from the year of assessment 2023/2022. The first HK\$2,000,000 of assessable profits of this subsidiary is taxed at 8.25% and the remaining assessable profits are taxed at 16.5%.

Pursuant to the PRC Income Tax Law and the respective regulations, subsidiaries of the Company operating in Mainland China are subject to Corporate Income Tax at a rate of 25% on the taxable income. Preferential tax treatment is available to the Company's operating subsidiaries, Eden Information Service Limited, Dongguan Edensoft Ltd., and Shenzhen Yundeng Technology Ltd., since Eden Information Service Limited was recognised as High Technology Enterprise and was entitled to a preferential tax rate of 15%, and Dongguan Edensoft Ltd. and Shenzhen Yundeng Technology Ltd. were recognised as Micro and Small Company and were entitled to a preferential tax rate of 5% for the first RMB1,000,000 of assessable profits and the remaining assessable profits below RMB3,000,000 are taxed at 10% for the period ended 30 June 2023.

	For the six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current – PRC – charge for the period	–	769
Deferred	626	(293)
Total tax charge for the period	626	476



8. FINANCE COSTS

	For the six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Interest on bank loans	1,217	392
Interest on lease liabilities	134	141
	1,351	533

9. DIVIDENDS

	For the six months ended 30 June	
	2023 RMB'000	2022 RMB'000
Proposed final – RMBnil (2022: RMB0.18 cent) per ordinary share	–	3,079

10. 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 period attributable to owners of the parent of RMB6.4 million (30 June 2022: RMB5.9 million), and the weighted average number of ordinary shares of 2,044,947,350 (30 June 2022: 2,044,947,350) shares in issue during the period.

The Group had no potentially dilutive ordinary shares in issue during the periods ended 30 June 2023 and 2022.

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2023, the Group acquired assets with a cost of RMB16,199 (30 June 2022: RMB113,996) and disposed of assets with a net carrying amount of nil (30 June 2022: nil).

12. TRADE AND BILLS RECEIVABLES

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Trade receivables	183,203	138,200
Impairment	(11,847)	(11,967)
	<hr/>	<hr/>
Trade receivables, net	171,356	126,233
Bills receivables	35,245	16,631
	<hr/>	<hr/>
	206,601	142,864
	<hr/>	<hr/>

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.

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

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Within 6 months	157,655	100,155
6 to 12 months	6,624	27,179
Over 12 months	18,924	10,866
	<hr/>	<hr/>
	183,203	138,200
	<hr/>	<hr/>

13. TRADE PAYABLES

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

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Within 30 days	82,773	64,642
31 to 60 days	4,326	6,481
61 to 90 days	63	47
Over 90 days	3,510	5,596
	90,672	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.

14. SHARE CAPITAL

	30 June 2023 (Unaudited)	31 December 2022 (Audited)
Issued and fully paid: 2,044,947,350 (2022: 2,044,947,350) ordinary shares of HK\$0.01 each (HK\$)	2,044,947,350	2,044,947,350
Equivalent to RMB	18,654,000	18,654,000

15. PLEDGE OF ASSETS

The summary of the pledged assets is as follows:

As at 30 June 2023, the assets (including 24% of the shares in the associated company Fuzhou East Lake Education Technology Co., Ltd., 88% of the shares in the subsidiary Dongguan Eden Software Co., Ltd., and pledged bank deposit amounting to RMB7,643,000) were restricted due to reasons such as judicial freezing.

16. RELATED PARTY TRANSACTIONS AND BALANCES

(1) Other transactions with related parties:

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Banking facilities and borrowings guaranteed by:		
Ms. Ding Xinyun*	180,000	150,000

* Controlling Shareholder of the Company.

(2) Compensation of key management personnel of the Group including Directors' remuneration:

	For the six months ended 30 June	
	2023	2022
	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Salaries, allowances and benefits in kind	1,580	1,286
Pension scheme contributions	79	104
	1,659	1,390

17. EVENTS AFTER THE REPORTING PERIOD

As at 18 August 2023, pledged bank deposit amounting to RMB10,000,000 were restricted due to the reason of judicial freezing.



MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is an integrated information technology (“IT”) solutions and cloud services provider in the People’s Republic of China (the “PRC”). Its business portfolio includes provision of IT infrastructure services, IT implementation and supporting services and cloud services.

The shares of the Company (“Shares”) have been listed on the Main Board of the Stock Exchange by way of share offer on 13 May 2020 (the “Listing Date”). 500,000,000 ordinary Shares of the Company (comprising a public offer of 250,000,000 Shares 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 and for sale at an offer price of HK\$0.25 per Share (the “Listing”). The Company has adopted the Share Award Plan (as defined below) on 9 November 2021 and provided supplementary information to Shareholders and potential investors of the Company in relation to Eligible Participants (as defined below) and Plan Limit (as defined below) of the Share Award Plan on 11 January 2022. On 23 March 2022, the Board has resolved to grant 44,947,350 Award Share (as defined below) to 42 Selected Participants, all of whom are Employees (as defined below). As at the date of this report, the Company issued 2,044,947,350 Shares. See the section headed “Share Award Scheme Plan” in this report for further details.

For the six months ended 30 June 2023, the Group was principally engaged in the following business activities:

Looking back at the first half of 2023, with the normalization of the prevention and control measures taken by the PRC governments on the COVID-19 and the emergence and development of ChatGPT developed by OpenAI, the Group has seized new opportunities in the IT market and focused on the improvement of its cloud service provision capabilities, the research and development (the “R&D”), marketing of products and solutions combined with Azure OpenAI, and the training of emerging IT technologies on the basis of its existing IT infrastructure services, which may bring new vitality for the strategic development of the Group.



IT Infrastructure Services

In the process of cooperation with the world's top IT software product manufacturers, the Group has established a professional 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 the PRC 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**”), one of the leading enterprises of domestic operating systems in the PRC, the Group participates in the holding of training seminars in connection with Kylin Operating System (麒麟操作系統) for software engineers in the PRC, and also vigorously supports the construction of information and innovation talent team. In particular, the training seminar for Kylin Certified Operating System Operations Professionals was held in April 2023, which is an intermediate course of Kylin Software Education Development Center curriculum system. After completing the training seminar and passing the examination, the participants may 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 the PRC 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.

* English translation name is for identification purpose only



IT Implementation and Supporting Services

Based on years of experience in the sales and technical support of various global mainstream enterprise software products and solutions, the Group has formed a stable and professional technical support team certified by relevant original technology providers. Such professional team is able to provide customized solutions, plan deployment and implementation, and operation and maintenance support services for business scenarios and office demand, helping enterprise customers achieve digital transformation on a gradual basis.

1. *Data and network security solutions*

Since the implementation of the Data Security Law of the PRC* (《中華人民共和國數據安全法》) in September 2021, the importance of data and network security has attracted the attention of the PRC governments and all walks of life. Subject to the enterprise customers' demand in connection with data and network security, the Group divides its solutions into multiple parts, including but not limited to data backup and disaster recovery, business disaster management, database audit and security operation and maintenance. The Group is committed to escorting the data and network security of enterprise customers to ensure the healthy, stable and sustainable operation of enterprise customers' business.

2. *Infrastructure solutions*

Based on its plentiful products and professional team, the Group provides enterprise customers with full-stack solutions and services to meet their needs generated from the IT infrastructure environment to the upper business applications, and from the design of the overall infrastructure to the implementation of a single business application solution, which would lay the foundation for the enterprise customers' digital transformation.

3. *Modern office solutions*

Following the forefront of technology, the Group is committed to satisfy the business demand of enterprise customers and provide them with more productive equipment and solutions. In consideration of China-made IT products and services are becoming increasingly popular in recent years in China, the Group customized Huawei's commercial office solutions based on the original Microsoft Surface office solution in order to bring customers a full range of modern office experience in the PRC.


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Cloud Services

As an independent third-party cloud Managed Service Provider (“**MSP**”), the Group has been deeply engaged in the field of cloud services and not only provides domestic basic cloud resources, primarily including Huawei Cloud, Alibaba Cloud and Tencent Cloud, and overseas basic cloud resources, primarily including Microsoft Azure, Amazon Cloud AWS and Google Cloud GCP, for enterprise customers, but also provides comprehensive cloud solutions such as cloud consulting (雲諮詢), cloud planning (雲規劃), cloud migration (雲遷移), cloud implementation (雲實施), cloud security (雲安全) and cloud operation and maintenance (雲運維), which are designed to help enterprise customers accelerate their digital transformation. In the past six months, the Group’s capabilities for provision of cloud services have also been recognized 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 the PRC, 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 recognized 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. Besides, Huawei Cloud has arranged a special area for the Group in its cloud store, and several self-developed products and solutions of the Group have been allowed to sold in Huawei Cloud Mall, in particular, Eden Security Document Management System* (伊登安全文檔管理系統) and Virtual Desktop Service* (虛擬桌面服務), which have gone through multiple rounds of technical tests by Huawei and have been successfully selected as Huawei Cloud Joint Operation Products* (華為雲聯營聯運產品) in January 2023.

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- 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, after passing the Amazon Cloud's assessment of customer experience, revenue performance and customer satisfaction, the Group also successfully obtained the qualification of AWS Advanced Service Partner. Such recognition validates 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 most important partners of Microsoft in South China, the Group was one of the first batch of companies to access ChatGPT technology in the PRC. With the advantages of its own technological innovation and the accumulation of service experience, on the one hand, the Group combines Azure OpenAI to develop products and solutions with AI capacities; on the other hand, the Group integrates the power of AI into its mature self-developed products, thereby further improving its product strength in the industry. The Group is committed to providing access for customers in different industries and fields to have the performance improvements brought by AI.

- *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);

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- *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 AI Generated Content 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; 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 the PRC governments on the COVID-19 and the development of AI technology, the Group seizes new opportunities 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 and Shanghai in the first half of 2023, accurately reaching more than 350 enterprises. Ms. Ding Xinyun, the Chairman of the Group, introduced the Group' 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.

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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. 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. The group received positive feedback and attracted a large number of participants' attention and consultation in such conference.

The participation in the World Conference on Artificial Intelligence is the embodiment of the Group's AI technical strength, and it is also a milestone for the Group's AI self-developed products and solutions to access and move towards the global market. As one of the earliest companies to access ChatGPT technology in the PRC, the Group has rich experience in the implementation of solutions and excellent ability to apply ChatGPT technology in practice. The Group combines the advanced AI technology with specific scenarios to effectively solve the pain points of industrial digital intelligence and effectively promote the commercialization of AI. Starting from OpenAI technology, the Group is extending its AI power to all walks of life and creating a huge AI application network. This "Eden Net" will provide customers with support and services for ChatGPT technology, and become a channel for customers in various industries to use ChatGPT technology. There is no doubt that in the era of AI 2.0, the group will show greater advantages, which is closely related to its early accumulation and first-mover advantage.

The Group will be committed to leveraging its unique advantages and strengthening cooperation with various industry partners to jointly accelerate the development of the AI-driven digital world. The Group will further help its enterprise customers stay ahead of this wave and continue to benefit from the golden age of AI 2.0.

FUTURE PROSPECTS

In 2023, although the negative impact of COVID-19 has gradually eliminated, the downward pressure on the market economy is still obvious in the PRC. The Group will firmly grasp the potential business opportunities, adhere to the policy of leading urban upgrading with technological innovation, and strive to 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.

In addition to continuously strengthening its own R&D capabilities, the Group also expects to expand cooperation with industry partners and conduct business integration, so as to enhance the competitiveness of its products and services in cloud service capabilities, cloud-native application development and AI. The Group will continue to increase its market investment and deeply integrate customer needs. The Group believes that it can build on its strength and achieve significant growth in the near future.

FINANCIAL REVIEW

Revenue

The Group's revenue for the six months ended 30 June 2023 was approximately RMB474.2 million, representing an increase of approximately RMB96.7 million, or approximately 25.6%, compared to revenue of approximately RMB377.5 million for the same period of last year. The overall increase in revenue was primarily due to the obvious increase of approximate RMB75.3 million of revenue derived from the Group's IT implementation and supporting services compared with the same period of last year as a result of increasing orders in this business segment for the first half of 2023.

Cost of sales

Cost of sales of the Group increased by approximately 27.0% from approximately RMB331.7 million for the six months ended 30 June 2022 to approximately RMB421.2 million for the six months ended 30 June 2023. The increase was generally in line with the increase in revenue for the same period.



Gross profit and margin

The following table sets forth a breakdown of gross profit and gross profit margin for the periods indicated:

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue	474,201	377,526
Cost of sales	(421,160)	(331,701)
	<hr/>	<hr/>
Gross profit	53,041	45,825
Gross profit margin (%)	11.2	12.1

The gross profit increased by approximately 15.7%, from approximately RMB45.8 million for the six months ended 30 June 2022 to approximately RMB53.0 million for the six months ended 30 June 2023, which was in line with the increase in revenue for the same period. The gross profit margin decreased by approximately 0.9% from approximately 12.1% for the six months ended 30 June 2022 to approximately 11.2% for the six months ended 30 June 2023, primarily due to the decrease of gross profit of the Group's cloud services segment from approximately 15.8% for the six months ended 30 June 2022 to approximately 8.1% for the six months ended 30 June 2023, partially offset by the increase of gross profit of its IT implementation and supporting services segment for the same period.

Other income and gains

The other income and gains increased by approximately 241.7% from approximately RMB1.1 million for the six months ended 30 June 2022 to approximately RMB3.8 million for the six months ended 30 June 2023. Such increase was primarily due to additional deduction of input value-added tax resulting from the government's favorable tax policy for the life service industry in the first half of 2023.

Selling and distribution expense

The selling and distribution expense decreased slightly by approximately 5.5% from approximately RMB13.9 million for the six months ended 30 June 2022 to approximately RMB13.2 million for the six months ended 30 June 2023. Such decrease was primarily due to the decrease of the Group's travel expense and reception expense as a result of its cost control measures implemented.



Administrative expense

The administrative expense decreased by approximately 12.1% from approximately RMB13.1 million for the six months ended 30 June 2022 to approximately RMB11.5 million for the six months ended 30 June 2023 primarily because (i) the amortisation expense of the Share Award Plan decreased by approximately RMB0.8 million for the first half of 2023 due to the performance targets of the Group for 2022 has not been met; (ii) the rental expense decreased by approximately RMB0.3 million due to the rent adjustment of the Group's leased premises; and (iii) other office expense decreased due to the Group's cost control measures implemented.

Research and development expense

The research and development expense increased by approximately 57.2% from approximately RMB14.0 million for the six months ended 30 June 2022 to approximately RMB22.0 million for the six months ended 30 June 2023. Such increase was primarily due to the negative impact of COVID-19 on the Group's research and development projects was reduced, and most of delayed projects were delivered successfully in the first half of 2023.

Finance costs

Finance costs increased from RMB0.5 million for the six months ended 30 June 2022 to RMB1.4 million for the six months ended 30 June 2023, representing an increase of approximately 153.5%. Such increase was mainly due to the significant increase of the Group's short-term borrowing for its business operation.

Income tax expense

Income tax expense increased by approximately 31.5% from approximately RMB0.5 million for the six months ended 30 June 2022 to approximately RMB0.6 million for the six months ended 30 June 2023. Such increase was in line with the increase in revenue for the same period.

Profit for the period attributable to owners of the parent

As a result of the foregoing, the Group recorded a profit for the period attributable to owners of the parent of approximately RMB6.4 million for the six months ended 30 June 2023, representing an increase of approximately 8.2%, as compared to a profit for the period attributable to owners of the parent of approximately RMB5.9 million for the six months ended 30 June 2022.



PLEDGE OF ASSETS

As at 30 June 2023, the assets, including 24.0% of the shares in the associated company (Fuzhou East Lake Education Technology Co., LTD.* (福州東湖教育科技有限公司)), 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 RMB7.6 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 30 June 2023, the Group had capital expenditure amounted to RMB16,199 (31 December 2022: RMB0.4 million) in relation to the purchase of equipment. The Group had no commitments (31 December 2022: nil), which had been contracted but not provided for as at 30 June 2023.

CONTINGENT LIABILITIES

As at 30 June 2023, the Group did not have any significant contingent liabilities (31 December 2022: nil).

LIQUIDITY AND FINANCIAL RESOURCES

For the six months ended 30 June 2023, the Group adopted conservative and stable fund management and financial policies in their overall business operations. The Group financed its capital expenditures and working capital requirements primarily through cash generated from our operating activities, the proceeds from the Listing and bank borrowings.

As at 30 June 2023, the Group's current assets were RMB339.8 million (31 December 2022: RMB297.5 million), of which RMB39.4 million (31 December 2022: RMB55.3 million) were cash and cash equivalents and RMB7.6 million (31 December 2022: RMB1.7 million) were time deposits and pledged deposits. As at 30 June 2023, the net asset value of the Group amounted to RMB191.2 million, representing an increase of approximately 3.3% as compared to RMB185.1 million at 31 December 2022.

As at 30 June 2023, the Group's gearing ratio was 36.6% (31 December 2022: 20.9%). Net debt is calculated as interest-bearing bank borrowings, lease liabilities, trade 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 30 June 2023, the share capital of the Company was RMB18.7 million (31 December 2022: RMB18.7 million). The Group's consolidated reserves were RMB172.6 million (31 December 2022: RMB166.5 million). As at 30 June 2023, the Group had total current liabilities of RMB171.0 million (31 December 2022: RMB135.5 million), mainly comprising trade payables, other payables and accruals, interest-bearing bank and other borrowings and contract liabilities. The total non-current liabilities of the Group amounted to RMB1.7 million (31 December 2022: RMB2.6 million), which mainly represented lease liabilities.

CAPITAL STRUCTURE OF THE GROUP AND EXCHANGE RATE RISK

The capital structure of the Group consists of debts, which include interest-bearing bank borrowings, lease liabilities, trade payables, financial liabilities included in other payables and accruals. Equity reserves attributable to owners of the parent, comprising issued share capital and various reserves.

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. 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.

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 six months ended 30 June 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 its market position and increase its market share by: (i) continuing to strengthen and develop the R&D and IT services capabilities and further expand the cloud services; (ii) expanding the offices and enhancing the services capacity to capture business opportunities in different regions in the PRC; (iii) establishing technical services centres to further enhance the IT services; (iv) strengthening the marketing efforts and improving the brand recognition; and (v) maintaining fund for performance bond.



After deduction of all related listing expenses and commissions, the net proceeds from the Listing amounted to approximately HK\$74.0 million. Up to 30 June 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.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2023, the Group employed a total of 281 (30 June 2022: 305) employees. Total employee benefit expense (including Directors' remuneration) for the six months ended 30 June 2023 and 2022 were approximately RMB29.9 million and RMB24.2 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.

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

There were no significant investments held, material acquisitions or disposals of subsidiaries and affiliated companies by the Group during the six months ended 30 June 2023. Save as those disclosed in this report, there was no plan for material investments or capital assets as at 30 June 2023.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as the future plans or development of the Group's business as disclosed in the sections headed "Future Prospects" and "Events After the Reporting Period" in this report, there was no specific plan for material investments or capital assets as at 30 June 2023.

DIVIDEND

The Board did not recommend the payment of an interim dividend for the six months ended 30 June 2023 (30 June 2022: nil).

CORPORATE GOVERNANCE AND OTHER INFORMATION

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 30 June 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 Securities and Future Ordinance, Chapter 571 of the laws of Hong Kong (“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 10 to the Rules Governing the Listing of Securities on the Stock Exchange (“**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 30 June 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 30 June 2023, the following persons (not being a Director or chief executive of the Company) had 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 and recorded in the register of the Company maintained 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 (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:

- 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.
- 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 30 June 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' INTEREST IN A COMPETING BUSINESS

For the six months ended 30 June 2023 and up to the date of this report, save as disclosed in this report, the Directors confirm that none of the Directors or Controlling Shareholders of the Company or any of their respective close associates (as defined in the Listing Rules) has engaged in any business that competes or may compete, directly or indirectly, with the business of the Group.

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 date of 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 six years and six months.



As at the date of this 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 interim report. From the date of adoption of the Share Option Scheme to 30 June 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 30 June 2023.

SHARE AWARD SCHEME 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’ 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 of the Plan include (i) employees selected for the participation in the Plan, who are expected to be high caliber individuals of the Group; (ii) advisor(s), consultant(s) or expert(s) who provide specific area of IT services to the Group with relevant IPs or technical know-how; and (iii) existing and future joint ventures partners and shareholders, directors and senior management of existing and future joint ventures entities, and strategic business alliances such as entities for R&D of IT projects and the shareholders, directors and senior management of strategic business alliance entities. The 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 eight years and two 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 maximum number of Shares which may be subject to an award or awards to a Selected Participant shall not in aggregate exceed 1% of the issued share capital of the Company as at the Adoption Date.

On 23 March 2022, the Board has resolved to grant 44,947,350 Award Shares to 42 Selected Participants, all of whom are Employees (i.e. Class (I) Participants), under the Plan (the “**Grantee(s)**”). The Award Shares represent (i) approximately 2.25% of the issued share capital of the Company as at the Adoption Date and the date of this report (i.e. 2,000,000,000 Shares) and (ii) approximately 2.20% of the enlarged issued share capital after the allotment. No funds will be raised from the allotment and issue of the new Shares.

The number of Award Shares that may be granted under the Plan as at the beginning of 2023 is 19,773,675 shares, while the number of Award Shares that may be granted under the Plan as of 30 June 2023 are 19,923,675 shares (including forfeited and lapsed Award Shares), representing approximately 0.97% and 0.97% of the Company’s issued share capital as at that date respectively. There are 8,850,000 unvested restricted Award Shares (excluding forfeited and lapsed Award Shares) under the Plan which represents 0.43% of the issued share capital of the Company as at the date of this report. Award Shares typically vest annually over a four year period.

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:

- 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 period

Name of grantee	Date of grant ⁽²⁾	Total granted during the six months' period ended					Earliest vesting date	Number of awarded shares as at 30 June 2023
		Number of awarded shares as at 1 January 2023	30 June 2023	Vested during the six months' period ended 30 June 2023	Forfeited during the six months' period ended 30 June 2023	Lapsed during the six months' period ended 30 June 2023 ⁽³⁾		
Other Employees ⁽¹⁾	23 March 2022	–	–	–	–	–	30 April 2022	–
	23 March 2022	9,000,000	–	–	–	150,000	30 April 2023	8,850,000
Total		9,000,000	–	–	–	150,000		8,850,000

Notes:

- Not including any (i) Directors, chief executive or substantial Shareholders of the Group or their respective associates; (ii) participant with awards granted and to be granted in excess of the 1% individual limit; or (iii) related entity participant or service provider with options and awards granted and to be granted in any 12-month period exceeding 0.1% of the relevant class of shares in issue;
- 44,947,350 Award Shares were granted on 23 March 2022. The closing price of the shares of the Company immediately before the grant date, i.e. 22 March 2022, was HK\$0.087. Based on the closing price of HK\$0.086 per Share as quoted on the Stock Exchange on 23 March 2022, the market value of 44,947,350 Award Shares granted to the Grantees is HK\$3,865,472.1. The Award Shares was and will be issued and allotted to the Trustee at the nominal value of HK\$0.01 per Share. The aggregate nominal value of the 44,947,350 Award Shares is HK\$449,473.5; and
- 150,000 Award Shares lapsed due to the resignation of an employee.



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.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in this report, no rights to acquire benefits by means of the acquisition of Shares in or debentures of the Company were granted to any Director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company and any of its subsidiaries of a party to any arrangement to enable the Directors, or their respective spouse or children under 18 years of age, to acquire such rights in any other body corporate for the six months ended 30 June 2023 and up to the date of this report.

REPURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES


Neither the Company nor any of its subsidiaries repurchased, sold or redeemed any of the securities of the Company for the six months ended 30 June 2023 and up to the date of this report.

CORPORATE GOVERNANCE CODE COMPLIANCE

The Company is committed to achieving high standards of corporate governance with a view to safeguarding the interest of the Shareholders. To accomplish this, save for the deviation from the Code Provision C.2.1, for the six months ended 30 June 2023, the Company had complied with the code provisions set out in the Corporate Governance Code and Corporate Governance Report (the “**CG Code**”) in Appendix 14 to the Listing Rules.

Code Provision C.2.1 stipulates that the role of chairman and chief executive officer should be separate and should not be performed by the same individual. Ms. Ding 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 Service Limited* (深圳市伊登軟件有限公司), the major operating subsidiary of the Group since November 2002, the Board believes that the 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.

* English translation name is for identification purpose only



To the best knowledge of the Directors, there is no financial, business, family or other relationship between the Directors, the chairman, the chief executive officer and the senior management of the Company.

The Directors will continue to review and consider splitting the roles of chairman 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.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuer (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules as its own code of conduct governing securities transactions by the Directors. Following a specific enquiry made by the Company with each of them, all Directors confirmed that they had complied with the required dealing standards set out in the Model Code for the six months ended 30 June 2023 and up to the date of this report.

CHANGES IN DIRECTOR’S INFORMATION

There is no changes of the Director’s information since the date of the 2022 Annual Report of the Company, which is required to be disclosed under Rule 13.51B(1) of the Listing Rules.

AUDIT COMMITTEE AND REVIEW OF INTERIM REPORT

The Company established the Audit Committee on 14 April 2020, with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph D3 of the CG Code as set forth in Appendix 14 to the Listing Rules. The Audit Committee is chaired by Mr. Leung Chu Tung, who holds the appropriate professional qualifications as required under Rules 3.10(2) and 3.21 of the Listing Rules, and has two other members, namely Ms. Zhu Weili and Mr. Hou Hsiao Wen. The unaudited condensed interim consolidated results of the Group for the six months ended 30 June 2023 have been reviewed by the Audit Committee, who is of the opinion that such statements comply with the applicable accounting standards, the Listing Rules and legal requirements, and that adequate disclosures have been made.

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 Content Delivery Network (the “**CDN**”) acceleration service purchase agreement (the “**Agreement**”) entered into between Eden Information and the Plaintiff for the purpose of provision of CDN acceleration services to a customer of Eden Information (the “**Customer**”) on 25 January 2021, 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) (the “**Court**”) against Eden Information.

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 static 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 claims, 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 claims, the Court froze part of Eden Information’s deposits in a commercial bank and its shares of Fuzhou East Lake Education Technology Co., Ltd.* (福州東湖教育科技有限公司) and Dongguan Eden Software Co., Ltd.* (東莞市伊登軟件有限公司) according to standard judicial procedures in the PRC in June 2023. See the section headed “Pledge of Assets” in this report for more details.

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.

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As at the date of this report, the lawsuit just had its first hearing and second hearing for the purpose of cross-examination of the evidence provided by the Plaintiff and Eden Information and court debate on 8 August 2023 and 18 September 2023, respectively. As the lawsuit is still ongoing, the Directors and the management of the Group consider that it is difficult to predict the final outcome of the lawsuit with certainty and the Group is still assessing the merits of the lawsuit and financial impact of the lawsuit on the Group.

Save as disclosed above, the Group did not have any material event requiring disclosure under the Listing Rules that has taken place subsequent to 30 June 2023 and up to the date of this report.

By Order of the Board
Edensoft Holdings Limited
Ms. Ding Xinyun

Chairman, Executive Director and Chief Executive Officer

Hong Kong, 27 September 2023

