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)

2020
ANNUAL REPORT

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Ms. Ding Xinyun
Ms. Li Yi
Mr. Ling Yunzhi
Ms. Peng Dongping

Independent Non-Executive Directors

Mr. Yu Kwok Leung
Mr. Ho Ka Chun
Mr. Liang Chi

COMPANY SECRETARY

Mr. Tsoi Ka Shing

AUDIT COMMITTEE

Mr. Ho Ka Chun *(Chairman)*
Mr. Yu Kwok Leung
Mr. Liang Chi

REMUNERATION COMMITTEE

Mr. Yu Kwok Leung *(Chairman)*
Mr. Ho Ka Chun
Mr. Liang Chi

NOMINATION COMMITTEE

Mr. Liang Chi *(Chairman)*
Mr. Yu Kwok Leung
Mr. Ho Ka Chun

AUTHORISED REPRESENTATIVES

Ms. Li Yi
Mr. Tsoi Ka Shing

REGISTERED OFFICE

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Cayman Islands

HEADQUARTERS IN THE PRC

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Hua Fu Street, 1006 Shennan Road
Futian District, Shenzhen, PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Level 54
Hopewell Centre
183 Queen's Road East
Hong Kong

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 54
Hopewell Centre
183 Queen's Road East
Hong Kong

AUDITOR

Ernst & Young
Certified Public Accountants
22nd Floor, CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong

CORPORATE INFORMATION

COMPLIANCE ADVISER
Cinda International Capital Limited
45th Floor, COSCO Tower
183 Queen's Road Central
Hong Kong

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
King & Wood Mallesons
13th Floor Gloucester Tower
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15 Queen's Road Central
Hong Kong

STOCK CODE
1147

WEBSITE
www.edensoft.com.cn

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 first-ever annual report of the Group for the year ended 31 December 2020 (the "**Year**") to the shareholders (the "**Shareholder(s)**").

2020 was a pivotal year in the Group's history. The Group reached an important milestone in the Year for being successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 13 May 2020. Prior to the listing, the Group has already accumulated over 17 years of extensive experience in the provision of integrated IT solutions and cloud services in China. Over the years, the Group has demonstrated its superior strength and added value to integrated IT solutions and cloud services with its expertise.

2020 also saw the combined impact of the US-China trade disputes and the novel coronavirus (COVID-19) pandemic on the Group and its customers, albeit to different extents. But with challenges also come opportunities. The Group is adapting itself to the difficult market conditions, building up strengths in the software industry and gaining market share by strictly adhering to national policies and staying closely abreast of market and technology developments in relation to the industries in which it operates.

During the COVID-19 pandemic, the Group shouldered its social responsibility and swiftly rolled out a series of related solutions, such as "Epidemic Control System Cloud Platform* (疫情防控系統雲平台)", "Eden New Medical Services System* (伊登新醫療服務系統)", "Telecommuting Solutions* (遠程辦公解決方案)" and "Remote Health Care Collaboration Solutions* (遠程醫療協作解決方案)". To assist customers in the fight against COVID-19, the Group provided free assistance to enterprises with their remote cooperative work arrangement through Eden corporate cloud system. Eden Cloud Office* (伊登雲文檔) provided free document services for small and medium enterprises to expedite the resumption of work and production by way of telecommuting.

During the Year, the Group also intensified its cooperation with domestic cloud providers such as Huawei and Kingsoft. The Group has continuously increased its investment in the cloud business, recruited a number of middle-end and high-end talents with ample industry experience, and pursued diversified development by actively developing products with market competitiveness to keep pace with the development trend of mobile internet technologies.

Furthermore, the Group completed the business registration and commenced the operation of two branches in Shanghai and Wuhan in August and December 2020, respectively. This will enhance the Group's cooperation, especially in the field of cloud services promotion, with customers and partners in eastern China. The Wuhan branch, in particular, will become the Group's central point to research, develop and deliver products and tap technical human resources. The Directors believe that the establishment of the Shanghai and Wuhan branches will help the Group broaden its business coverage, diversify its customer base, better satisfy the demand for its products and/or services from different regions, and comprehensively boost its technological servicing and internal research and development abilities.

CHAIRMAN'S STATEMENT

Looking forward to 2021, the development of China's economy and software and cloud industries will be promising in spite of the combined impact of the US-China trade disputes and the COVID-19 pandemic. As of 31 March 2021, based on the unaudited management accounts of the Group, the aggregate value of the Group's contracts made with customers has exceeded RMB230 million. The Group is confident of seizing the moment and rising to the challenge by stringently following its strategy. In the long run, the Group will continue to be customer-oriented, secure human resources, step up research, development and innovation, refine its products and services, improve its operating results, and create greater value for all the 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 deliver greater return 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, Executive Director and Chief Executive Officer

23 March 2021

* English translation name is for identification purpose only

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

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 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**").

For the year ended 31 December 2020, the Group was principally engaged in the following business activities:

I. IT infrastructure services

1. The Group diversified and expanded its customer base and thoroughly explored customers' demand. To this end, the Company has established a call centre business operation department, which centralises the Group's resources on the development of long-term non-strategic customers. This department is mainly responsible for data analysis in relation to industries, markets, customers' needs and marketing environment, operational analysis of strategic products, execution and fulfilment of relevant targets, identification of business opportunities through telephone calls, and assisting business associates to sign contracts; and

2. To assist customers with their enterprise information reform, the Group has launched a corporate internal procurement platform integrating software, hardware and mobile management service, which can bring customers contactless purchasing experience.

II. IT implementation and supporting services

During the novel coronavirus (COVID-19) pandemic, the Group has been able to remotely deliver most of its IT implementation and supporting services to support its customers' telecommuting arrangement. This arrangement was rated highly by the customers. Meanwhile, capitalising on its practical experience accumulated in the fight against the COVID-19 pandemic, the Group quickly seized the business opportunity and developed a series of customised IT related solutions, such as "Epidemic Control System Cloud Platform* (疫情防控系統雲平台)", "Eden New Medical Services System* (伊登新醫療服務系統)", "Telecommuting Solutions* (遠程辦公解決方案)" and "Remote Health Care Collaboration Solutions* (遠程醫療協作解決方案)".

III. Cloud services

1. Intensifying cooperation with domestic cloud providers

(1) The Group obtained gold distributor agent qualification from Kingsoft Corporation on 1 April 2020 and executed an agreement to distribute Kingsoft Corporation's office software products;

(2) Following the completion of product compatibility tests with Huawei Technologies Co., Ltd., Eden Cloud Office* (伊登雲文檔) officially passed the technical certification of Huawei Cloud, marking another expert-level certification obtained by Eden Cloud Office* (伊登雲文檔) from other enterprises. The Group will pursue diversified development of cloud storage and platform-based management integrating instant messaging, file sharing, task management and other office applications by collaborative sharing.

2. During the year, the Company obtained several orders from new customers for cloud products, such as a cloud product sales contract between the Company and a state-owned enterprise listed in Hong Kong.

3. Continuously developing in-house cloud service capabilities

The Group has continuously increased its investment in the cloud business, recruited a number of middle-end and high-end talents with ample industry experience, and actively developed products with market competitiveness to keep pace with the development trend of mobile internet technologies.

(1) In 2020, the Group obtained the software copyrights of thirteen cloud service products, which are all products of the cloud business segment;

(2) Eden Mail Large Attachment Assistant Software* (伊登郵件大附件產品) was included on the list of recommended products in the public welfare activity named "Joining Efforts to Expedite Work Resumption" initiated by China Central Enterprise E-commerce Alliance* (央企電商聯盟－凝眾力，促復工);

(3) During the COVID-19 pandemic, Eden Cloud Office* (伊登雲文檔) provided free document services for small and medium enterprises to expedite the resumption of work and production by way of telecommuting. As a result, the number of newly registered users and usage of the platform grown significantly as compared with the previous years, and some of these users have become paying customers;

The Eden Cloud Office* (伊登雲文檔) system is not only an efficient file sharing management platform, but also a secured system that, in combination with the customers' existing IT security systems, effectively prevents confidential corporate documents from being attacked by ransomware, safeguards core corporate data and protects the customers' ability to carry out their business using a unique stealth containment security technology;

(4) During the COVID-19 pandemic, the Group provided free assistance to enterprises with their remote cooperative work arrangement through Eden corporate cloud system;

(5) Established in 2020, the new call centre business operation department maintained relations with the Group's long-term cloud service customers and instigated and followed up cloud services.

IV. New branches of the Group

In the face of economic uncertainties, the Group has taken steps to diversify its customer base by broadening its business coverage. In order to better satisfy the demand for its products and/or services from different regions, the Group completed the business registration and commenced the operation of an office in Shanghai in August 2020 to market and expand the geographical coverage of the Group's IT services, particularly cloud services, and promote closer cooperation with customers and partners in eastern China in the future.

The research and development ("**R&D**") centre of the Group in Wuhan has also completed its business registration and commenced operation in December 2020. Taking advantage of Wuhan being geographically located in the heart of China with mature transportation networks and having abundant human resources with tertiary education, the R&D centre in Wuhan will become the Group's central point to research, develop and deliver products and tap technical human resources. The Directors believe that the establishment of a technical centre in Wuhan can comprehensively boost the Group's technological servicing and internal R&D abilities by reducing its cost of carrying out business operations across the country and facilitating the recruitment and retention of human resources.

In the future, the Group will carry on its strategic plans, rationalise resource planning, delegate core functions to the delivery centres in Shenzhen, Shanghai and Wuhan for southern, eastern and central China, respectively, with the aim of enhancing the Group's customer servicing ability and competitive strength.

V. External acquisition

The Group acquired Shenzhen Heweiteng Technology Limited* (深圳市合威騰信息技術有限公司) ("**Shenzhen Heweiteng**") in August 2020. The Group intends to capitalise on the Internet Content Provider ("**ICP**") qualification and technical team of Shenzhen Heweiteng to complement the Group's business expansion into value-added telecommunication business, related operations and other technical services. For further details, please refer to paragraph headed "Significant Investment, Material Acquisitions or Disposal of Subsidiaries and Affiliated Companies" in this Management Discussion and Analysis.

FUTURE PROSPECTS

Given the favourable stimulating policies, continuous technological advancement and rising market demand in China, the future of the software and cloud service industries in the country is bright.

With nearly 20 years of industry and marketing experience as well as the professional technical team, the Group will continue strengthening its relations with long-term customers and partners so as to reinforce its existing market while vigorously expanding new markets and exploring new territories through branches in eastern and central China with the aim to serve more customers.

It will also continue recruiting middle-end and high-end technical talents in order to further improve its products and services through R&D and innovation. Looking forward, the management is confident of steadily enhancing the Group's operating results and creating greater value for all shareholders.

FINANCIAL REVIEW

Revenue

The Group's revenue for the year ended 31 December 2020 was approximately RMB690.7 million, representing a decrease of approximately RMB101.2 million, or 12.8%, compared to revenue of approximately RMB791.9 million for the year ended 31 December 2019. The overall decrease in revenue was primarily attributable to decrease in sales to the largest customer of the Group as a result of the restrictions implemented by the United States (the "**U.S.**") on 16 May 2019 on the provision of U.S. origin or exported products to Customer A and certain of its non-U.S. affiliates by both U.S. and non-U.S. companies, unless authorised by a license issued by the U.S. Department of Commerce, Bureau of Industry and Security (the "**U.S. Ban**").

Cost of sales

Cost of sales of the Group decreased by approximately RMB89.3 million, or 12.6% from approximately RMB708.7 million for the year ended 31 December 2019 to approximately RMB619.4 million for the year ended 31 December 2020. The decrease was in line with decrease in revenue.

Gross profit and margin

	2020 **RMB'000**	2019 RMB'000
Revenue	**690,717**	791,888
Cost of sales	**(619,413)**	(708,686)
Gross profit	**71,304**	83,202
Gross profit margin (%)	**10.3%**	10.5%

The gross profit decreased by approximately RMB11.9 million, or 14.3%, from approximately RMB83.2 million for the year ended 31 December 2019 to approximately RMB71.3 million for the year ended 31 December 2020, primarily attributable to the decrease in sales to the largest customer of the Group resulted from the U.S. Ban. The gross profit margin remained relatively stable at 10.5% for the year ended 31 December 2019 and 10.3% for the year ended 31 December 2020.

Other income and gains

Other income and gains increased from approximately RMB3.9 million for the year ended 31 December 2019 to approximately RMB6.7 million for the year ended 31 December 2020, representing an increase of approximately 71.8%. Such increase was mainly due to the increase in government grants received compared to that of 2019.

Selling and distribution expenses

The selling and distribution expenses remained relatively stable at approximately RMB14.3 million and RMB13.9 million for the years ended 31 December 2020 and 2019, respectively.

Administrative expenses

Administrative expenses increased from approximately RMB22.1 million for the year ended 31 December 2019 to approximately RMB23.5 million for the year ended 31 December 2020, representing an increase of 6.3%. Such increase was mainly due to increase in staff cost in 2020 compared to that of 2019.

Research and development expenses

The research and development expenses remained relatively stable at approximately RMB19.8 million and RMB19.3 million for the years ended 31 December 2020 and 2019, respectively.

Finance costs

Finance costs decreased from approximately RMB2.3 million for the year ended 31 December 2019 to approximately RMB0.4 million for the year ended 31 December 2020, representing a decrease of approximately 82.6%. Such decrease was mainly due to the decrease in interest-bearing bank borrowings compared to that of 2019.

Income tax expenses

Income tax expenses had decreased by approximately 25.6% from approximately RMB4.3 million for the year ended 31 December 2019 to approximately RMB3.2 million for the year ended 31 December 2020. Such decrease was due to the decrease in profit before tax in the PRC subsidiary, Eden Information, for the year ended 31 December 2020.

Profit for the year and attributable to owners of the parent

As a result of the foregoing, the Group recorded a profit for the year and attributable to owners of the parent of approximately RMB16.0 million for the year ended 31 December 2020, representing a decrease of approximately 34.7%, as compared to a profit for the year and attributable to owners of the parent of approximately RMB24.5 million for the year ended 31 December 2019. Such decrease was mainly attributable to (i) the decrease in gross profit which was mainly due to the decrease in sales to the largest customer of the Group resulted from the U.S. Ban; and (ii) the increase in staff cost in administrative expense compared to that of 2019.

If the Group excludes the one-off listing expense, the profit before tax decreased by approximately 28.6% from approximately RMB37.7 million for the year ended 31 December 2019 to approximately RMB26.9 million for the year ended 31 December 2020, as analysed below:

	2020 **RMB'000**	2019 RMB'000
Profit before tax	**19,266**	28,874
Add: listing expense	**7,675**	8,816
	26,941	37,690

CHARGES ON ASSETS

The Group had pledged deposits in the aggregate amount of approximately RMB15.5 million to banks for the Group's factoring loans and letters of guarantee as at 31 December 2020 (2019: approximately RMB9.4 million).

CAPITAL EXPENDITURE AND COMMITMENTS

As at 31 December 2020, the Group had capital expenditure amounted to RMB0.4 million (31 December 2019: RMB1.2 million) in relation to the purchase of property, plant and equipment in the People's Republic of China (the "**PRC**"). The Group had no commitments (31 December 2019: nil) which had been contracted but not provided for as at 31 December 2020.

CONTINGENT LIABILITIES

As at 31 December 2020, the Group did not have any significant contingent liabilities (31 December 2019: nil).

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2020, the Group's current assets were approximately RMB348.6 million (31 December 2019: RMB195.7 million), of which approximately RMB105.3 million (31 December 2019: RMB23.9 million) were cash and cash equivalents and approximately RMB35.7 million (31 December 2019: RMB9.4 million) were pledged deposits and restricted bank deposits. As at 31 December 2020, the net asset value of the Group amounted to approximately RMB190.9 million, representing an increase of approximately 98.2% as compared to approximately RMB96.3 million at 31 December 2019. The increase in net asset value in 2020 compared to that of 2019 was primary due to the proceeds received by the Group from the Listing.

As at 31 December 2020, the Group's gearing ratio (calculated by dividing net debt by capital plus net debt) was 19.4% (31 December 2019: 43.0%). 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 31 December 2020, the share capital of the Company was approximately RMB18.3 million (31 December 2019: nil). The Group's reserves were approximately RMB172.6 million (31 December 2019: RMB96.3 million). As at 31 December 2020, the Group had total current liabilities of approximately RMB173.4 million (31 December 2019: RMB108.0 million), mainly comprising trade payables and other payables and accruals and contract liabilities. The total non-current liabilities of the Group amounted to approximately RMB3.6 million (31 December 2019: RMB2.2 million), which mainly represented lease liabilities.

CAPITAL STRUCTURE OF THE GROUP

As at 31 December 2020, the capital structure of the Group consists of (i) debts, which include lease liabilities of approximately RMB7.3 million, trade payables of approximately RMB141.2 million, financial liabilities included in other payables and accruals of approximately RMB2.6 million and interest-bearing bank borrowings of approximately RMB2,000; and (ii) equity reserves attributable to owners of the parent of approximately RMB73.8 million, comprising issued share capital and various reserves.

As at 31 December 2020, (i) financial liabilities included in other payables and accruals were non-interest bearing and were repayable within one year; and (ii) all interest-bearing bank borrowings were repayable within one year. The contractual interest rate on bank borrowings was LPR+1.805% (2019: from LPR+1.505% to 6.612%). LPR 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 the PRC.

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 2020. 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 the PRC; (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 Listing amounted to approximately HK$74.0 million. Up to 31 December 2020, the Group has utilised approximately HK$9.8 million of the net proceeds from the Listing in accordance with the purposes stated in the prospectus of the Company dated 23 April 2020 (the "**Prospectus**") as follows:

	As stated in Prospectus HK$'000	**Actual use of proceeds from the date of Listing up to 31 December 2020** HK$'000	**Unused Amount** HK$'000	**Expected timeline of full utilisation of the remaining net proceeds**
Expanding its offices and enhancing its service capacity to capture business opportunities in different regions in the PRC	24,400	–	24,400	by the first half of the year ending 31 December 2022
Strengthening and developing its R&D and IT services capabilities and further expanding its cloud services	26,000	49	25,951	by the year ending 31 December 2022
Maintaining fund for performance bond	12,400	7,771	4,629	by the year ending 31 December 2021
Strengthening its marketing effort and improving its brand recognition	3,800	–	3,800	by the first half of the year ending 31 December 2022
Working capital and general corporate purposes	7,400	1,983	5,417	by the year ending 31 December 2021
Total	74,000	9,803	64,197	

The Group intends to utilise the proceeds from the Listing in accordance with the purposes stated in the Prospectus.

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

On 7 August 2020, the Group acquired a 100% interest in Shenzhen Heweiteng from two independent third parties (the "**Vendors**"). Shenzhen Heweiteng is engaged in provision of IT implementation and supporting services and cloud services. The acquisition was made as part of the Group's strategy to expand its market share of IT implementation and supporting services and cloud services. The consideration for the acquisition was RMB7,500,000 in total in the form of cash, with RMB4,500,000 paid on 19 August 2020 and the remaining RMB3,000,000 paid on 1 September 2020. As part of the purchase agreement, if the aggregate net profit of Shenzhen Heweiteng from 7 August 2020 to 31 December 2021 with a deduction of non-recurring items is less than RMB1,000,000, cash compensation is required to be paid from the Vendors to the Group. Such acquisition did not constitute a discloseable transaction of the Company pursuant to Chapter 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"). Save as those disclosed above, there was no plan for material investments or capital assets as at 31 December 2020.

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 "Future Prospects" and "Events After the Reporting Period" in this Management Discussion and Analysis, there was no specific plan for material investments or capital assets as at 31 December 2020.

EMPLOYEES AND REMUNERATION POLICES

As at 31 December 2020, the Group employed a total of 198 (31 December 2019: 141) employees. Total employee benefit expense (including Directors' remuneration) for the years ended 31 December 2020 and 2019 were approximately RMB31.4 million and approximately RMB25.2 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.

EVENTS AFTER THE REPORTING PERIOD

As at the date of this annual report, the Group has no material subsequent events after 31 December 2020 which are required to be disclosed.

DIVIDEND

The Board did not recommend the payment of a final dividend for the year ended 31 December 2020 (2019: nil).

* English translation name is for identification purpose only

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Ms. Ding Xinyun (丁新雲) ("Ms. Ding"), aged 50, 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 Service Limited* (深圳市伊登軟件有限公司) ("**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 39, 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, a director of Eden Information and a limited partner holding 2% interests in Qiankun Investment.

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.

Mr. Ling Yunzhi (凌雲志) ("Mr. Ling"), aged 43, was appointed as an executive Director on 8 March 2019. Mr. Ling is responsible for capital operation, financing and tax planning of the Group.

He joined the Group as chief financial officer of Eden Information in July 2017, responsible for capital operation, financing and tax planning. Before joining the Group, Mr. Ling worked as the head of audit and legal department and investment manager of Shenzhen Wanrun Technology Co., Ltd.* (深圳萬潤科技股份有限公司) from November 2013 to September 2016, as the audit manager of Huawei Technologies Co., Ltd.* (華為技術有限公司) from January 2008 to March 2013, and as a financial officer of Foxconn Technology Group (Shenzhen)* (深圳市富士康科技集團) from November 2002 to November 2005. Mr. Ling obtained a Bachelor degree in Accounting from the Hubei University* (湖北大學), the PRC, in July 1999.

Mr. Ling was an executive director, the general manager and the chairman of liquidation committee of Shenzhen Yuntu Technology Company Limited* (深圳雲圖技術有限公司) which was incorporated in the PRC at the time when its business license was deregistered on 23 October 2019. Shenzhen Yuntu Technology Company Limited* (深圳雲圖技術有限公司) was intended to carry on decoration and design, computer system engineering, and software development and maintenance but it remained dormant since its incorporation. Mr. Ling has been appointed as an independent director of Suzhou Boamax Technologies Group Co., Ltd. (蘇州寶馨科技實業股份有限公司), a listed company on the Shenzhen Stock Exchange (stock code: 2514) in January 2021.

Ms. Peng Dongping (彭東萍) ("Ms. Peng"), aged 47, was appointed as an executive Director on 8 March 2019. Ms. Peng is responsible for sales management. She also participates in major decision-making concerning business development and policy setting of the Group.

She joined the Group as deputy general manager of Eden Information in July 2007, responsible for sales management. Before joining the Group, Ms. Peng was a 49% shareholder and operated Shenzhen Junmanyi Technology Co., Ltd.* (深圳市駿滿怡科技有限公司) in the positions as the legal representative, an executive director and the general manager from June 2006. After her transfer of her 19% interests in Shenzhen Junmanyi Technology Co., Ltd.* (深圳市駿滿怡科技有限公司) to Eden Information, the operation of Shenzhen Junmanyi Technology Co., Ltd.* (深圳市駿滿怡科技有限公司) ceased but she remained in the positions until it was deregistered in April 2016. Prior to these, she was a manager of Ecs Technology (Guangzhou) Co., Ltd.* (廣州佳傑科技有限公司) from January 2002 to May 2006. Ms. Peng obtained a graduation certificate from the University of International Business and Economics* (對外經濟貿易大學), the PRC, in July 1998. She also obtained a graduation certificate for AMP Management Course from HSBC Business School of Peking University, the PRC, in May 2015, in which she studied part-time at Peking University Shenzhen Graduate School* (北京大學深圳研究生院).

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Yu Kwok Leung (余國良) ("Mr. Yu"), aged 45, was appointed as an independent non-executive Director on 14 April 2020. He is responsible for supervising and providing independent advice on the operation and management of the Group. He is also the chairman of the remuneration committee of the Company, and a member of each of the nomination committee and the audit committee of the Company.

Mr. Yu is a member of the Hong Kong Institute of Certified Public Accountants, with more than 19 years' experience in accounting and finance. Mr. Yu worked for Deloitte Touche Tohmatsu from September 2000 to May 2011 with his last position as a senior manager. Mr. Yu obtained a Bachelor degree of Arts in Accountancy from the Hong Kong Polytechnic University in November 1998.

Mr. Yu is the company secretary and financial controller of Kaisa Group Holdings Ltd. (stock code: 1638), the shares of which are listed on the Main Board of the Stock Exchange, since May 2018 and April 2016, respectively. He has also been the company secretary of Kaisa Prosperity Holdings Limited (stock code: 2168), the shares of which are listed on the Main Board of the Stock Exchange, with effect from March 2019. He also has been the company secretary, authorised representative and process agent of Kaisa Health Group Holdings Limited (stock code: 876), the issued shares of which are listed on the Main Board of the Stock Exchange, with effect from December 2018. Prior to this, Mr. Yu joined Coastal Greenland Limited (stock code: 1124), the issued shares of which are listed on the Main Board of the Stock Exchange, as a deputy financial controller in May 2011 and he has been the financial controller from January 2014 to April 2016.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Ho Ka Chun (何家進) ("Mr. Ho"), aged 40, was appointed an independent non-executive Director on 14 April 2020. 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, and a member of each of the nomination committee and the remuneration committee of the Company.

Mr. Ho obtained a Bachelor degree in business administration from The Chinese University of Hong Kong in December 2004 and is a fellow member of the Hong Kong Institute of Certified Public Accountants.

Mr. Ho has been appointed as an independent non-executive director of Bao Shen Holdings Limited (stock code: 8151), the issued shares of which are listed on the GEM of the Stock Exchange, since March 2018. Mr. Ho was appointed as an independent non-executive director of Fusen Pharmaceutical Company Limited (stock code: 1652), the issued shares of which are listed on the Main Board of the Stock Exchange, from June 2018 to July 2020. Mr. Ho was the chief financial officer of China Tontine Wines Group Limited (stock code: 389), the issued shares of which are listed on the Main Board of the Stock Exchange from January 2016 to July 2018. Mr. Ho worked for the Hong Kong Office of Deloitte Touche Tohmatsu, from August 2004 to December 2012 with his last position as a manager and Deloitte Touche Tohmatsu Certified Public Accountants LLP, Guangzhou Branch from January 2013 to December 2015 with his last position as a senior manager.

Mr. Liang Chi (梁赤) ("Mr. Liang"), aged 62, was appointed as an independent non-executive Director on 14 April 2020. He is responsible for supervising and providing independent advice on the operation and management of the Group. He is also the chairman of the nomination committee of the Company, and a member of each of the audit committee and the remuneration committee of the Company.

Mr. Liang obtained his Bachelor degree in Law from Sun Yat-sen University (中山大學) in July 1984. Mr. Liang is a registered PRC lawyer since 1989 and a qualified real estate valuer in the PRC since 1995. He has been a lawyer in Guangdong Fangdian Law Firm* (廣東方典律師事務所) since February 2018. He previously worked in several law firms in the PRC, including Guangdong Zhongzhen Law Firm* (廣東中圳律師事務所) from July 2000 to June 2010, Guangdong Shengfang Law Firm* (廣東聖方律師事務所) from July 2011 to July 2012, Beijing Zhongtian (Shenzhen) Law Firm* (北京市眾天(深圳)律師事務所) from July 2012 to October 2013, Guangdong Fangdian Law Firm* (廣東方典律師事務所) from October 2013 to July 2016 and Guangdong Junyan Law Firm* (廣東君言律師事務所) from July 2016 to February 2018. He has been appointed as a visiting professor of the Guangdong Vocational Institute of Public Administration* (廣東行政職業學院) from March 2017 to March 2020.

Mr. Liang has been appointed as an independent non-executive director of Bao Shen Holdings Limited (stock code: 8151) the issued shares of which are listed on GEM of the Stock Exchange since March 2018.

Mr. Liang was a director of Kinglex (China) Law Info Limited (鼎言(中國)法律資訊有限公司), a Hong Kong incorporated company principally engaged in legal software business and dissolved by striking off under section 291 of the Predecessor Companies Ordinance on 1 April 2011.

SENIOR MANAGEMENT

Mr. Xu Qingtang (徐慶堂) ("Mr. Xu"), aged 40, 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).

COMPANY SECRETARY

Mr. Tsoi Ka Shing (蔡嘉誠) ("Mr. Tsoi"), aged 39, was appointed as company secretary of the Company on 14 April 2020, responsible for the Group's overall company secretarial and financial matters.

Mr. Tsoi joined the Group on 14 April 2020 as the company secretary of the Company. Mr. Tsoi has been appointed as the chief financial officer and company secretary of Bao Shen Holdings Limited (stock code: 8151) since March 2018, the issued shares of which are listed on GEM of the Stock Exchange on 23 April 2018. Mr. Tsoi has also been appointed as an independent non-executive director of Wenling Zhejiang Measuring and Cutting Tools Trading Centre Company Limited since 1 August 2018, the issued shares of which are listed on the Main Board of the Stock Exchange. Prior to joining the Group, Mr. Tsoi worked as the chief financial officer and company secretary of China Harvest Finance Group Limited from September 2014 to December 2015. Mr. Tsoi was the company secretary from June 2011 to September 2014 and financial controller from June 2011 to June 2014 of Teamway International Group Holdings Limited (stock code: 1239, formerly known as Jin Bao Bao Holdings Limited), the issued shares of which are listed on the Main Board of the Stock Exchange from November 2011. In addition, Mr. Tsoi worked as senior accountant and assistant manager of Shinewing (HK) CPA Limited from August 2009 to November 2010, as senior auditor of Deloitte Touche Tohmatsu from January 2008 to August 2009, as auditor of CCIF CPA Limited from February 2007 to January 2008, and as audit intermediate of Yau and Wong, CPA from July 2005 to February 2007.

Mr. Tsoi obtained a Bachelor of Business degree from the University of Technology, Sydney in July 2005. Mr. Tsoi was accredited as a certified practicing accountant by CPA Australia and certified public accountant by Hong Kong Institute of Certified Public Accountants in November 2009 and May 2011, respectively.

* English translation name is for identification purpose only

REPORT OF THE DIRECTORS

The directors of the Company (the "**Director(s)**") are pleased to present this report of the Directors and the audited consolidated financial statements of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2020.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. For the year ended 31 December 2020, the principal activities of its subsidiaries comprised provision of IT infrastructure services, IT implementation and supporting services and cloud services in the Mainland China ("**China**" or 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 2020, 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 14 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 2020 and the financial position of the Group as at 31 December 2020 are set out in the consolidated financial statements of the Group from pages 77 to 83 of this annual report.

The Board did not recommend the payment of final dividend for the year ended 31 December 2020 (2019: nil). No shareholder of the Company (the "**Shareholder(s)**") has waived or agreed to waive any dividends.

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 156 of this annual report, are extracted from this annual report and the prospectus of the Company dated 23 April 2020 (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 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 RMB215.1 million, RMB319.6 million and RMB258.9 million, for the years ended 31 December 2020, 2019 and 2018, respectively, representing approximately 31.1%, 40.4% and 42.3% 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 customers in other industries; and (iv) identify new business opportunities and further expand cloud services.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2020, the Group's largest and the five largest customers represented approximately 31.1% and approximately 51.8% respectively of the Group's total revenue.

For the year ended 31 December 2020, the Group's largest and the five largest suppliers accounted for approximately 27.9% and approximately 62.4% respectively of the Group's total purchases.

During the year ended 31 December 2020, none of the Directors nor any of their associates (as defined in the Rules (the "**Listing Rules**") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**")) 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 2020, 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 2020 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 2020, 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 2020. 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 2020 are set out in note 13 to the consolidated financial statements of this annual report.

SHARE CAPITAL

The ordinary shares of the Company (the "**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 Shares of the Company (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**").

Details of movements in the share capital of the Company during the year ended 31 December 2020 are set out in note 28 to the consolidated financial statements of the Group.

DEBENTURES

The Group did not issue any debenture during the year ended 31 December 2020 (2019: nil).

RESERVES

Details of movements in the reserves of the Group and the Company during the year ended 31 December 2020 are set out in the consolidated statement of changes in equity and in note 38 to the consolidated financial statements of the Group, respectively.

DISTRIBUTABLE RESERVES OF THE COMPANY

As at 31 December 2020, the Company's reserves available for distribution to the Shareholders were approximately RMB138.8 million (2019: RMB58.7 million) as calculated in accordance with statutory provisions applicable in the Cayman Islands.

CHARITABLE CONTRIBUTIONS

During the year ended 31 December 2020, the Group did not make any charitable contributions (2019: 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 2020.

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 paragraph headed "Share Option Scheme", 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 2020 or subsisted at the end of the year ended 31 December 2020.

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 available personnel, to provide additional incentive to employees (full-time and part-time), directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners or service providers of the Group and to promote the success of the business of the Group. Eligible participants of the Share Option include any employee (full-time or part-time), director, consultant or adviser of the Group, 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 in accordance with the provisions of Chapter 17 of the Listing Rules and 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 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 200,000,000 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 2020, 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 2020.

CORPORATE GOVERNANCE

The principal corporate governance practices as adopted by the Company are set out in the section headed "Corporate Governance Report" from page 58 to page 70 of this annual report.

DIRECTORS AND THEIR SERVICE CONTRACTS

The Directors during the year ended 31 December 2020 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
Mr. Ling Yunzhi
Ms. Peng Dongping

Independent non-executive Directors

Mr. Yu Kwok Leung
Mr. Ho Ka Chun
Mr. Liang Chi

The biographical details of the Directors are set out on page 15 to page 18 of this annual report.

Each of the Directors has entered into a service contract or an appointment letter ("**Directors' Service Contract**") 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.

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. Accordingly, at the forthcoming annual general meeting of the Company (the "**2021 AGM**"), save for Mr. Ho Ka Chun, all the Directors will retire from office as Director by rotation and, being eligible, will offer themselves for re-election at the 2021 AGM. Mr. Ho Ka Chun intended to retire as an independent non-executive Director, the chairman of the audit committee and a member of the nomination committee and remuneration committee of the Company at the 2021 AGM due to personal reasons. The Board will propose a candidate for election as an independent non-executive Director, whose biography will be set out in the circular of 2021 AGM.

No Director proposed for re-election at the forthcoming 2021 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 as an incentive to eligible participants, details of which are set out in the paragraph headed "Share Option Scheme".

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 of the Company for the year ended 31 December 2020 fell under the band of nil to HK$1,000,000.

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 2020, 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 2020, 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 33 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 2020, the Group had not entered into any one-off connected transactions or continuing connected transactions which were not exempt from annual reporting requirement under Chapter 14A of the Listing Rules.

Financial Assistance from the Controlling Shareholder

During the year ended 31 December 2020, 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 RMB100,000,000 as 31 December 2020 were guaranteed by Ms. Ding Xinyun, the controlling Shareholder, of which RMB55,000,000 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 in 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 2020, 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 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**") (Note)	Settlor of the Family Trust and beneficial interest	1,500,000,000	75%

Note: The Family Trust, a revocable discretionary trust established by Ms. Ding (as the settlor and protector) for the benefit of Green Leaf Development Limited ("**Green Leaf**") and the son of Ms. Ding, with Tricor Equity Trustee Limited ("**Tricor Equity Trustee**") acting as the trustee, holds the entire issued share capital of Aztec Pearl Limited ("**Aztec Pearl**"). Ms. Ding beneficially owns the entire issued share capital of Green Leaf. Therefore, Ms. Ding is deemed to be interested in 1,500,000,000 Shares held by Aztec Pearl for the purpose of the SFO. Ms. Ding is the sole director of Green Leaf.

(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 2020, 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 2020, 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	1,500,000,000	75%
Tricor Equity Trustee (Note 2)	Trustee of the Family Trust and interest in a controlled corporation	1,500,000,000	75%
Ms. Ding (Note 1)	Settlor of the Family Trust and beneficial interest	1,500,000,000	75%
Green Leaf (Note 1)	Beneficiary of the Family Trust	1,500,000,000	75%
Mr. Cai Aaron Ding ("**Mr. Cai**") (Note 1)	Beneficiary of the Family Trust	1,500,000,000	75%
Mr. Yan Shi (Note 3)	Interest of a spouse	1,500,000,000	75%

Notes:

1 Aztec Pearl is wholly-owned by Tricor Equity Trustee acting as the trustee of the Family Trust. The Family Trust is a revocable discretionary trust established by Ms. Ding as the settlor and protector. The beneficiaries of the Family Trust are Green Leaf and Mr. Cai. Ms. Ding is deemed to be interested in 1,500,000,000 Shares held by the Family Trust.

2 Tricor Equity Trustee is the trustee of the Family Trust and holds 100% issued share capital of Aztec Pearl, thus Tricor Equity Trustee is deemed to be interested in all the Shares held by Aztec Pearl for the purpose of the SFO.

3 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.

INTERESTS OF THE SUBSTANTIAL SHAREHOLDERS OF ANY MEMBER OF THE GROUP (OTHER THAN THE COMPANY)

Name of shareholders	Name of subsidiary of the Company	Capacity/Nature of interest	Equity interests (RMB'000)	Approximate percentage of equity interests in the subsidiary of the Company
Fuzhou Career Technical Institute* (福州職業技術學院)	Fuzhou Donghu	Beneficial owner of Fuzhou Fuzhi Yunzhi Education Investment Co., Ltd.* (福州福職蘊智教育投資有限公司)	2,550	51%
Chen Liangsong (陳良松)	Fuzhou Donghu	Beneficial owner of Fujian Xindonghu Technology Development Co., Ltd.* (福建新東湖科技發展有限公司)	1,250	25%
Chen Xin (陳鑫)	Fuzhou Donghu	Beneficial owner of Fujian Xindonghu Technology Development Co., Ltd.* (福建新東湖科技發展有限公司)	1,250	25%

Save as set out above, the Directors are not aware of any person (not being a Director or chief executive of the Company) who is interested, directly or indirectly, in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any members of the Group (other than the Company) or any options in respect of such class of share capital.

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 the "Share Option Scheme" in this Report of the Directors, at no time during, or as at the end of, the year ended 31 December 2020 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 33 to the consolidated financial statements, of the Company during the year ended 31 December 2020, 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 2020.

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 2020.

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).

INTEREST OF COMPLIANCE ADVISER

During the year ended 31 December 2020 and thereafter up to the date of this annual report, neither Cinda International Capital Limited ("**Cinda**"), the Company's compliance adviser, nor any of its directors or employees or close associates had any interest in the securities of the Company or any member of the Group (including options or rights to subscribe for such securities) pursuant to the Listing Rules.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining entitlement to attend and vote at the 2021 AGM, the register of members of the Company will be closed from Friday, 14 May 2021 to Thursday, 20 May 2021, both days inclusive, during which period, no transfer of Shares will be registered. In order to qualify for attending and voting at the 2021 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 Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, no later than 4:30 p.m. on Thursday, 13 May 2021.

ANNUAL GENERAL MEETING

The 2021 AGM will be held on Thursday, 20 May 2021. 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 2020 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 2021 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, 23 March 2021

* English translation name is for identification purpose only

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

OVERVIEW OF THE REPORT

Edensoft Holdings Limited (the "**Company**", and its subsidiaries, collectively the "**Group**", "**we**" or "**us**") hereby presents its first Environmental, Social and Governance Report (the "**ESG Report**").

The Group's first sustainability report demonstrates the integration of environmental, social and governance considerations in the Group's business approach. We provide our sustainability performance for the year ended 31 December 2020, and set our sights and plan for the future. The Group, a responsible corporate citizen, acknowledges that prudent environmental and societal management is auspicious to sustainable economic growth, sound relationship with stakeholders and ample reputation amidst areas where it bases its business and operations in. Various factors, including business related challenges, work ethics, global trends, laws and regulations, etc., are taken into account in order to constantly promote business growth and achieve sustainability. Despite the COVID-19 outbreak in 2020, which affected businesses globally, the Group managed to keep track of the relevant statistics and report accordingly, reflecting the Group's commitment to fulfilling social responsibilities and to building a green environment.

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

In the division of responsibility for ESG matters, our board (the "**Board**") of directors (the "**Directors**") of the Company holds the overall responsibility for overseeing the management in the design and implementation of the effective ESG approach and strategy. In terms of specific approach and process for evaluating and managing ESG-related issues, the Board is responsible for determining the material Key Perfromance Index (the "**KPI Index**") KPIs in the beginning of each Reporting Year, and setting targets for each material KPI subsequently. The Group is also responsible for appointing an ESG Working Group as a supporting role in the ESG reporting, a role that assists the Board in tracing sources of ESG data and monitoring the effectiveness of implemented measures to constantly address the Group's ESG-related responsibilities. The ESG Working Group, which will include directors, executive manager, human resources manager and finance manager of the Group, will report appreciable variance, if any, spotted between the annual evaluation of ESG performance and targets. The Board will thus direct revisions of ESG strategies and/or remedial actions that apply to various departments of the Group, after reviewing the annual evaluation of ESG performance. Accordingly, various departments adjust their current practices relating to the environmental and/or social aspect.

Reporting Scope and Reporting Period

Unless otherwise specified, the scope of the ESG Report covers our businesses and offices in Shenzhen, Dongguan, Shanghai and Wuhan in the People's Republic of China (the "**PRC**").

The ESG Report covers the period from 1 January to 31 December 2020 (the "**Reporting Year**"), which is consistent with the financial year covered by this 2020 annual report.

Preparation Basis of the ESG Report

The ESG Report is prepared in accordance with the Environmental, Social and Governance Reporting Guide as set out in Appendix 27 to the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") and complies with all provisions of "Comply or Explain" as well as the principles of materiality, quantitative, balance and consistency. The two ESG subject areas, namely Environmental and Social, are disclosed separately, highlighting the impacts of the operations of the Group in Hong Kong for the Reporting Year.

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

Confirmation and Approval

The ESG Report was approved by the Board of the Company on 26 March 2021 upon confirmation by the management of the Company. The electronic version of the ESG Report is available on the website of the Stock Exchange (www.hkexnews.hk).

Contact Us

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

E-mail: enquiry@edensoft.com.cn

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

OUR STAKEHOLDERS

The Group strives to better understand and engage stakeholders to ensure continuous improvements. We strongly believe that each of our stakeholders plays a crucial role in sustaining the success of our business in the challenging market, therefore we constantly address the expectations and needs of our stakeholders and will consolidate mutual trust and strategic partnerships to nourish the growth of business and social development.

Major issues concerning stakeholders and corresponding measures:

Stakeholders	Focus	Communication and Responses
HKEx	• Compliance with Listing Rules • Timely and accurate announcements	• Meetings • Training, workshops • Website updates and announcements
Government and regulatory authorities	• Compliance with laws and regulations • Tax payment according to law	• Company's website • Public disclosure of the Company
Suppliers	• Stable supply • Quality services and products	• Review and evaluation • Contracts and agreements
Shareholders/Investors	• Corporate image • Business strategies and performance • Investment returns	• General meetings • Issuing of financial reports and/or operation reports for investors • Company's website
Media & Public	• Corporate governance • Environmental protection • Human right	• Announcements • Company's website

Stakeholders	Focus	Communication and Responses
Customers	• Product and service quality • Commercial credibility • Reasonable prices • Privacy protection	• After-sales services • Website's privacy agreement
Employees	• Rights and benefits • Employee compensation • Training and development • Working environment	• Employee training and activities • Employee handbook • Annual appraisal • WeChat group
Community	• Employment opportunities • Community development • Social welfare	• Community activities • Media enquiry • Press releases and announcements

MATERIALITY ASSESSMENT

The approach to materiality assessment in accordance with the ESG Reporting Guide is as follows:

Identification of material ESG issues	Through internal meetings, different business functions and departments are engaged to provide opinions to identify and assess materiality of relevant ESG issues of business as well as stakeholders.
Selection of the material ESG issues	The ESG issues were discussed and prioritised by the Board and senior management in terms of economic, environmental and social impacts to the Group.

Regarding the materiality assessment, the material ESG issues identified are as follows:

Material ESG Aspects	Subsections Addressing the Aspects
Environmental	
A1 Emissions	• Air Emissions • Greenhouse Gas Emissions • Non-hazardous Waste • Measures to Reduce Waste Generation and Emissions
A2 Use of Resources	• Use of Resources • Water Usage • Energy Use Efficiency
Social	
B1 Employment	• Employment and Labour Standards • Employee Turnover
B2 Health and Safety	• Health and Safety
B3 Development and Training	• Development and Training
B4 Labour Standards	• Employment and Labour Standards
B5 Supply Chain Management	• Supply Chain Management
B6 Product Responsibility	• Product and Service Responsibility • Complaints and Responses • Intellectual Property • Privacy Protection • Improving Network Security Management
B7 Anti-corruption	• Anti-corruption
B8 Community Investment	• Community Investment

ENVIRONMENTAL

Overview

The Group is an integrated information technology ("**IT**") solutions and cloud services provider, and an authorised provider who established strategic partnerships with internationally renowned vendors for sale of their products and/or services in the PRC. Owing to the business nature, the Group does not produce considerable, if not traceable, amount of gas, posing insignificant impact on the environment. Hence, the environmental impact the Group poses is mainly due to the paper, electricity and water used during the Reporting Year. The flights taken by employees for business trips and vehicles owned by the Group resulted in several emissions as well. The Group is aware of the reporting scope and is committed to reporting accordingly on the greenhouse gas emissions. The intensities in this section are calculated per employee.

Despite having limited waste origination, the Group keeps abreast of environmental protection and the relevant laws, including but not limited to Environmental Protection Law (《環境保護法》), Law on Air Pollution and Control (《大氣污染防治法》), Water Pollution and Control Law (《水污染防治法》), Solid Waste Pollution Prevention and Control Law (《固體廢物污染環境防治法》), and Energy Conservation Law (《節約能源法》). When applicable, the Group strives to comply with the aforementioned laws, fulfilling its obligations. On top of that, the Group ensures vision align with the sustainability targets outlined in the 14th Five-Year Plan (《「十四五」規劃》) of the PRC, where all of the Group's business units locate. During the Reporting Year, 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 Year, the Group has complied with all applicable environmental protection laws and regulations that have a significant impact on the Group.

Emissions

Air Emissions

The Group's business does not involve any stationery machines that produce 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:

Major types of emissions	Unit	Volume
Nitrogen Oxides (NO_x)	Kg	3.13
Sulphur Oxides (SO_x)	Kg	0.05
Particulate Matter (PM)	Kg	0.23

Greenhouse Gases Emissions

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

Detailed breakdown of Greenhouse Gases Emissions by the Group:

Major types of emissions	Unit	Volume
Scope 1 [(1)]		
Combustion of fuels in generators	Tonnes of carbon dioxide equivalent	0
Combustion of fuels in vehicles	Tonnes of carbon dioxide equivalent	9.40
Total	Tonnes of carbon dioxide equivalent	9.40
Scope 2		
Electricity	Tonnes of carbon dioxide equivalent	98.10[(2)]
Scope 3		
Waste paper	Tonnes of carbon dioxide equivalent	3.46
Business trips by employees	Tonnes of carbon dioxide equivalent	14.80
Total Emissions	Tonnes of carbon dioxide equivalent	125.76
Emissions Intensity	Tonnes of carbon dioxide equivalent/number of employees[(3)]	0.64

Notes:

(1) Emissions include Carbon Dioxide (CO_2), Methane (CH_4), Nitrous Oxide (N_2O).

(2) Scope 2 GHG Emission (indirect emission from consumption of purchased electricity) is based on the "Average Carbon Dioxide Emission Factors of China's Regional Power Grid in 2011 and 2012" issued by the National Development and Reform Commission.

(3) Intensity calculated by dividing tonnes of carbon dioxide equivalent by total number of employees in the Group. Total number of employees during the year ended 31 December 2020 was 198.

Setting up feasible emission targets on a yearly basis helps the Group to track its greenhouse gas emissions, and to achieve a higher level of sustainability in its business progressively. Thus, considering possible business expansion and fluctuating needs for business travels, the Group aims at maintaining the emissions intensity at a stable level in the coming reporting year, i.e. within 90% to 115% of this year's intensity as a short-term target. Measures are taken by the Group to curb unnecessary emissions, detailed steps taken are outlined in the subsections headed "Measures to Reduce Waste Generation and Emissions" and "Energy Use Efficiency".

Hazardous Waste

Due to the business nature, the Group in its ordinary course of business does not generate any kind of material hazardous wastes, including chemical wastes, clinical wastes or hazardous chemicals.

Non-hazardous Waste

The Group's non-hazardous waste originates from daily office operation. The sole solid emission is the paper waste generated during the Reporting Year.

Details of the emission data of the Group:

Types of emissions	Unit	Volume
Non-hazardous waste	Tonnes	0.72
Non-hazardous waste intensity	Tonnes/number of employees[1]	0.0036

Note:

(1) Total number of employees during the year ended 31 December 2020 was 198.

Measures to Reduce Waste and Emissions

Since only paper waste, a type of non-hazardous waste, is generated during the Reporting Year, the Group strives to tackle the problem fundamentally. Currently, the used paper is disposed of in bins in offices, and collected by cleaners to the landfills subsequently. The consumption of paper amounted to approximately 0.72 tonnes, with an intensity of 0.0036 tonne per employee. Aiming to minimise the production of waste, the Group actively initiated a series of Green Office practices, intending to influence employees to decrease their use of paper. The Group promotes the four "R" actions in environmental protection (Reduce, Reuse, Recycle, Replace) in daily operation. Through adopting these steps, the Group, for the next reporting year, hopes to maintain the non-hazardous waste intensity at 90% to 115% of the current level, given that there is no addition of other types of hazardous waste.

In terms of actions, the Group sets up double-sided printing as the default mode in all printers and encourages employees to reuse single-sided paper when no confidential information is present. To further decrease the use of paper, communicating online is encouraged instead of communicating through documentation.

Several measures are adopted by the Group to reduce avoidable emissions. The Group promotes reasonable driving and long-distance travelling are subject to strict review to reduce unnecessary travel, with an aim to mitigate the amount of greenhouse gas and exhaust gas produced by vehicles. As such, the level of total emissions can be remained relatively low, and the level does not pose considerable environmental and social impacts.

Use of Resources

The Group is committed to becoming a resource-saving and environmental-friendly enterprise to promote environmental protection. We have been working actively to reduce our usage of resources, as well as our emissions.

The Group's direct and/or indirect energy consumption derives from purchased electricity. The electricity consumption of the Group's Shanghai office is charged as part of the property management fees. Hence, the Group's electricity consumption figure only took into consideration the electricity consumption of Shenzhen, Dongguan and Wuhan offices, which are charged separately. As the office in Wuhan was established in November, the electricity consumption includes figures from November and December only, whereas the whole year consumption of Shenzhen and Dongguan offices is included. During the Reporting Year, the units of electricity purchased from electricity providers totalled 121,861 kWh, with an intensity of 662.29 kWh per employee.

Water Usage

As water is one of the most precious resources in the world, cherishing water consumption is the fundamental target of the Group. The Group had always encouraged the reduction on unnecessary water consumption. The existing water supply is stable and meets the Group's daily operational needs, thus no issue of sourcing water is identified. Water resources are solely used in offices of the Group by employees for sanitation purposes.

The water consumption of the Group's Dongguan, Shanghai and Wuhan offices is included in the property management fees. Accordingly, the water consumption figures below only include the consumption in the Group's Shenzhen office, which was charged separately. During the Reporting Year, the total volume of water consumed was 1,065 cubic metres, with an intensity of 6.74 cubic metres per employee. Due to the nature of business, no sewage is produced and thus no sewage purification system is installed currently.

Energy Use Efficiency

To reduce the Group's energy consumption, the Group has posted some energy conservation reminders in place. Computers and office lights are switched off during non-business hours to minimise light pollution and reduce energy consumption. Looking ahead, we would continue to make efforts in reducing our energy consumption and keep up the pace of energy conservation.

Moreover, the Group promotes the ideology of water conservation among employees. In order to effectively reduce the indirect energy consumption for water supply, dysfunctional water faucets are repaired promptly to prevent further leakage and wastage of fresh water. Notices reminding employees to avoid unnecessary use of water are sticked on bathroom walls. Through adopting these practices to reduce electricity and water consumption in offices, the Group aims at keeping the decrease in next Reporting Year's emissions intensities within 10% of the current levels and, for increase, within 15% of the current levels. The current intensities for electricity and water consumption are 662.29kWh per employee and 6.74 cubic metres per employee respectively.

Packaging Material

As its business field lies in providing IT solution and cloud services, the Group in the ordinary course of business does not involve any material usage of packaging materials.

The Environment and Natural Resources

As per the aforementioned data, the Group does not cause significant depletion of environmental or natural resources in its daily operations. Yet, the Group contends that corporate development should not come at the expense of the environment, and ensures that it minimises its carbon footprints by constantly monitoring the use of resources and adhering to relevant laws.

Climate Change

Since the Group provides IT solutions and cloud services, offices and online platforms are the major venue for its business, and, services and software are majorly purchased from suppliers instead of physical goods. Without relying on outdoor activities for operation, the Group faces low risk of being impacted by significant climate-related issues that would directly disrupt its business and supply chain. The Group's offices are located in areas, such as Shenzhen, where extreme weather is relatively rare. Nonetheless, the Group is prepared for the identification and mitigation of climate-related issues when they emerge. Currently, to mitigate impacts caused by climate-related issues such as typhoons and rainstorms, the Group provides guidelines for its employees in case of such circumstances, minimising the negative impacts on the safety of employees and ensuring the smooth operation of business. To prepare for climate-related incidents which may impact the Group in the future, it pays close attention to relevant forecast and arising climatic issues around regions of the offices. The Group will formulate contingency plans and/or guidelines for employees, when appropriate, to minimise the impacts on the Group's business and supply chain.

SOCIAL

Employment and Labour Standards

For the Group, constructing meaningful relationship with its employees, which are the internal stakeholders, is deemed equally important as attracting new customers for business, and so is encouraging the employees to shape their competitive edge. As an IT solution and cloud services provider, the Group understands that employees with sophisticated technology knowledge are the important 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 his/her will, or work as forced labour, or subject to coercion related to work. The Group strictly opposes and prohibits any form of child and forced labour. The Human Resources Department of the Company will verify the actual age of the applicants by checking their identification documents upon recruitment process. If one in his/her probation period is found providing false information, termination of contract without notice can be resulted. Through the whistle-blowing mechanism, employees are able to voice out injustice they face. For any reported cases, the Management will investigate into the case immediately, and take further follow-up actions if necessary. During the Reporting Year, the Group has complied with all applicable labour laws and regulations.

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

The Group hopes to recruit the most talented and qualified from the job market, in order to bring immense value to the business and to install trust in its clients. The process of recruitment is standardised based on nature of department: for positions related to technology, research and development, department heads conduct the first round of interview and the Human Resources Department is responsible for second interview. While for positions related to operations and general business, the interview sequence is reverted. As such, it ensures that competitive candidates will not be missed out and that respective departments can screen for the most suitable candidates. Also, background checks are performed to ensure good attributes of candidates and 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 the group accident insurance and reimbursement for work injury insurance. Employees who have worked for the Group for more than one year are eligible for annual health checks. Employees are provided with basic statutory festive holidays, general holidays, marriage leave, maternity leave, paternity leave, compassionate leave, with the standard of five work days per week and eight work hours per day. Continuous service bonus and quarterly/annual bonus are rewarded to employees based on individual performance. The Group performs appraisals to effectively evaluate employees' quality of work outputs and they serve as important bases for rewards and punishment, salary adjustment and promotion, year-end bonus. All departments perform appraisals quarterly, except the Research and Development which performs appraisals upon completion of individual projects. As such, the Group's expectations on its employees, and employee's difficulties encountered are mutually communicated.

To foster harmonious work culture and enhance team cohesion, regular activities are organised by the Group for employees regularly. 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 afterwork to reduce pressure and build up teamwork. On each Wednesday, afternoon snacks and treats are provided to employees for motivation. Moreover, each department reserves the fund for team building, further facilitating the relationship between employees.

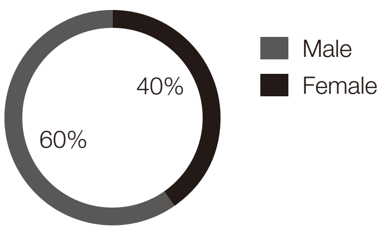
Total Number and Classification of Employees

As at 31 December 2020, the Group had 198 employees in total. The detailed employment information is as follows:

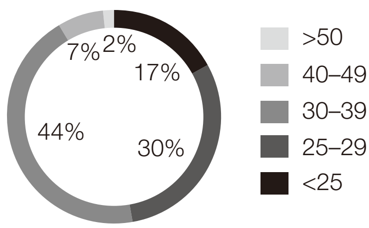
Employment within the Group	
Total number of employees	198
Distribution by Gender	
Female	78
Male	120
Distribution by Age	
<25	34
25–29	60
30–39	87
40–49	14
>50	3
Distribution by Employee Category	
Management	22
Senior employee	36
Junior employee	140
Distribution by Region	
Shenzhen	158
Dongguan	10
Shanghai	14
Wuhan	16

The Group hires base 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. For the Reporting Year, female employees accounted for approximately 40% 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 in the future.

Distribution by Gender



Distribution by Age Group



Employee Turnover

As at 31 December 2020, employee turnover across the Group was at 23%. The detailed turnover information is as follows:

Turnover within the Group

	Number of employees	% of all employees
Total Turnover	46	23%

Distribution by Gender

	Number of employees	% of turnover
Female	19	41%
Male	27	59%

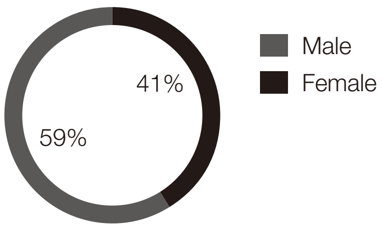
Distribution by Age

	Number of employees	% of turnover
<25	7	15%
25–29	16	35%
30–39	22	48%
40–49	1	2%
>50	0	0%

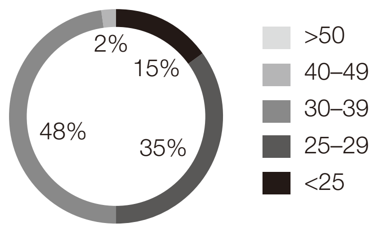
Distribution by Region

	Number of employees	% of turnover
Shenzhen	44	96%
Wuhan	2	4%

Distribution by Gender



Distribution by Age Group



Health and Safety

The Group acknowledges that employees' health and safety are pivotal and it sincerely cares for both their mental and physical health. Due to the Group's business nature, employees spend most of their work time in offices, resulting in the low chance of encountering work-related injuries. Thus, the Group did not record any form of death and work injuries for the Reporting Year. Moreover, 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 claim. Employees who have worked for the Group for more than one 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 accessibility of emergency exits in offices, establishing a smoke-free workplace, conducting fire drills and inspecting 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 out the relevant misconducts in the Employment Handbook (員工手冊), reminding employees to stay well-mannered and respectful. To further safeguard the employees, 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 sport 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 loan period of three months.

With regard to COVID-19, a pandemic that has greatly affected the workforce globally, the Group has implemented a series of contingency policies to ensure employees' safety, and minimise the chance of spread and transmission within the Group. To alert its employees of personal hygiene, the Group published internally the Infection Prevention and Control Guidance for Workplace (疫情防控期間辦公指南), and the Handbook of COVID-19 Prevention and Treatment (新型冠狀病毒感染的肺炎防控知識手冊). Topics covered include actions to improve personal hygiene, prevention and transmission channels of COVID-19, relevant symptoms and procedures for seeking medical attention. The Group actively encouraged employees to initiate the preventive actions, such as wearing a mask, avoiding public transportation and cleaning hands with wet wipes or sanitisers regularly. On top of that, the Group implemented a variety of official measures, including:

- checking employees' temperature before allowing them to enter offices;
- avoiding face-to-face meetings and switching to virtual conferences;
- improving ventilation and sanitising office areas once every day;
- designating different lunch periods to avoid group gatherings; and
- arranging work-from-home schedules to require only the necessary employees to report duty in each department.

The Group had temporarily closed the offices from 3 to 17 February 2020 and enforced flexible work-from-home arrangement until late March 2020. Together with the policies aforementioned, the Group endeavoured to protect the employees from the pandemic outbreak and to keep the workplace a haven for all.

Development and Training

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

As outlined in the Human Resources and Salary Management (人力資源與工資管理制度), 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 themselves. Internal training, given by experienced and managerial colleagues, were available to employees at every level all year round during the Reporting Year. 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

On 15 December 2020 and 17 December 2020, the Group held two internal training on Human Resources and Compliance (人力行政制度及合規制度), and Finance Procedure (財務流程). The two respective training were hosted by Human Resources Manager and Chief Financial Officer of the Group, so as to ensure credibility of the contents and employees' understanding of the relevant policies.

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

The Group held internal training on Citrix Products and Microsoft 365 Products in August 2020, with an aim to equip employees with the most updated information and to sharpen their competitive edge.

(3) Training to strengthen employee's soft skills related to customer service

On 24 April 2020, General Manager hosted a seminar on CRM (Customer Relationship Management) products, with in-depth explanation on applicable scenarios and case studies. Effective communication is essential during consultation on clients' needs, whether they are needs for network security solutions, file management solutions, public cloud and hybrid cloud services, or simple desires to improve workplace IT effectiveness.

Evidently, the Group is devoted to providing well-rounded training for the employees. Frequent training and relevant seminars create corporate learning culture, inspiring employees to be inquisitive and to embrace life-long learning. The details of the training are as follows:

Employee Training

	Number of employees	**% of all employees**
Total number of trainees	98	49%

Distribution by Gender

	Number of employees	**% of trainees**
Female	41	42%
Male	57	58%

Training Hours by Gender

	Total hours	**Hours per employee**
Female	1,042	13
Male	1,444	12

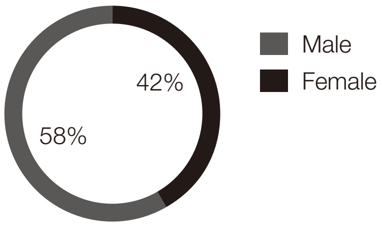
Distribution by Employee Category

	Number of employees	% of trainees
Junior Employee	69	70%
Senior Employee	25	26%
Management	4	4%

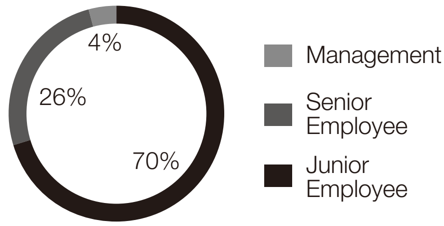
Training Hours by Employee Category

	Total hours	Hours per employee
Junior Employee	1,893	14
Senior Employee	505	14
Management	88	4

Distribution by Gender



Distribution by Employment 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 are in line with the best economic benefits. As a responsible organisation, the Group adheres to the spirit of contract and abides by the principle, purpose and content of the contract with the supplier. In return, the Group expects its suppliers to uphold the principles of integrity and pragmatism, and provide products and service in compliance with all applicable laws and regulations.

To standardise the procurement procedures of products and services, the Group has adopted the Procurement and Payment Management System (採購至付款管理制度), which outlines assessments prior to accepting a supplier as an approved supplier, and also on-going assessments and regular inspections of our approved suppliers.

Before selecting new suppliers, the purchasing agent assess their capabilities based on supplier's background information, professional qualifications, product and service quality, reputation. Due to the Group's business nature, majority of the purchase are classified into technology-related hardware and software. Therefore, professional qualifications such as relevant business licenses, certificates of authorisation, ISO System Certifications are especially crucial for suppliers. The qualified suppliers are included in the Approved Vendor List (合格供應商名單) upon Procurement Department Manager's approval. In the selection process, issues such as human rights management adopted by the suppliers and environmental protection are taken into consideration. Moreover, the suppliers, who are ranked 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 their environmental and social practices still exceed the Group's expectations.

As at 31 December 2020, the Group has a total of 466 suppliers, amongst them, 365 suppliers are located in the PRC, 10 suppliers are located in Hong Kong, and the remaining 91 suppliers are located in the U.S., Europe and Asia. The aforesaid Procurement and Payment Management System applied and were implemented to all suppliers of the Group during the Reporting Year.

Product and Service Responsibility

The Group emphasises the importance of reliable products and services with high quality and has a strong commitment to improving the quality of its core business: cloud services, integrated IT solutions. The quality control system is classified into two main components, namely service quality and product quality. While products and services, such as software and cloud services, of the Group, are intangible goods delivered virtually. Thus, they are not subject to direct health and safety concerns, and are seen less likely to pose harm and/or threat to customers physically.

For product quality control, the Group follows the supplier management process of ISO 9001 to manage the quality of suppliers and subcontractors. 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. Moreover, hardware and software products used in the Group's IT services are warranted by the relevant suppliers for around 12 to 36 months. In case any defects are found, such suppliers will be liable and customers may contact them directly for replacement of the hardware or software.

Service quality is highly dependent on highly qualified technicians who master the operation of major products and are proficient in the business model of the downstream industries of IT solution services industry. Therefore, the Group firmly encourages its employees, especially those in the software engineering and technical engineering positions, to obtain professional qualifications. During the Reporting Year, numerous employees within the Group held certificates and qualifications awarded by renowned units, including Microsoft Azure Data Engineer Associate, Citrix Virtualization Certified Associate, ITIL Foundation Certificate, and Microsoft JavaScript and CSS3 qualification. 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 feedback and complaints from customers seriously and will ensure that immediate follow up actions are taken upon receiving complaints. Employees from Sales Department are responsible for recording and tracking the progress of complaint handling. The employee liable for a compliant then investigate the issues and implement corrective actions. The whole process and measures taken are documented in Client Complaints Form for the review of Sales Department Director. During the Reporting Year, the Group did nor record any products and service related complaints.

Intellectual Property

Core business of the Group includes cloud services and software development, rendering intellectual property a pivotal part in the Group's business cycle. Externally, the Group strictly complies with "Trademark Law" and "Patent Law" 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 Year, 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 in relation to any such infringement.

Computer software programmes developed by the Group are important intangible assets. After the Research and Development Department completes 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 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 number. Currently, the Group owns more than 35 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 owner of the software, is entitled to several exclusive rights: the right to reproduce, the right to distribute copies to the public by license, sale or otherwise, the right to create derivative or modified versions, to name but a few. Once the Group is in dispute over the ownership of software, 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 the handling of 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 are aware that the production, transfer, usage and disposal of these materials are restricted and regulated by certain 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 solution and cloud service provider, the Group does not have material issues concerning advertising and labelling matters. Currently, in dealing with its clients, the Group provides complete, true, accurate, clear information on the services and products. On top of that, the Board is liable in ensuring that the Group does not publish or publicly distribute advertisement that misrepresents the actual information.

Privacy Protection

The Group greatly values privacy protection of its existing clients, and asserts that safeguarding the data being handled and processed will contribute to its reputation in the market. Good reputation, in return, will instil trust in its potential clients and usher 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 the practice of privacy protection.

The Group strictly adheres to applicable laws and regulations, including but not limited to Information Security Technology – Personal Information Security Specification (《信息安全技術個人信息安全規範》), Network Security Law (《網絡安全法》). The Group also obtained ISO 27001 and ISO 20001 under the Information Security Management System (ISMS) standards. During the Reporting Year, 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》), CRM (Customer Relationship Management) information is under confidentiality of infinite duration. The CRM system implemented is a customer database to enhance efficiency of sales and marketing to target customers, with personal information and purchasing histories included. Without the approval of Chief Executive Officer, anyone is not permitted to copy, scan any information in the Group's CRM system or verbally communicate to unauthorised parties. If exposure of 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 confidential, in accordance with the scope agreed upon in the aforementioned internal document. Moreover, 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 leakage of data highlight that the response speed must be within designated time for both critical incidents and minor incidents. The Group believes that prompt handling and investigation are necessary for privacy protection.

Improving Network Security Management

With regard to network security, the Group currently utilises ISS Crypto to enable or disable protocols, ciphers, hashes and key exchange algorithms for 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, forbidding the downloads of unknown email attachments. As such, the Group hopes to reduce the exposure to cyber-attacks.

Anti-corruption and Anti-money Laundering

The Group strictly complies with all applicable laws and regulations regarding anti-corruption and anti-money laundering, including Anti-Money Laundering Law (《反洗錢法》), Anti-Unfair Competition Law (《反不正當競爭法》), Criminal Law (《刑法》), of the PRC. As part of the commitment, all forms of bribery and corruptions as well as money laundering are despised and will not be tolerated.

Both the Anti-corruption Prevention Policy (防止貪污政策) and Employee Handbook states that (1) employees shall not accept gifts and benefits that are beyond common business hospitality; (2) employees should not offer bribe to any person for the purpose of obtaining or retaining business; and (3) falsifying documents and furnishing false accounting records are strictly prohibited. Moreover, during the Reporting Year, the directors and senior management of the Group had several training given by external professionals, such as law firms, on anti-corruption, and regulatory and disclosure responsibilities of listed companies in Hong Kong.

For whistle-blowing, the Group values and welcomes our employees to report any suspected malpractices confidentially via email or phone to the executive Directors or the independent non-executive Directors. 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 Year, the Group is not involved in any legal cases regarding corruption, and is not aware of any bribery, extortion, fraud, money laundering or other violations.

Community Investment

The Group practices corporate social and environmental responsibilities, and regards public welfare as an important aspect of its corporate culture. Although during the Reporting Year, out of restrictions imposed for the control of the COVID-19 pandemic, the Group did not meet the opportunity to host public welfare activities, it strives to actively seek areas for contribution in the future, such as education, environment and culture. The Group will explore opportunities in the neighbourhoods, where it can invest resources and engage employees into the community service.

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 Gas 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 measures to mitigate emissions and results achieved.	Measures to Reduce Waste Generation and Emissions
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	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 initiatives and results achieved.	Energy Use Efficiency
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	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 (the "**Board**") of directors (the "**Director(s)**") of the Company is pleased to report that from 13 May 2020 (the "**Listing Date**") to 31 December 2020, the Company has adopted and complied with the code provisions of the Corporate Governance Code ("**CG Code**") as set out in Appendix 14 to the Listing Rules except the deviation from CG Code provision A.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 of the Company (the "**Shareholder(s)**").

CHAIRMAN AND CHIEF EXECUTIVE

CG Code provision A.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 Listing Date, Ms. Ding Xinyun ("**Ms. Ding**") has been acting as both the chairman of the Board and the chief executive officer of the Company. In 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 Company 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. The Directors will continue to review and consider splitting the roles of chairperson and chief executive 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 to communicate with shareholders and regulatory bodies and, where appropriate, will make recommendations to the Shareholders on final dividends and approve 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 annual basis.

Corporate Governance Functions

The Board is responsible for, among others, performing the corporate governance duties as set out in the code provision D.3.1 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 seven members including four executive Directors and three independent non-executive Directors. In compliance with Rules 3.10 and Rules 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 to ensure proper risk management and internal control systems are in place and the Group's business conforms to applicable laws and regulations.

Executive Directors

Ms. Ding Xinyun *(Chairman & Chief Executive Officer)*
Ms. Li Yi
Mr. Ling Yunzhi
Ms. Peng Dongping

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

Independent Non-Executive Directors

Mr. Yu Kwok Leung
Mr. Ho Ka Chun
Mr. Liang Chi

All independent non-executive Directors are professionals with well recognised experience and expertise to bring valuable advice to the Board. Mr. Yu Kwok Leung and Mr. Ho Ka Chun possess 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 2020 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.

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 of the Company (the "**Nomination Committee**"), and where appropriate, revisions will be made with the approval from the Board.

The Board comprises of seven members, including three female 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.

BOARD MEETINGS

Pursuant to code provision A.1.1 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.

From the Listing Date to 31 December 2020, three Board meetings were held and the attendance records are as follows:

Name of Director	Meetings attended/ Meetings held during his/her tenure
Executive Directors	
Ms. Ding Xinyun	3/3
Ms. Li Yi	3/3
Mr. Ling Yunzhi	3/3
Ms. Peng Dongping	3/3
Independent Non-executive Directors	
Mr. Yu Kwok Leung	3/3
Mr. Ho Ka Chun	3/3
Mr. Liang Chi	3/3

From the Listing Date to 31 December 2020, no general meetings of the Company were held.

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 as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

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 "**Remuneration Committee**"), the Nomination Committee and the audit committee (the "**Audit Committee**"), in compliance with the Rules (the "**Listing Rules**") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") 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 B.1.2 of the CG Code. The Remuneration Committee consists of three members, namely, Mr. Yu Kwok Leung, Mr. Ho Ka Chun and Mr. Liang Chi, all being independent non-executive Directors. Mr. Yu Kwok Leung 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;

(f) to operate the Company's share option scheme or other incentive scheme as they apply to, and recommend to the general meeting(s) of shareholders, grants of options to be made to Directors and senior management.

From the Listing Date to 31 December 2020, no Remuneration Committee meeting was held as the Company was newly listed on 13 May 2020.

NOMINATION COMMITTEE

The Nomination Committee was established on 14 April 2020 with its terms of reference in compliance with the code provision A.5.2 of the CG Code. The Nomination Committee comprises Mr. Liang Chi, Mr. Ho Ka Chun and Mr. Yu Kwok Leung, all being independent non-executive Directors. Mr. Liang Chi 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;

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

From the Listing Date to 31 December 2020, no Nomination Committee meeting was held as the Company was newly listed on 13 May 2020.

AUDIT COMMITTEE

The Audit Committee was established on 14 April 2020 with its terms of reference in compliance with Rule 3.21 to Rule 3.23 of the Listing Rules and the code provisions C.3.3 and C.3.7 of the CG Code. The Audit Committee consists of three members, namely, Mr. Ho Ka Chun, Mr. Liang Chi and Mr. Yu Kwok Leung, all being independent non-executive Directors. Mr. Ho Ka Chun 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.

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 from the Listing Date to 31 December 2020 to review, assess and comment on the consolidated interim results of the Group and to plan for the 2020 annual audit. The Audit Committee has also reviewed the risk management and internal control systems of the Group, as well as the continuing connected transaction(s) carried out by the Group as disclosed in the section headed "Report of the Directors" of this annual report. The Audit Committee was of the opinion that the consolidated financial statements of the Group for the year ended 31 December 2020 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.

From the Listing Date to 31 December 2020, the attendance record of the Audit Committees' meetings of each member are set out below:

Name of Director	**Meetings attended/ Meetings held during his/her tenure**
Independent Non-executive Directors	
Mr. Ho Ka Chun *(Chairman)*	2/2
Mr. Liang Chi	2/2
Mr. Yu Kwok Leung	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 2020, 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 and based their audit on those 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 71 to 76 of this annual report.

DIRECTORS' TRAINING AND DEVELOPMENT

Pursuant to the code provision A.6.5 under Appendix 14 to the Listing Rules, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills. From the Listing Date to 31 December 2020, all Directors, namely Ms. Ding Xinyun, Ms. Li Yi, Mr. Ling Yunzhi, Ms. Peng Dongping, Mr. Yu Kwok Leung, Mr. Ho Ka Chun and Mr. Liang Chi 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.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the required standard set out in the Appendix 10 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 from the Listing Date to up to the date of this annual report.

COMPANY SECRETARY

Mr. Tsoi Ka Shing was appointed as the company secretary of the Company on 14 April 2020. Please refer to the section "Biographical details of Directors and Senior Management" in this annual report for his biographical information. From the Listing Date to 31 December 2020, Mr. Tsoi 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 2020, 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	1,170
– Acting as reporting accountants for listing of the Company	1,420
– Agreed-Upon Procedures on interim results	130

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 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 2020. 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 period from the Listing Date to 31 December 2020 and considered the internal control system effective and adequate and no significant areas of concern which might affect shareholders were identified.

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.

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. 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 do so in the same manner, 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 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 Level 54, Hopewell Centre, 183 Queen's Road East, 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 54/F, Hopewell Centre, 183 Queen's Road East, 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

From the Listing Date to 31 December 2020, there had been no significant changes in the constitutional documents of the Company.

* English translation name is for identification purpose only

INDEPENDENT AUDITOR'S REPORT

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 77 to 83, which comprise the consolidated statement of financial position as at 31 December 2020, 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 a summary of significant accounting policies.

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 2020, 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	
At as 31 December 2020, the carrying value of trade receivables amounted to RMB121,746,000, for which allowance of RMB1,097,000 loss was recorded. Management applied judgement in assessing the expected credit losses ("ECLs"). Receivables relating to customers with known financial difficulties or significant doubt on collection of receivables are assessed individually for loss allowance. ECLs are also estimated by grouping the remaining receivables based on shared credit risk characteristics and ageing of billing and then collectively assessed for likelihood of recovery, taking into account the nature of customers and ageing category and applying expected credit loss rates ("ECLs rates") to the respective gross carrying amounts of the receivables. The ECLs 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 expected credit loss allowance for the trade receivables. The Group's disclosures about loss allowance for 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: We reviewed and assessed the application of the Group's policy for calculating the ECLs. We evaluated techniques and methodology in the ECL model against the requirements of HKFRS 9. We assessed the reasonableness of management's loss allowance 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. We also read and assessed the relevant disclosures made in the financial statements.

KEY AUDIT MATTERS *(Continued)*

Key audit matter	How our audit addressed the key audit matter
Business combination and goodwill impairment assessment	
The Group acquired 100% issued share capital of Shenzhen Heweiteng Technology Limited (the "Shenzhen Heweiteng") on 7 August 2020. The management recognised identifiable intangible assets of software copyrights amounting to RMB1,100,000 in aggregate, and recognised goodwill amounting to RMB6,217,000 at the acquisition day. Management engaged an external appraiser to assess the fair value of the intangible assets acquired. The recognition of goodwill and intangible assets arising from the acquisition of Shenzhen Heweiteng was significant to the consolidated financial statements. The assessment also involved complex estimation process and was based on highly subjective assumptions by management which were affected by expected future market or economic conditions. The Group's disclosures about business combination and goodwill impairment assessment are included in note 2.4, note 3, note 15 and note 30 to the financial statements.	For business combination, our audit procedures mainly included: We inspected the acquisition agreement, the board resolution in connection with the acquisition and other relevant documents to identify the key transaction terms and conditions. We assessed the competence, capabilities and objectivity of the Group's external experts who assisted the management to determine the fair value of certain identifiable assets. We involved our internal valuation specialists to evaluate the assumptions and the methodologies used by the management, in particular, the assumptions used in the valuation of intangible assets. We assessed the adequacy of the Group's disclosures in the financial statements that relate to the acquisition of Shenzhen Heweiteng. For goodwill impairment assessment, our audit procedures included: We involved our internal valuation specialists to assist us in evaluating the assumptions and the methodologies used by the management, in particular, the discount rate and the long-term growth rate. We assessed reasonableness of the forecasts used in the impairment test by comparing the forecasts with the historical performance of the respective cash generating unit and the business development plan. We assessed the adequacy of the disclosure of goodwill with a focus on those assumptions to which the outcome of the impairment test was most sensitive, that was, those that had the most significant effect on the recoverable amount of goodwill.

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.

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.

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

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 Choi, Wai Wing.

Ernst & Young
Certified Public Accountants

Hong Kong
23 March 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
REVENUE	5	**690,717**	791,888
Cost of sales		**(619,413)**	(708,686)
Gross profit		**71,304**	83,202
Other income and gains	5	**6,729**	3,886
Selling and distribution expenses		**(14,282)**	(13,886)
Administrative expenses		**(23,499)**	(22,106)
Research and development expenses	6	**(19,778)**	(19,279)
Other expenses		**(147)**	(128)
Impairment losses on financial and contract assets	6	**(188)**	(420)
Finance costs	7	**(406)**	(2,323)
Share of losses of an associate	6	**(467)**	(72)
PROFIT BEFORE TAX	7	**19,266**	28,874
Income tax expenses	10	**(3,241)**	(4,326)
PROFIT FOR THE YEAR AND ATTRIBUTABLE TO OWNERS OF THE PARENT		**16,025**	24,548
EARNINGS PER SHARE ATTRIBUTABLE TO THE OWNERS OF THE PARENT	12		
Basic and diluted		**RMB0.88 cents**	RMB1.64 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2020

	2020 RMB'000	2019 RMB'000
PROFIT FOR THE YEAR	**16,025**	24,548
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on currency translation	**402**	9
Other comprehensive (loss)/income that may not be reclassified to profit or loss in subsequent periods:		
Exchange differences on currency translation	**(6,548)**	313
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR, NET OF TAX	**(6,146)**	322
TOTAL COMPREHENSIVE INCOME FOR THE YEAR AND ATTRIBUTABLE TO THE OWNERS OF THE PARENT	**9,879**	24,870
Attributable to:		
Owners of the parent	**9,879**	24,870
	9,879	24,870

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**1,229**	1,369
Right-of-use assets	14	**9,817**	8,083
Goodwill	15	**6,217**	–
Other intangible assets	16	**1,008**	–
Investment in an associate	17	**661**	1,128
Deferred tax assets	27	**330**	239
Total non-current assets		**19,262**	10,819
CURRENT ASSETS			
Inventories	18	**60,393**	38,228
Trade and bills receivables	29	**133,364**	101,236
Prepayments, deposits and other receivables	20	**10,624**	8,340
Contract assets	21	**3,246**	14,609
Pledged deposits and restricted bank deposits	22	**35,689**	9,376
Cash and cash equivalents	22	**105,313**	23,892
Total current assets		**348,629**	195,681
CURRENT LIABILITIES			
Trade payables	23	**141,235**	82,397
Other payables and accruals	24	**11,202**	7,515
Contract liabilities	25	**11,938**	5,257
Interest-bearing bank borrowings	26	**2**	5,652
Lease liabilities	14	**3,944**	3,213
Tax payable		**5,037**	3,975
Total current liabilities		**173,358**	108,009
NET CURRENT ASSETS		**175,271**	87,672
TOTAL ASSETS LESS CURRENT LIABILITIES		**194,533**	98,491

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
NON-CURRENT LIABILITIES			
Lease liabilities	14	**3,385**	2,230
Deferred tax liabilities	27	**252**	–
Total non-current liabilities		**3,637**	2,230
Net assets		**190,896**	96,261
EQUITY			
Equity attributable to owners of the parent			
Share capital	28	**18,289**	–*
Reserves	29	**172,607**	96,261
Total equity		**190,896**	96,261

* The amount is less than RMB500.

Ms. Ding Xinyun
Director

Mr. Ling Yunzhi
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

	Attributable to owners of the parent								
	Share capital RMB'000 (note 28)	Other capital reserve RMB'000	Share premium reserve RMB'000	Statutory surplus reserve RMB'000 (note 29(ii))	Merge reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total RMB'000	Total equity RMB'000
At 1 January 2019	–	(1,152)	7,105	6,630	30,345	(227)	22,457	65,158	65,158
Profit for the year	–	–	–	–	–	–	24,548	24,548	24,548
Other comprehensive income for the year:									
Exchange differences on currency translation	–	–	–	–	–	322	–	322	322
Total comprehensive income for the year	–	–	–	–	–	322	24,548	24,870	24,870
Issue of shares of the Company	–	–	7,701	–	–	–	–	7,701	7,701
Business combination under common control	–	–	–	–	(1,468)	–	–	(1,468)	(1,468)
Transfer from retained profits	–	–	–	3,116	–	–	(3,116)	–	–
At 31 December 2019	–*	(1,152)#	14,806#	9,746#	28,877#	95#	43,889#	96,261	96,261
At 31 December 2019 and 1 January 2020	**–***	**(1,152)#**	**14,806#**	**9,746#**	**28,877#**	**95#**	**43,889#**	**96,261**	**96,261**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**16,025**	**16,025**	**16,025**
Other comprehensive loss for the year:									
Exchange differences on currency translation	**–**	**–**	**–**	**–**	**–**	**(6,146)**	**–**	**(6,146)**	**(6,146)**
Total comprehensive income/(loss) for the year	**–**	**–**	**–**	**–**	**–**	**(6,146)**	**16,025**	**9,879**	**9,879**
Issue of shares for the Initial Public Offering ("IPO")	**18,289**	**–**	**96,016**	**–**	**–**	**–**	**–**	**114,305**	**114,305**
Share issue expenses	**–**	**–**	**(29,549)**	**–**	**–**	**–**	**–**	**(29,549)**	**(29,549)**
Transfer from retained profits	**–**	**–**	**–**	**2,411**	**–**	**–**	**(2,411)**	**–**	**–**
At 31 December 2020	**18,829**	**(1,152)#**	**81,273#**	**12,157#**	**28,877#**	**(6,051)#**	**57,503#**	**190,896**	**190,896**

* The amount is less than RMB500.

\# These reserve accounts comprise the consolidated reserves of RMB172,607,000 (2019: RMB96,261,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**19,266**	28,874
Adjustments for:			
Depreciation of property, plant and equipment	13	**559**	495
Depreciation of right-of-use assets	14	**3,589**	3,327
Gain on financial assets at fair value through profit or loss	6	**(45)**	(556)
Gain on disposal of items of property, plant and equipment	6	**–**	(15)
Share of losses of an associate	17	**467**	72
Bank interest income		**(327)**	(186)
Recognition of impairment losses on financial and contract assets	6	**188**	420
COVID-19-related rent concessions from lessors	14	**(974)**	–
Amortisation of other intangible assets	16	**92**	–
Finance costs	7	**406**	2,323
		23,221	34,754
(Increase)/decrease in inventories		**(22,165)**	6,481
Increase in trade and bills receivables		**(32,396)**	(8,073)
Increase in prepayments, deposits and other receivables		**(1,737)**	(3,297)
Decrease/(increase) in contract assets		**11,443**	(5,877)
Increase/(decrease) in trade payables		**58,838**	(10,027)
Increase/(decrease) in other payables and accruals		**3,574**	(62)
Increase in contract liabilities		**6,681**	589
Increase in pledged deposits and restricted bank deposits		**(9,531)**	–
Cash generated from operations		**37,928**	14,488
Income tax paid		**(2,274)**	(4,417)
Net cash flows from operating activities		**35,654**	10,071

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(431)**	(1,197)
Proceeds from disposal of items of property, plant and equipment		**–**	49
Proceeds from financial assets at fair value through profit or loss	6	**45**	556
Acquisition of a subsidiary	30	**(7,483)**	–
Consideration paid for acquisition of subsidiaries under common control		**–**	(1,468)
Cost of investment in an associate		**–**	(1,200)
Interest received		**327**	186
(Increase)/decrease in pledged deposits and restricted bank deposits		**(16,782)**	185
Net cash flows used in investing activities		**(24,324)**	(2,889)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares of the Company		**114,305**	7,701
Share issue expenses		**(29,549)**	–
New bank loans		**15,013**	105,433
Repayment of bank loans		**(20,663)**	(105,732)
Principal portion of lease payments	31(c)	**(2,463)**	(2,713)
Interest paid		**(406)**	(2,323)
Net cash flows from financing activities		**76,237**	2,366
NET INCREASE IN CASH AND CASH EQUIVALENTS		**87,567**	9,548
Cash and cash equivalents at the beginning of year		**23,892**	14,022
Effect of foreign exchange rate changes, net		**(6,146)**	322
CASH AND CASH EQUIVALENTS AT END OF YEAR	22	**105,313**	23,892

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 of the Company is located at Windward 3, Regatta Office Park, P.O. Box 1350, Grand Cayman KY1-1108, 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 the PRC.

In the opinion of the Directors, as at the date of this annual report, Aztec Pearl Limited (incorporated in British Virgin Islands on 31 December 2018), and, through the Family Trust, Tricor Equity Trustee Limited (incorporated in British Virgin Islands on 1 January 2007), Ms. Ding Xinyun, Green Leaf Development Limited (incorporated in British Virgin Islands on 29 October 2018) and Mr. Cai Aaron Ding are regarded as a group of the Company's controlling shareholders.

Information about subsidiaries

The Company's subsidiaries are as follows:

Name	Place of incorporation/ registration and business	Issued capital	Percentage of equity attributable to the Company Direct %	Indirect %	Principal activities
Frontier View Limited	British Virgin Islands	US$1	100	–	Investment holding
Edensoft International Limited	Hong Kong	HK$1	–	100	Investment holding
Shenzhen Yundeng Technology Limited (深圳市雲登科技有限公司) ("**Shenzhen Yundeng**")*^	PRC/Mainland China	RMB1,000,000	–	100	Investment holding
Eden Information Service Limited (深圳市伊登軟件有限公司) ("**Eden Information**")^#	PRC/Mainland China	RMB30,345,010	–	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		Principal activities
			Direct %	Indirect %	
Dongguan Edensoft Limited (東莞市伊登軟件有限公司) ("**Dongguan Edensoft**")^#	PRC/Mainland China	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**")^#	PRC/Mainland China	RMB1,000,000	–	100	Provision of IT implementation and supporting services and cloud services

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

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

\# These subsidiaries are registered as limited liability companies under PRC law.

None of the subsidiaries issued any debt securities as at 31 December 2020 or at any time during the year ended 31 December 2020.

During the year, the Group acquired Shenzhen Heweiteng from two third-party individuals. Further details of this acquisition are included in note 30 to the financial statements.

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"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for financial assets at fair value through profit or loss 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 (collectively referred to as the "Group") for the year ended 31 December 2020. 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).

When the Company has, directly or indirectly, 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.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) 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 *Conceptual Framework for Financial Reporting 2018* and the following revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 3	*Definition of a Business*
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	*Interest Rate Benchmark Reform*
Amendment to HKFRS 16	*COVID-19-Related Rent Concessions* (early adopted)
Amendments to HKAS 1 and HKAS 8	*Definition of Material*

The nature and the impact of the Conceptual Framework for Financial Reporting 2018 and the revised HKFRSs are described below:

(a) *Conceptual Framework for Financial Reporting 2018* (the "Conceptual Framework") sets out a comprehensive set of concepts for financial reporting and standard setting, and provides guidance for preparers of financial statements in developing consistent accounting policies and assistance to all parties to understand and interpret the standards. The Conceptual Framework includes new chapters on measurement and reporting financial performance, new guidance on the derecognition of assets and liabilities, and updated definitions and recognition criteria for assets and liabilities. It also clarifies the roles of stewardship, prudence and measurement uncertainty in financial reporting. The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The Conceptual Framework did not have any significant impact on the financial position and performance of the Group.

(b) Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any impact on the financial position and performance of the Group.

(c) Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative risk-free rate ("RFR"). The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the introduction of the alternative RFR. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedging relationships.

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

(d) Amendment to HKFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective for annual periods beginning on or after 1 June 2020 with earlier application permitted and shall be applied retrospectively. During the year ended 31 December 2020, certain monthly lease payments for the leases of the Group's office have been reduced or waived by the lessors as a result of the pandemic and there are no other changes to the terms of the leases. The Group has early adopted the amendment on 1 January 2020 and elected not to apply lease modification accounting for all rent concessions granted by the lessors as a result of the pandemic during the year ended 31 December 2020. Accordingly, a reduction in the lease payments arising from the rent concessions of RMB974,000 has been accounted for as variable lease payment by derecognising part of the lease liabilities and crediting to profit or loss for the year ended 31 December 2020.

(e) Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. The amendments did not have any significant impact on the financial position and performance of the Group.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to HKFRS 3	*Reference to the Conceptual Framework*[2]
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	*Interest Rate Benchmark Reform – Phase 2*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
HKFRS 17	*Insurance Contracts*[3]
Amendments to HKFRS 17	*Insurance Contracts*[3, 6]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current*[3, 5]
Amendments to HKAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*[2]
Amendments to HKAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*[2]
Annual Improvements to HKFRSs 2018–2020	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41[2]

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

[1] Effective for annual periods beginning on or after 1 January 2021
[2] Effective for annual periods beginning on or after 1 January 2022
[3] Effective for annual periods beginning on or after 1 January 2023
[4] No mandatory effective date yet determined but available for adoption
[5] As a consequence of the amendments to HKAS 1, 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 in October 2020 to align the corresponding wording with no change in conclusion
[6] As a consequence of the amendments to HKFRS 17 issued in October 2020, HKFRS 4 was amended to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before 1 January 2023

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

Amendments to HKFRS 3 are intended to replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group expects to adopt the amendments prospectively from 1 January 2022. Since the amendments apply prospectively to business combinations for which the acquisition date is on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative RFR. The Phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy. The amendments are effective for annual periods beginning on or after 1 January 2021 and shall be applied retrospectively, but entities are not required to restate the comparative information.

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

Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) 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 when the sale or contribution of assets between an investor and its associate or joint venture 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 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

Amendments to HKAS 1 clarify the requirements for classifying liabilities as current or non-current. The amendments specify that if an entity's right to defer settlement of a liability is subject to the entity complying with specified conditions, the entity has a right to defer settlement of the liability at the end of the reporting period if it complies with those conditions at that date. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. The amendments are effective for annual periods beginning on or after 1 January 2023 and shall be applied retrospectively. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied retrospectively only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied to contracts for which an entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. Earlier application is permitted. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening equity at the date of initial application without restating the comparative information. 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)*

Annual Improvements to HKFRSs 2018–2020 sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are expected to be applicable to the Group are as follows:

- HKFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual periods beginning on or after 1 January 2022. Earlier application is permitted. The amendment is not expected to have a significant impact on the Group's financial statements.

- HKFRS 16 *Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying HKFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying HKFRS 16.

2.4 SUMMARY OF SIGNIFICANT 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 is in a position to exercise 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.

When an investment in an associate or a joint venture is classified as held for sale, it is accounted for in accordance with HKFRS 5 *Non-current Assets Held for Sale and DisContinued Operations*.

2.4 SUMMARY OF SIGNIFICANT 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 that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation 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 net 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations and goodwill *(Continued)*

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.

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 assets at fair value through profit or loss 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Fair value measurement *(Continued)*

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

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

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

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

For assets and liabilities that are recognised in the 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 and financial 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.

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, however 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 SUMMARY OF SIGNIFICANT 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 Group (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;

(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 SUMMARY OF SIGNIFICANT 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 that 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%–33%
Motor vehicles	10%
Leasehold improvements	Over the shorter of lease terms or 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.

Patents and licences

Purchased patents and licences 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

Office premises	1 to 3 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.

(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.

The Group's lease liabilities are included in interest-bearing bank and other borrowings.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

Group as a lessee *(Continued)*

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

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (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). It also applies the recognition exemption for leases of low-value assets such as leases of office equipment and laptop computers that are considered to be of low value.

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

Investments and other financial assets

Initial recognition and measurement

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets *(Continued)*

Initial recognition and measurement *(Continued)*

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

Subsequent measurement

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

Financial assets at amortised cost (debt instruments)

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

Financial assets at fair value through other comprehensive income (debt instruments)

For debt investments at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to profit or loss.

Financial assets designated at fair value through other comprehensive income (equity investments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments designated at fair value through other comprehensive income when they meet the definition of equity under HKAS 32 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

2.4 SUMMARY OF SIGNIFICANT 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 the statement of 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 equity investments classified as financial assets at fair value through profit or loss are also recognised as other income in the statement of profit or loss and other comprehensive income when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets *(Continued)*

Derecognition of financial assets *(Continued)*

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets *(Continued)*

Impairment of financial assets *(Continued)*

General approach (Continued)

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

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, interest-bearing bank and other borrowings and lease liabilities.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial liabilities *(Continued)*

Subsequent measurement

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

Financial liabilities at amortised cost (loans and borrowings)

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

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

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

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 each 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.

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 each reporting period, taking into consideration interpretations and practices prevailing in the jurisdictions in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of each 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

- 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Income tax *(Continued)*

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

- 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.

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.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to profit or loss by way of a reduced depreciation charge.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition *(Continued)*

Revenue from contracts with customers *(Continued)*

– *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.

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.

– *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 for 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.

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 fees 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition *(Continued)*

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that 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

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, 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.

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).

Employee retirement benefits

The employees of the Group's subsidiaries which operate in Mainland China 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 Group's contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme and not reduced by contributions forfeited by those employees who leave the plans prior to vesting fully in the contributions.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 each 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.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income 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.

The Group has allocated a portion of the transaction price to the sale of solution-based software and/or hardware products and related services and IT supporting and maintenance services based on relative standalone selling prices. Revenue from the sale of solution-based software/hardware products and related services is recognised at the point in time when control of the asset is transferred to the customer while revenue from IT supporting and maintenance services is recognised over the scheduled period on a straight-line basis.

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

Judgements *(Continued)*

Revenue from contracts with customers *(Continued)*

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

The Group concluded that revenue for IT design and implementation services and cloud platform design services is to be recognised over time because the customer simultaneously receives and consumes the benefits provided by the Group. The fact that another entity would not need to re-perform the services that the Group has provided to date demonstrates that the customer simultaneously receives and consumes the benefits of the Group's performance as it performs.

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 on the basis of man hours expended relative to the total expected labour hours to complete the services.

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 2020 was RMB6,217,000 (2019: Nil). Further details are given in note 15.

Useful lives and residual values of property, plant and equipment

In determining the useful life and residual value of an item of property, plant and equipment, the Group has to consider various factors, such as technical or commercial obsolescence arising from changes or improvements in production, or from a change in the market demand for the product or service output of the asset, expected usage of the asset, expected physical wear and tear, the care and maintenance of the asset, and legal or similar limits on the use of the asset. The estimation of the useful life of the asset is based on the experience of the Group with similar assets that are used in a similar way. Additional depreciation is made if the estimated useful lives and/or the residual values of items of property, plant and equipment are different from the previous estimation. Useful lives and residual values are reviewed at each financial year end based on changes in circumstances. The carrying amount of property, plant and equipment at 31 December 2020 was RMB1,229,000 (2019: RMB1,369,000). Further details are given in note 13.

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

Estimation uncertainty *(Continued)*

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 for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

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).

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 carrying value of deferred tax assets relating to recognised tax losses at 31 December 2020 was nil (2019: Nil). The amount of unrecognised tax losses at 31 December 2020 was RMB1,423,000 (2019: RMB787,000). Further details are contained in note 27 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 products 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.

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 2020			
	IT infrastructure services RMB'000	IT implementation and supporting services RMB'000	Cloud services RMB'000	Total RMB'000
Reportable segment revenue	338,362	150,339	202,016	690,717
Reportable segment cost of sales	(306,901)	(136,055)	176,457	(619,413)
Reportable segment gross profit	31,461	14,284	25,559	71,304

4. OPERATING SEGMENT INFORMATION *(Continued)*

	Year ended 31 December 2019			
	IT infrastructure services RMB'000	IT implementation and supporting services RMB'000	Cloud services RMB'000	Total RMB'000
Reportable segment revenue	401,775	141,563	248,550	791,888
Reportable segment cost of sales	(370,664)	(129,506)	(208,516)	(708,686)
Reportable segment gross profit	31,111	12,057	40,034	83,202

Geographical information

(a) Revenue from external customers

	2020 RMB'000	2019 RMB'000
Mainland China	**680,944**	791,888
Hong Kong	**9,773**	–
	690,717	791,888

(b) Non-current assets

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

Information about a major customer

Revenue of approximately RMB215,131,000 (2019: RMB319,643,000) 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:

	2020 RMB'000	2019 RMB'000
Revenue from contracts with customers	690,717	791,888

Revenue from contracts with customers

(a) Disaggregated revenue information

For the year ended 31 December 2020

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				
IT infrastructure services	338,362	–	–	338,362
IT implementation and supporting services	–	150,339	–	150,339
Cloud services	–	–	202,016	202,016
Total revenue from contracts with customers	338,362	150,339	202,016	690,717
Geographical markets				
Mainland China	328,589	150,339	202,016	680,944
Hong Kong	9,773	–	–	9,773
Total revenue from contracts with customers	338,362	150,339	202,016	690,717
Timing of revenue recognition				
Services transferred over time	–	34,193	89,523	123,716
Services transferred at a point in time	338,362	116,146	112,493	567,001
Total revenue from contracts with customers	338,362	150,339	202,016	690,717

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

Revenue from contracts with customers *(Continued)*

(a) Disaggregated revenue information *(Continued)*

For the year ended 31 December 2019

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				
IT infrastructure services	401,775	–	–	401,775
IT implementation and supporting services	–	141,563	–	141,563
Cloud services	–	–	248,550	248,550
Total revenue from contracts with customers	401,775	141,563	248,550	791,888
Geographical market				
Mainland China	401,775	141,563	248,550	791,888
Timing of revenue recognition				
Services transferred over time	–	48,416	109,704	158,120
Services transferred at a point in time	401,775	93,147	138,846	633,768
Total revenue from contracts with customers	401,775	141,563	248,550	791,888

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:

	2020 RMB'000	2019 RMB'000
Revenue recognised that was included in the contract liabilities at the beginning of the reporting period:		
IT infrastructure services	**2,039**	2,967
IT implementation and supporting services	**1,693**	1,076
Cloud services	**1,525**	625
	5,257	4,668

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

Revenue from contracts with customers *(Continued)*

(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 such services.

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

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.

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

Revenue from contracts with customers *(Continued)*

(b) Performance obligations (Continued)

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:

	2020 RMB'000	2019 RMB'000
Amounts expected to be recognised as revenue:		
Within one year	**41,848**	145,753
More than one year	**210,745**	68,325
	252,593	214,078

The remaining performance obligations expected to be recognised in more than one year relate to IT infrastructure services, IT implementation and supporting services and cloud services that are to be satisfied within four years. All the other remaining performance obligations are expected to be recognised within one year.

	2020 RMB'000	2019 RMB'000
Other income		
Bank interest income	**327**	186
Government grants – related to income*	**5,247**	2,031
	5,574	2,217
Gains		
Foreign exchange gains, net	**1,072**	1,088
Gain on financial assets at fair value through profit or loss	**45**	556
Gain on disposal of items of property, plant and equipment	**–**	15
Others	**38**	10
	1,155	1,669
	6,729	3,886

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

6. PROFIT BEFORE TAX

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

	Notes	2020 RMB'000	2019 RMB'000
Cost of inventories sold		**414,268**	590,512
Cost of services provided		**205,145**	118,174
Depreciation of property, plant and equipment	13	**559**	495
Depreciation of right-of-use assets	14	**3,589**	3,327
Amortisation of other intangible assets	16	**92**	–
Auditor's remuneration		**1,226**	94
Rental expenses from short-term leases		**154**	53
Listing expense		**7,675**	8,816
Research and development expenses		**19,778**	19,279
Employee benefit expense (including Directors' remuneration (note 8)):			
Wages and salaries		**30,951**	22,952
Pension scheme contributions (defined contribution scheme)		**402**	2,290
		31,353	25,242
Foreign exchange differences, net*	5	**(1,072)**	(1,088)
Recognition of impairment losses on trade and bills receivables	19	**268**	361
(Reversal)/recognition of impairment losses on contract assets	21	**(80)**	59
Gain on financial assets at fair value through profit or loss*	5	**(45)**	(556)
Share of losses of an associate	17	**467**	72

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

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2020 RMB'000	2019 RMB'000
Interest on bank loans	**147**	1,993
Interest on lease liabilities	**259**	330
	406	2,323

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:

	2020 RMB'000	2019 RMB'000
Fees	914	–
Other emoluments:		
Salaries, allowances and benefits in kind	1,629	1,227
Pension scheme contributions	16	148
Total	2,559	1,375

(a) Independent non-executive directors

The fees paid to independent non-executive directors in respect of their services as directors of the Company during the year were as follows:

	2020 RMB'000	2019 RMB'000
Mr. Yu Kwok Leung	68	–
Mr. Ho Ka Chun	68	–
Mr. Liang Chi	68	–
	204	–

There were no other emoluments payable to the independent non-executive directors during the year (2019: Nil).

8. DIRECTORS' REMUNERATION *(Continued)*

(b) Executive directors

2020	Fees* RMB'000	Salaries, allowances, and benefits in kind^ RMB'000	Pension scheme contributions^ RMB'000	Total remuneration RMB'000
Ms. Ding Xinyun	203	36	1	240
Ms. Li Yi	169	447	5	621
Mr. Ling Yunzhi	169	531	5	705
Ms. Peng Dongping	169	615	5	789
	710	1,629	16	2,355

2019	Fees* RMB'000	Salaries, allowances, and benefits in kind^ RMB'000	Pension scheme contributions^ RMB'000	Total remuneration RMB'000
Ms. Ding Xinyun	–	36	5	41
Ms. Li Yi	–	234	29	263
Mr. Ling Yunzhi	–	307	34	341
Ms. Peng Dongping	–	650	80	730
	–	1,227	148	1,375

* Fees were payable or receivable in respect of the person's services as a director of the Company.

^ Salaries, allowances and benefits in kind and pension scheme contributions were payable or receivable in respect of the person's services in connection with the management of the affairs of the Group.

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 two directors (2019: one director), details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining three (2019: four) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2020	2019
	RMB'000	RMB'000
Salaries, allowances and benefits in kind	**2,667**	1,824
Pension scheme contributions	**14**	228
	2,681	2,052

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

	Number of employees	
	2020	2019
Nil to HK$1,000,000	**2**	4
HK$1,000,001 to HK$1,500,000	**1**	–
	3	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 EXPENSES

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% (2019: 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 (2019: HK$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (2019: 8.25%) and the remaining assessable profits are taxed at 16.5% (2019: 16.5%).

10. INCOME TAX EXPENSES *(Continued)*

Pursuant to the PRC Income Tax Law and the respective regulations, subsidiaries of the Group operating in Mainland China are subject to Corporate Income Tax at a rate of 25% (2019: 25%) on the taxable income. Preferential tax treatment is available to the Group's operating subsidiaries, Eden Information, Dongguan Eden, Shenzhen Yundeng and Shenzhen Heweiteng, since Eden Information was recognised as a High Technology Enterprise and was entitled to a preferential tax rate of 15% (2019: 15%), and Dongguan Eden, Shenzhen Yundeng and Shenzhen Heweiteng were recognised as Micro and Small Companies and were entitled to a preferential tax rate of 10% (2019: 10%). Under the 2020 tax regime of Micro and Small Company, Dongguan Eden, Shenzhen Yundeng and Shenzhen Heweiteng are entitled to a preferential tax rate of 5% (2019: 5%) for the first RMB1,000,000 of assessable profits and the remaining assessable profits below RMB3,000,000 are taxed at 10% (2019: 10%).

	2020 **RMB'000**	2019 RMB'000
Current – PRC		
– charge for the year	**3,063**	4,396
Current – Hong Kong		
– charge for the year	**292**	57
Deferred (note 27)	**(114)**	(127)
Total tax charge for the year	**3,241**	4,326

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

	2020		2019	
	RMB'000	**%**	RMB'000	%
Profit before tax	**19,266**		28,874	
Tax at the statutory tax rate	**6,785**	**35.2**	8,692	30.1
Entities subject to lower statutory income tax rates	**(2,480)**	**(12.9)**	(3,276)	(11.3)
Losses attributable to associates	**70**	**0.4**	11	–
Additional deduction for research and development expense	**(1,221)**	**(6.3)**	(1,167)	(4.0)
Expense not deductible for tax	**25**	**0.1**	27	0.1
Tax losses utilised from previous periods	**(5)**	**–**	–	–
Tax losses not recognised	**67**	**0.3**	39	0.1
Tax charge at the Group's effective tax rate	**3,241**	**17.0**	4,326	15.0

11. DIVIDENDS

The Board did not recommend the payment of a final dividend for the year ended 31 December 2020 (2019: Nil).

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

The calculation of the basic earnings per share amounts is based on the profit for the year and attributable to the owners of the parent, and the weighted average number of ordinary shares of 1,818,306,011 (2019: 1,500,000,000 comprising 2 shares in issue and 1,499,999,998 shares to be issued under the capitalisation issue, as if these 1,500,000,000 shares were outstanding throughout the year) in issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2020 and 2019.

The calculations of basic and diluted earnings per share are based on:

	2020	2019
	RMB'000	RMB'000
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	**16,025**	24,548

	Number of shares	
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**1,818,306,011**	1,500,000,000

13. PROPERTY, PLANT AND EQUIPMENT

	Office and other equipment RMB'000	Motor vehicles RMB'000	Leasehold improvements RMB'000	Total RMB'000
31 December 2020				
At 1 January 2020:				
Cost	1,142	611	1,861	3,614
Accumulated depreciation	(801)	(302)	(1,142)	(2,245)
Net carrying amount	341	309	719	1,369
At 1 January 2020, net of accumulated depreciation	341	309	719	1,369
Additions	419	–	–	419
Depreciation provided during the year (note 6)	(96)	(58)	(405)	(559)
At 31 December 2020, net of accumulated depreciation	664	251	314	1,229
At 31 December 2020:				
Cost	1,561	611	1,861	4,033
Accumulated depreciation	(897)	(360)	(1,547)	(2,804)
Net carrying amount	664	251	314	1,229

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

	Office and other equipment RMB'000	Motor vehicles RMB'000	Leasehold improvements RMB'000	Total RMB'000
31 December 2019				
At 1 January 2019:				
Cost	907	629	997	2,533
Accumulated depreciation	(736)	(337)	(771)	(1,844)
Net carrying amount	171	292	226	689
At 1 January 2019, net of accumulated depreciation	171	292	226	689
Additions	241	104	864	1,209
Disposals	(2)	(32)	–	(34)
Depreciation provided during the year (note 6)	(69)	(55)	(371)	(495)
At 31 December 2019, net of accumulated depreciation	341	309	719	1,369
At 31 December 2019:				
Cost	1,142	611	1,861	3,614
Accumulated depreciation	(801)	(302)	(1,142)	(2,245)
Net carrying amount	341	309	719	1,369

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 1 and 3 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:

	Buildings RMB'000
As at 1 January 2019	11,181
Additions	229
Depreciation charge	(3,327)
As at 31 December 2019 and 1 January 2020	8,083
Additions	5,323
Depreciation charge	(3,589)
As at 31 December 2020	9,817

(b) Lease liabilities

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

	2020 **RMB'000**	2019 RMB'000
Carrying amount at 1 January	**5,443**	7,927
New leases	**5,323**	229
Accretion of interest recognised during the year	**259**	330
COVID-19-related rent concessions from lessors	**(974)**	–
Payments	**(2,722)**	(3,043)
Carrying amount at 31 December	**7,329**	5,443
Analysed into:		
Current portion	**3,944**	3,213
Non-current portion	**3,385**	2,230

The maturity analysis of lease liabilities is disclosed in note 36 to the financial statements.

14. LEASES *(Continued)*

The Group as a lessee *(Continued)*

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

	2020	2019
	RMB'000	RMB'000
Interest on lease liabilities	**259**	330
Depreciation charge of right-of-use assets	**3,589**	3,327
Expense relating to short-term leases (included in administrative expenses)	**154**	53
COVID-19-related rent concessions from lessors	**(974)**	–
Total amount recognised in profit or loss	**3,028**	3,710

(d) The total cash outflow for leases are disclosed in note 31(c) to the financial statements.

15. GOODWILL

	RMB'000
Cost at 1 January 2020, net of accumulated impairment	–
Acquisition of a subsidiary (note 30)	6,217
Impairment during the year	–
Cost and net carrying amount at 31 December 2020	6,217
At 31 December 2020	
Cost	6,217
Accumulated impairment	–
Net carrying amount	6,217

15. GOODWILL *(Continued)*

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 20.2%. The growth rate used to extrapolate the cash flows of the CGU beyond the five-year period is 3.0%.

Assumptions were used in the value-in-use calculation of the CGU for 31 December 2020. 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 2020	
Cost at 1 January 2020, net of accumulated amortisation	–
Acquisition of subsidiaries (note 30)	1,100
Amortisation provided during the year (note 6)	(92)
At 31 December 2020	1,008
At 31 December 2020:	
Cost	1,100
Accumulated amortisation	(92)
Net carrying amount	1,008

17. INVESTMENT IN AN ASSOCIATE

	2020 **RMB'000**	2019 RMB'000
Share of net assets	**661**	1,128

The associate of the Company is 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	PRC/ Mainland China	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:

	2020 **RMB'000**	2019 RMB'000
Share of the associate's loss for the year	**(467)**	(72)
Share of the associate's total comprehensive loss	**(467)**	(72)
Aggregate carrying amount of the Group's investment in the associate	**661**	1,128

18. INVENTORIES

	2020 **RMB'000**	2019 RMB'000
Commodity products	**60,393**	38,228

19. TRADE AND BILLS RECEIVABLES

	2020 RMB'000	2019 RMB'000
Trade receivables	121,746	101,615
Impairment	(1,097)	(829)
Trade receivables, net	120,649	100,786
Bills receivable	12,715	450
	133,364	101,236

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 2019 and 2020, certain of the Group's interest-bearing bank borrowings were secured by the Group's trade and bills receivables with carrying values of RMB55,000 and RMB2,000, respectively. Trade and bills receivables are non-interest-bearing, and the carrying amounts of the trade and bills receivables approximate to their fair values.

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

	2020 RMB'000	2019 RMB'000
Within 30 days	93,741	67,116
31 to 60 days	6,380	24,913
61 to 90 days	2,619	5,605
Over 90 days	19,006	3,981
	121,746	101,615

19. TRADE AND BILLS RECEIVABLES *(Continued)*

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

	2020 **RMB'000**	2019 RMB'000
At beginning of year	**829**	468
Impairment losses	**268**	361
At end of year	**1,097**	829

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses (ECLs). The provision rates are based on the invoice date for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). 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 2020				
Expected credit loss rate	**0.76%**	**1.36%**	**2.75%**	**0.90%**
Gross carrying amount (RMB'000)	**105,697**	**10,630**	**5,419**	**121,746**
Expected credit losses (RMB'000)	**804**	**144**	**149**	**1,097**
As at 31 December 2019				
Expected credit loss rate	0.69%	1.25%	0.83%	0.82%
Gross carrying amount (RMB'000)	100,111	1,357	147	101,615
Expected credit losses (RMB'000)	691	17	121	829

20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2020 RMB'000	2019 RMB'000
Prepayments	**4,837**	1,919
Deposits and other receivables	**5,787**	6,421
	10,624	8,340

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 2020 and 2019, the loss allowance was assessed to be minimal.

21. CONTRACT ASSETS

	2020 RMB'000	2019 RMB'000
Contract assets arising from		
IT implementation and supporting services	**3,269**	14,712
Impairment	**(23)**	(103)
	3,246	14,609

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 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 decrease in contract assets in 2020 and 2019 was the result of the decrease 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:

	2020 RMB'000	2019 RMB'000
Within one year	**3,246**	14,609

21. CONTRACT ASSETS *(Continued)*

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

	2020 **RMB'000**	2019 RMB'000
At beginning of year	**103**	44
Impairment losses, net	**(80)**	59
At end of year	**23**	103

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. The provision rates of contract assets are based on invoice ageing of trade receivables for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). 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.

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

	2020 **RMB'000**	2019 RMB'000
Expected credit loss rate	**0.70%**	0.69%
Gross carrying amount (RMB'000)	**3,269**	14,712
Expected credit losses (RMB'000)	**23**	103

22. CASH AND CASH EQUIVALENTS, AND PLEDGED DEPOSITS AND RESTRICTED BANK DEPOSITS

	2020 RMB'000	2019 RMB'000
Cash and bank balances	**112,384**	33,268
Time deposits	**28,618**	–
Less: Pledged deposits and restricted bank deposits:		
Non-pledged time deposits with original maturity of over three months	**(20,187)**	–
Pledged for letters of guarantee	**(15,500)**	(9,324)
Pledged for factoring loans	**(2)**	(52)
Cash and cash equivalents	**105,313**	23,892

Cash and cash equivalents denominated in:

	2020 RMB'000	2019 RMB'000
RMB	**49,499**	19,354
USD	**16,197**	1,276
HKD	**39,585**	3,262
EUR	**32**	–
Cash and cash equivalents	**105,313**	23,892

The RMB is not freely convertible into other currencies. However, under Mainland China'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.

Pledged deposits represent balances pledged to banks for the Group's factoring loans and letters of guarantee.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances and pledged deposits and restricted bank deposits are deposited with creditworthy banks with no recent history of default.

As at 31 December 2019 and 31 December 2020, cash and cash equivalents of the Group and the Company 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.

23. TRADE PAYABLES

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

	2020 RMB'000	2019 RMB'000
Within 30 days	**130,809**	80,084
31 to 60 days	**7,336**	1,279
61 to 90 days	**87**	–
Over 90 days	**3,003**	1,034
	141,235	82,397

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.

24. OTHER PAYABLES AND ACCRUALS

	2020 RMB'000	2019 RMB'000
Salary and welfare payables	**4,280**	3,589
Other payables and accruals	**6,915**	3,919
Accrued interest	**7**	7
	11,202	7,515

The other payables and accruals are non-interest-bearing and are repayable within one year.

25. CONTRACT LIABILITIES

	2020 RMB'000	2019 RMB'000
Short-term advances received from customers		
IT infrastructure services	**2,558**	2,039
IT implementation and supporting services	**7,050**	1,693
Cloud services	**2,330**	1,525
	11,938	5,257

Contract liabilities include short-term advances received to deliver IT products and render services. The increase in contract liabilities during the year ended 31 December 2020 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.

26. INTEREST-BEARING BANK BORROWINGS

	2020			2019		
	Contractual interest rate (%)	**Maturity**	**RMB'000**	Contractual interest rate (%)	Maturity	RMB'000
Current						
Bank loans – secured	**LPR+1.805%**	**2021**	**2**	LPR+1.505%	2020	52
Bank loans – secured	**–**	**–**	**–**	6.612%	2020	5,600
			2			5,652

	2020 RMB'000	2019 RMB'000
Analysed into:		
Bank loans:		
Within one year	**2**	5,652

Note: "LPR" stands for the loan base rates announced by the National Interbank Lending Centre (全國銀行間同業拆借中心) of the PRC.

All interest-bearing bank borrowings are repayable within one year and are denominated in RMB.

The Group's interest-bearing banking borrowings amounting to RMB2,000 (2019: RMB52,000) were secured by trade and bills receivables of the Group amounting to RMB2,000 (2019: RMB55,000) as at 31 December 2020 (Note 19).

The Group's interest-bearing banking borrowings amounting to RMB2,000 (2019: RMB52,000) were secured by pledged deposits of the Group amounting to RMB2,000 (2019: RMB52,000) as at 31 December 2020 (Note 22).

The Group's banking facilities amounting to RMB60,000,000 and RMB100,000,000 as 31 December 2019 and 2020 were guaranteed Ms. Ding Xinyun, the Controlling Shareholder of the Group, of which RMB45,000,000 and RMB55,000,000 have been utilised for letter of guarantee.

In 2019, the Group's bank borrowings amounting to RMB5,600,000 were guaranteed by Ms. Ding Xinyun and an independent third-party financing company.

27. 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
At 1 January 2019	–
Deferred tax charged to the statement of profit or loss during the year (note 10)	–
Gross deferred tax liabilities at 31 December 2019 and 1 January 2020	–
Acquisition of a subsidiary (note 30)	275
Deferred tax credited to the statement of profit or loss during the year (note 10)	(23)
At 31 December 2020	252

Deferred tax assets

	Impairment of financial and contract assets RMB'000	**Leases** RMB'000	**Total** RMB'000
At 1 January 2019	77	35	112
Deferred tax credited to the statement of profit or loss during the year (note 10)	63	64	127
Gross deferred tax assets at 31 December 2019 and 1 January 2020	140	99	239
Deferred tax credited to the statement of profit or loss during the year (note 10)	27	64	91
At 31 December 2020	167	163	330

27. DEFERRED TAX *(Continued)*

Deferred tax assets *(Continued)*

The Group has tax losses arising in Mainland China of RMB1,423,000 (2019: RMB787,000), 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 nil (2019: Nil) 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.

Deferred tax assets have not been recognised in respect of the following item:

	2020 **RMB'000**	2019 RMB'000
Tax losses	**1,423**	787

The tax losses are available in five years and indefinitely for offsetting against future taxable profits arising from Mainland China and Hong Kong, respectively. Deferred tax assets have not been recognised in respect of the above item as it is not considered probable that taxable profits will be available against which the above item can be utilised.

28. SHARE CAPITAL

	2020 **RMB'000**	2019 RMB'000
Issued and fully paid:		
2,000,000,000 (2019: 2) ordinary shares	**18,289**	–

28. SHARE CAPITAL *(Continued)*

A summary of movements in the Company's share capital is as follows:

	Notes	Number of ordinary shares of HK$0.01	Nominal value of ordinary shares HK$
Issued:			
At 4 September 2018	(a)	1	0.01
Issue of share	(c)	1	0.01
At 31 December 2018		2	0.02
At 31 December 2019		2	0.02
Capitalisation Issue	(e)	1,499,999,998	14,999,999.98
Issuance of ordinary shares upon listing	(f)	500,000,000	5,000,000.00
At 31 December 2020		2,000,000,000	20,000,000.00

Notes:

(a) Pursuant to an ordinary resolution passed at the shareholders' meeting held on 4 September 2018, Reid Services Limited, an independent third party, transferred the 1 fully-paid share of the Company to Pacific Ridge Enterprises Limited, an entity controlled by the Controlling Shareholder.

(b) Pursuant to an ordinary resolution passed at the shareholders' meeting held on 21 November 2018, Pacific Ridge Enterprises Limited transferred the 1 fully-paid share of the Company to Green Leaf Development Limited ("Green Leaf"), an entity controlled by the Controlling Shareholder.

(c) Pursuant to an ordinary resolution passed at the shareholders' meeting held on 24 December 2018, 1 ordinary share of HK$0.01 was allotted and issued to Green Leaf.

(d) Pursuant to an ordinary resolution passed at the shareholders' meeting held on 24 January 2019, Green Leaf transferred the 2 fully-paid shares of the Company to Aztec Pearl Limited, an entity controlled by the Controlling Shareholder.

(e) Pursuant to the written resolutions passed on 14 April 2020, an aggregate of 1,499,999,998 shares of HK$0.01 each of the Company were allotted and issued, by way of capitalisation of the sum of HK$14,999,999.98 from the share premium account of the Company ("Capitalisation Issue"). Such allotment and capitalisation were conditional on the share premium account being credited as a result of the issue of new shares to the public in connection with the Company's IPO as described in (f) below.

(f) On 13 May 2020, in connection with the Company's IPO, 500,000,000 new ordinary shares of the Company of HK$0.01 each were issued at a price of HK$0.25 per share.

29. 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 11 to 12 of the financial statements.

(ii) In accordance with PRC Company Law, the PRC subsidiary of the Group is required to allocate 10% of its profit after tax to the statutory surplus reserve (the "SSR") until such reserve reaches 50% of the registered capital of the PRC subsidiary. Subject to certain restrictions set out in the PRC Company Law, part of the SSR may be converted to increase the paid-up capital/issued capital of the PRC subsidiary, provided that the remaining balance after the capitalisation is not less than 25% of the registered capital. The SSR of the PRC subsidiary attributable to the parent amounted to RMB12,157,000 and RMB9,746,000 as at 31 December 2020 and 2019, respectively.

30. BUSINESS COMBINATION

On 7 August 2020, the Group acquired 100% interest in Shenzhen Heweiteng from two independent third parties. Shenzhen Heweiteng is engaged in the provision of IT implementation and supporting services and cloud services. The acquisition was made as part of the Group's strategy to expand its market share of IT implementation and supporting services and cloud services. The purchase consideration for the acquisition was RMB7,500,000, which had been fully paid in the form of cash.

The fair values of the identifiable assets and liabilities of Shenzhen Heweiteng as at the date of acquisition were as follows:

	Notes	**Fair value recognised on acquisition** RMB'000
Other intangible assets	16	1,100
Cash and bank balances		17
Prepayments and other receivables		547
Other payables and accruals		(106)
Deferred tax liabilities		(275)
Total identifiable net assets at fair value		1,283
Goodwill on acquisition	15	6,217
Satisfied by cash		7,500

30. BUSINESS COMBINATION *(Continued)*

As part of the purchase agreement, contingent consideration is receivable by the Group, if the aggregate net profit after deducting non-recurring items of Shenzhen Heweiteng from 7 August 2020 to 31 December 2021 is less than RMB1,000,000. Management assessed Shenzhen Heweiteng's historical performance and future development plan and the initial amount of the contingent consideration recognised was nil. The consideration is due for final measurement and payment from the former shareholders on 31 December 2021. At the date of approval of these financial statements, no further significant changes to the consideration are expected.

An analysis of the cash flows in respect of the acquisition of the subsidiary is as follows:

	RMB'000
Cash consideration	(7,500)
Cash and bank balances acquired	17
Net outflow of cash and cash equivalents included in cash flows from investing activities	(7,483)

Since the acquisition, Shenzhen Heweiteng contributed RMB397,000 to the Group's revenue and RMB96,000 to the consolidated profit for the year ended 31 December 2020.

Had the combination taken place at the beginning of the year, the revenue of the Group and the profit of the Group for the year would have been RMB697,876,000 and RMB16,078,000, respectively.

31. 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 RMB5,323,000 (2019: RMB229,000) and RMB5,323,000 (2019: RMB229,000), respectively, in respect of lease arrangements for buildings used in its operations.

31. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

(b) Changes in liabilities arising from financing activities

2020

	Bank borrowings RMB'000	Lease liabilities RMB'000
At 1 January 2020	5,652	5,443
Proceeds from loans and borrowings	15,013	–
Additions to lease liabilities	–	5,323
Accretion of interest expenses (note 7)	147	259
Repayment of interest expenses	(147)	(259)
Repayment of loans and borrowings	(20,663)	–
Principal elements of lease payments	–	(2,463)
COVID-19-related rent concessions from lessors	–	(974)
At 31 December 2020	2	7,329

2019

	Bank borrowings RMB'000	Lease liabilities RMB'000
At 1 January 2019	5,951	7,927
Proceeds from loans and borrowings	105,433	–
Additions to lease liabilities	–	229
Accretion of interest expenses (note 7)	1,993	330
Repayment of interest expenses	(1,993)	(330)
Repayment of loans and borrowings	(105,732)	–
Principal elements of lease payments	–	(2,713)
At 31 December 2019	5,652	5,443

31. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

(c) Total cash outflow for leases

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

	2020 RMB'000	2019 RMB'000
Within operating activities	154	53
Within financing activities	2,463	2,713
	2,617	2,766

32. 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 22 and 26 to the financial statements.

33. RELATED PARTY TRANSACTIONS

(1) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the year:

	2020 RMB'000	2019 RMB'000
An associate:		
Sales of products*	1,214	708

(2) Other transactions with a related party:

	2020 RMB'000	2019 RMB'000
Banking facilities and borrowings guaranteed by:		
Ms. Ding Xinyun**	100,000	60,000

33. RELATED PARTY TRANSACTIONS *(Continued)*

(3) Balances with a related party

	2020 RMB'000	2019 RMB'000
Due from an associate:		
Fuzhou Donghu***	**200**	750

(4) Compensation of key management personnel of the Group, including Directors' remuneration as detailed in note 8 above:

	2020 RMB'000	2019 RMB'000
Salaries, allowances and benefits in kind	**2,879**	2,059
Pension scheme contributions	**21**	262
	2,900	2,321

* The sales to the associate was made according to the published prices and conditions offered to the major customers of the Group, with a credit term of 30 days.

** The Controlling Shareholder of the Company.

*** Included in "Trade and bills receivables" in the consolidated statement of financial position, which are repayable on credit terms similar to those offered to the major customers of the Group.

34. 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:

31 December 2020

Financial assets

	Financial assets at amortised cost RMB'000	Total RMB'000
Trade and bills receivables	133,364	133,364
Financial assets included in prepayments, deposits and other receivables	5,787	5,787
Pledged deposits and restricted bank deposits	35,689	35,689
Cash and cash equivalents	105,313	105,313
	280,153	280,153

Financial liabilities

	Financial liabilities at amortised cost RMB'000	Total RMB'000
Trade payables	141,235	141,235
Financial liabilities included in other payables and accruals	2,602	2,602
Interest-bearing bank borrowings	2	2
Lease liabilities	7,329	7,329
	151,168	151,168

34. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

31 December 2019

Financial assets

	Financial assets at amortised cost RMB'000	Total RMB'000
Trade and bills receivables	101,236	101,236
Financial assets included in prepayments, deposits and other receivables	6,421	6,421
Pledged deposits and restricted bank deposits	9,376	9,376
Cash and cash equivalents	23,892	23,892
	140,925	140,925

Financial liabilities

	Financial liabilities at amortised cost RMB'000	Total RMB'000
Trade payables	82,397	82,397
Financial liabilities included in other payables and accruals	2,870	2,870
Interest-bearing bank borrowings	5,652	5,652
Lease liabilities	5,443	5,443
	96,362	96,362

35. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

At 31 December 2020 and 2019, 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, pledged deposits and restricted bank deposits, trade and bills receivables, financial assets included in prepayments, deposits and other receivables, trade payables, financial liabilities included in other payables and accruals, lease liabilities 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.

Fair value hierarchy

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

Liabilities for which fair values are disclosed:

As at 31 December 2020

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	**Significant observable inputs (Level 2) RMB'000**	**Significant unobservable inputs (Level 3) RMB'000**	**Total RMB'000**
Interest-bearing bank borrowings	**–**	**2**	**–**	**2**

As at 31 December 2019

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Interest-bearing bank borrowings	–	5,652	–	5,652

36. 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 interest rate risk, 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.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's short-term debt obligations with floating interest rates. The contractual interest rates and terms of repayment of the interest-bearing bank borrowings of the Group are set out in note 26 above.

The following table demonstrates the sensitivity to a reasonably possible change in the LPR base rate, with all other variables held constant, of the Group's profit before tax (through the impact of floating rate borrowings) and the Group's equity during the year.

	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax RMB'000	Increase/ (decrease) in equity** RMB'000
As at 31 December 2020			
LPR base rate	**25**	**–***	**–***
LPR base rate	**(25)**	**–***	**–***
As at 31 December 2019			
LPR base rate	25	–*	–*
LPR base rate	(25)	–*	–*

* The amount is less than RMB500.

** Excluding retained profits.

36. 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 77% and 78% of costs were denominated in the units' functional currencies for the years ended 31 December 2020 and 2019, respectively.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the USD, HKD, EUR and GBP exchange rate, 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 2020			
If RMB strengthens against HKD	**5**	**(2,810)**	**(2,389)**
If RMB weakens against HKD	**(5)**	**2,810**	**2,389**
If RMB strengthens against USD	**5**	**(719)**	**(611)**
If RMB weakens against USD	**(5)**	**719**	**611**
If RMB strengthens against EUR	**5**	**22**	**19**
If RMB weakens against EUR	**(5)**	**(22)**	**(19)**
If RMB strengthens against GBP	**5**	**1**	**1**
If RMB weakens against GBP	**(5)**	**(1)**	**(1)**
As at 31 December 2019			
If RMB strengthens against USD	5	360	306
If RMB weakens against USD	(5)	(360)	(306)
If RMB strengthens against HKD	5	(163)	(163)
If RMB weakens against HKD	(5)	163	163

* Excluding retained profits.

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 and the Group's exposure to bad debts is not significant.

36. 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 2020

	12-month ECLs Stage 1 RMB'000	Lifetime ECLs Simplified approach RMB'000	Total RMB'000
Trade receivables*	–	121,746	121,746
Bills receivables	12,715	–	12,715
Contract assets*	–	3,269	3,269
Financial assets included in prepayments, deposits and other receivables	5,787	–	5,787
Pledged deposits and restricted bank deposits	35,689	–	35,689
Cash and cash equivalents	105,313	–	105,313
	159,504	125,015	284,519

31 December 2019

	12-month ECLs Stage 1 RMB'000	Lifetime ECLs Simplified approach RMB'000	Total RMB'000
Trade receivables*	–	101,615	101,615
Bills receivables	450	–	450
Contract assets*	–	14,712	14,712
Financial assets included in prepayments, deposits and other receivables	6,421	–	6,421
Pledged deposits and restricted bank deposits	9,376	–	9,376
Cash and cash equivalents	23,892	–	23,892
	40,139	116,327	156,466

* 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.

36. 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 2020 and 2019, based on the contractual undiscounted payments, was as follows:

	As at 31 December 2020			
	On demand RMB'000	Less than 1 year RMB'000	2 to 5 years RMB'000	Total RMB'000
Trade payables	–	141,235	–	141,235
Financial liabilities included in other payables and accruals	–	2,602	–	2,602
Interest-bearing bank borrowings	–	2	–	2
Lease liabilities	–	4,049	3,688	7,737
	–	147,888	3,688	151,576

	As at 31 December 2019			
	On demand RMB'000	Less than 1 year RMB'000	2 to 5 years RMB'000	Total RMB'000
Trade payables	–	82,397	–	82,397
Financial liabilities included in other payables and accruals	–	2,870	–	2,870
Interest-bearing bank borrowings	–	5,672	–	5,672
Lease liabilities	–	3,287	2,395	5,682
	–	94,226	2,395	96,621

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

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 2020 and 2019.

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 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:

	2020	2019
	RMB'000	RMB'000
Interest-bearing bank borrowings	**2**	5,652
Lease liabilities	**7,329**	5,443
Trade payables	**141,235**	82,397
Financial liabilities included in other payables and accruals	**2,602**	2,870
Less: Cash and cash equivalents	**(105,313)**	(23,892)
Net debt	**45,855**	72,470
Equity attributable to owners of the parent	**190,896**	96,261
Capital and net debt	**236,751**	168,731
Gearing ratio	**19%**	43%

37. EVENTS AFTER THE REPORTING PERIOD

There were no material subsequent events after 31 December 2020 and up to the date of approval of these financial statements.

38. 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	2020 RMB'000	2019 RMB'000
NON-CURRENT ASSETS			
Investment in a subsidiary		**9,485**	–*
Total non-current assets		**9,485**	–*
CURRENT ASSETS			
Prepayments, deposits and other receivables		**8,775**	3,261
Restricted bank deposits		**16,832**	–
Cash and cash equivalents		**41,445**	3,177
Total current assets		**67,052**	6,438
CURRENT LIABILITIES			
Other payables and accruals		**2,689**	1,465
Total current liabilities		**2,689**	1,465
NET CURRENT ASSETS		**64,363**	4,973
Net assets		**73,848**	4,973
EQUITY			
Equity attributable to owners of the parent			
Share capital	28	**18,289**	–*
Reserves		**55,559**	4,973
Total equity		**73,848**	4,973

* The amount is less than RMB500.

38. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

Note:

A summary of the Company's reserves is as follows:

	Share capital RMB'000	Share premium reserve RMB'000	Exchange fluctuation reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
Balance at 1 January 2019	–*	7,105	(226)	(3,579)	3,300
Loss for the year	–	–	–	(6,341)	(6,341)
Other comprehensive income for the year:					
Exchange differences on currency translation	–	–	313	–	313
Total comprehensive income/(loss) for the year	–	–	313	(6,341)	(6,028)
Issue of shares of the Company	–	7,701	–	–	7,701
At 31 December 2019 and 1 January 2020	–*	14,806	87	(9,920)	4,973
Loss for the year	–	–	–	(9,333)	(9,333)
Other comprehensive loss for the year:					
Exchange differences on currency translation	–	–	(6,548)	–	(6,548)
Total comprehensive loss for the year	–	–	(6,548)	(9,333)	(15,881)
Issue of shares for the IPO	18,289	96,016	–	–	114,305
Share issue expenses	–	(29,549)	–	–	(29,549)
At 31 December 2020	18,289	81,273	(6,461)	(19,253)	73,848

* The amount is less than RMB500.

39. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 23 March 2021.

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				
	2020	2019	2018	2017	2016
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**690,717**	791,888	612,092	468,439	327,293
Profit before tax	**19,266**	28,874	31,655	26,005	13,797
Income tax expense	**(3,241)**	(4,326)	(4,525)	(3,732)	(1,786)
Profit for the year	**16,025**	24,548	27,130	22,273	12,011

	Assets and liabilities of the Group as at 31 December				
	2020	2019	2018	2017	2016
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets	**19,262**	10,819	13,482	9,238	9,922
Current assets	**348,629**	195,681	175,650	127,467	173,696
Total assets	**367,891**	206,500	189,132	136,705	183,618
Current liabilities	**173,358**	108,009	118,918	90,523	152,489
Non-current liabilities	**3,637**	2,230	5,056	1,973	3,119
Net assets	**190,896**	96,261	65,158	44,209	28,010