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)

2021

ANNUAL REPORT

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Ms. Ding Xinyun *(Chairman & Chief Executive Officer)*
Ms. Li Yi
Mr. Ling Yunzhi
(resigned on 30 September 2021)
Ms. Peng Dongping
(resigned on 30 September 2021)

Independent Non-Executive Directors

Mr. Liang Chi
Mr. Leung Chu Tung
(appointed on 14 May 2021)
Ms. Zhu Weili
(appointed on 20 May 2021)
Ms. Zhang Shuo
(appointed on 25 June 2021)
Mr. Ho Ka Chun
(resigned on 14 May 2021)
Mr. Yu Kwok Leung
(resigned on 20 May 2021)

COMPANY SECRETARY

Ms. Mok Ming Wai
(appointed on 26 April 2021)
Mr. Tsoi Ka Shing
(resigned on 19 April 2021)

AUDIT COMMITTEE

Mr. Leung Chu Tung *(Chairman)*
(appointed on 14 May 2021)
Mr. Liang Chi
Ms. Zhu Weili
(appointed on 20 May 2021)
Mr. Ho Ka Chun
(resigned on 14 May 2021)
Mr. Yu Kwok Leung
(resigned on 20 May 2021)

REMUNERATION COMMITTEE

Ms. Zhu Weili *(Chairman)*
(appointed on 20 May 2021)
Mr. Liang Chi
Mr. Leung Chu Tung
(appointed on 14 May 2021)
Mr. Ho Ka Chun
(resigned on 14 May 2021)
Mr. Yu Kwok Leung
(resigned on 20 May 2021)

NOMINATION COMMITTEE

Mr. Liang Chi *(Chairman)*
Mr. Leung Chu Tung
(appointed on 14 May 2021)
Ms. Zhu Weili
(appointed on 20 May 2021)
Mr. Ho Ka Chun
(resigned on 14 May 2021)
Mr. Yu Kwok Leung
(resigned on 20 May 2021)

AUTHORISED REPRESENTATIVES

Ms. Li Yi
Ms. Mok Ming Wai
(appointed on 26 April 2021)
Mr. Tsoi Ka Shing
(resigned on 19 April 2021)
Mr. Peng Dongping
(appointed on 21 April 2021 and resigned on 26 April 2021)

REGISTERED OFFICE

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CORPORATE INFORMATION

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Hong Kong

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Hong Kong

COMPLIANCE ADVISER
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CHAIRMAN'S STATEMENT

Dear shareholders,

On behalf of the board (the "**Board**") of directors (the "**Director(s)**") of Edensoft Holdings Limited (the "**Company**") and its subsidiaries (together, the "**Group**"), I hereby presents the annual report of the Group for the year ended 31 December 2021 (the "**Year**") to the shareholders (the "**Shareholder(s)**").

Adhering to the core subject of "New Eden, New Dreams* (新伊登、新夢想)" proposed in the Year, the Group, on the one hand, recruited several senior professional managers and other professionals for the management and development of the Group; on the other hand, the Group successfully completed the first and foremost round of planning, deployment and implementation of its strategies in its history, namely Eden Management Strategy 2.0* (伊登2.0管理戰略).

Through the upgrade and enhancement of its strategy as abovementioned, the Group has fully taken advantage of its existing strengths to lay a solid foundation for its rapid development in the new era under the Eden Management Strategy 2.0. Deeply rooted in the steady development of the Group's existing business and markets, all the independent business units or segments have been going through diversified and rapid development based on their respective characteristics empowered by platforms. Meanwhile, with the aim of becoming one of the major independent third-party Managerial Cloud Services Providers ("**MCSP**") in China, the Group has been focusing on strengthening its provision of cloud services and expanding its corresponding business extension in the markets.

In 2021, the Group withstood the challenges brought by impacts of the US-China trade disputes and the novel coronavirus ("**COVID-19**") pandemic together with its customers. Despite the occasional outbreaks of COVID-19 in various cities in China under the background that the COVID-19 outbreak has been under control in general in China and the accompanied complex market conditions in the industries where the Group operates, the Group has been continuously making efforts to enhance its competitiveness and increase its market share in the corresponding industries by strictly adhering to national policies and guidance for such industries in China and closely catching up with the abreast of the markets and the corresponding technological innovations and developments. The Directors believe that it will be benefited from its positive strength accumulation, expansion of business in nationwide in China and in its key local markets, penetration of business in the key industries and enhancement of its internal efforts for business development, all of which, in turn, contribute to the accumulation of the strengths for take-off of business of the Group in the future.

In consideration of the current background of complicated and volatile international economic environment, the Group has implemented its own "dual-cycle* (雙循環)" strategy, which constitutes one of the components of the Eden Management Strategy 2.0, for the development of IT infrastructure services. On the one hand, the Group has been continuously strengthening its business cooperation with internationally renowned information technology ("**IT**") products vendors and expanding its customer base in the target local markets to achieve its steady development and penetration of business in such markets from the perspectives of regionalization and industrialization; on the other hand, the Group has intensified the strategic cooperation with domestic software vendors and enhanced the business expansion in innovation of IT application field.

In terms of the development of IT implementation and supporting services, in line with the subdivision of industry-based and discipline-based self-developed business application solutions, the Group has made initial breakthroughs in the application of Customer Relationship Management ("**CRM**") system, especially in education, retail and high-tech manufacturing industries. Moreover, while considering the progress of intellectual property precipitation, the Group has also enhanced its services provision capabilities and is able to provide solutions of the enterprise-data-assets-centered big data platform and the data-lake-centered customer data platform to its customers, which has provided driving force for the continuous growth of these product lines.

For the business segment of cloud services, with the aim of expanding business scale and strengthen core competitiveness, the Group has established its cloud-native platform based on container orchestration technology and further established Edensoft Mall, a software-as-a-service ("**SaaS**") application platform, to provide small- and medium-sized enterprises with subscription service. Through seizing the new business opportunities of SaaS market for enterprises in China and providing these customers with an application service ordering mode based on SaaS platform, the Group aims to continuously increase the portion of revenue derived from provision of services in its total revenue and the amount of recurring revenue to enhance the soundness of its financial conditions. In response to this development strategy of cloud services, the Group's internal sales and marketing team has also adjusted the market and sales layout. Besides, the Directors believe that utilization of industrial scenario-based penetration as the starting point and combination of private deployment with SaaS platform would be beneficial for catering to the target market demand under the background of industrial scenario-based transformation in China, which, in turn, will increase the market share of the Group in the cloud services market for enterprises in China.

Except for the abovementioned, the Shanghai Branch office of the Group, which was established in line with the Group's regional expansion strategy and the development and growth of IT services industry in China, has enhanced, among other things, the Group's business cooperation with its partners, including but not limited to its customers, and cloud services promotion in Eastern China (including seven provinces and municipalities located in the eastern part of China, referring to Shanghai, Jiangsu, Zhejiang, Jiangxi, Anhui, Fujian and Shandong). By establishing the Shanghai Branch office, the Group has reduced the time and cost incurred by its staff to provide on-site services for customers located in nearby cities, thus we can provide more competitive pricing as well as timely services to such customers. Meanwhile, as the research and development ("**R&D**") centre, products delivery centre and technical personnel reserve centre of the Group, the efficiency and value of the Wuhan Branch are being increasingly demonstrated.

Looking forward to 2022, while continuously developing the existing business, through market survey by its internal team and external consulting companies, the Group intends to seek cooperation with enterprises, which may contribute to the achievement of the strategic planning and more effective cooperation with the existing business system of the Group. Besides, the Group aims to accelerate the expansion of business extension and the improvement of business growth by various approaches, such as merger and acquisition and establishment of joint stock partnership with third-party cooperation partners. The Group has the firm belief that its comprehensive strengths have been gradually demonstrated and its continuous development strategy of recruiting middle-end and high-end talents will also contribute to its brilliant future.

The overall economy environment of China and the world are still facing uncertain impacts of the US-China trade disputes and the COVID-19 pandemic. However, after fully considering and evaluating the possible systemic risk factors (as the case may be) in the Group's strategic planning as well as deploying and implementing the strategy of Eden Management Strategy 2.0, the Group is confident of providing the original reserve and continuous driving force for the predictable business growth. Meanwhile, the Group will continue to enhance its research, development and innovation, refine its products and services, improve its operating results, and create greater value for all the Shareholders.

CHAIRMAN'S STATEMENT

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, Chief Executive Officer and Executive Director

18 March 2022

* English translation name is for identification purpose only

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

The Group is an integrated IT solutions and cloud services provider in the People's Republic of China (the "**PRC**" or "**China**"). Its business portfolio includes provision of IT infrastructure services, IT implementation and supporting services and cloud services.

The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") by way of share offer on 13 May 2020 (the "**Listing Date**"). 500,000,000 ordinary shares of the Company (the "**Share(s)**") (comprising a public offer of 250,000,000 Shares to the public in Hong Kong and a placing of 250,000,000 Shares to selected professional, institutional and other investors), of an aggregate nominal value of HK$5,000,000, have been offered for subscription at an offer price of HK$0.25 per Share (the "**Listing**").

BUSINESS REVIEW

I. The Group's countermeasures for the evolution of the industry

In 2021, the Group withstood the challenges brought by impacts of the US-China trade disputes and the COVID-19 pandemic. According to the Central Economic Working Conference* (中央經濟工作會議) in December 2021, China will concentrate efforts on the supply-chain reinforcement and supplementation, technological breakthrough, digital transformation, upgrade of traditional industries and development of green and low-carbon industries in the future. As such, with acceleration of digital transformation, the Directors believe that the integration of certain new technologies with application scenarios is expected to be expedited in 2022 and applications of artificial intelligence, cloud computing and big data are expected to play an increasingly important role in the future. Meanwhile, the digitalization of production and operation process of the enterprises in China will hopefully be strengthened.

In response to the abovementioned national policies and development trend in the industry, it is made clear in the Eden Management Strategy 2.0 that cloud computing and related services and data assets related services, primarily including enterprise database construction, big data and data lake services are the strategic focuses of the Group in the future. To seize the business opportunities of digital transformation in China, the Group primarily made the following efforts to enhance its sales and marketing for the year ended 31 December 2021.

Branding and marketing

With the planning, deployment and implementation of Eden Management Strategy 2.0 in 2021, the branding and marketing of the Group has been enhanced. According to the plan of "strengthening branding and marketing to establish brand image of Eden" in the industry, the Group primarily made the following efforts:

- With the aim of establishing a green and environment-friendly brand image of the Group in the industry and in response to the trend for energy conservation and pollution reduction in China, the Group joined the "Carbon Neutral Platform on Forerunner Action* (碳中和領跑聯盟)", which was founded by more than 20 associations in the corresponding industries, including Guangdong Energy Conservation and Pollution Reduction Standardization Promotion Association* (廣東省節能減排標準化促進會) and Foshan Shunde Product Quality Association* (佛山市順德區產品質量協會), in October 2021;

- The Group participated in the "Breaking Spheres – Shenzhen Smart Office Ecology Summit* (突破圈層－深圳智慧辦公生態峰會)", which was an industrial social organization conference founded by Shenzhen Smart Office Industry Association* (深圳市智慧辦公行業協會), in December 2021 in Shenzhen. The Group shared its experience in contributing to upgrade and transformation of high-tech manufacturing industries through digitalization in this summit in order to establish its brand image as an expert in provision of industrial solutions;

- The Group participated in the High-tech Collaborative Innovation "Talent & Venture", Development Summit* (高科技協同創新「人才+創投」高峰論壇), which was a governmental summit held by Shenzhen Talent Bureau* (深圳人才工作局), Shenzhen Futian District Committee of the Communist Party of China* (中共深圳市福田區委員會) and People's Government of Futian District of Shenzhen* (深圳市福田區人民政府), with a theme of "Gathering Wisdom, Reshaping the Situation* (凝思匯智，共謀新局)", in October 2021 in Shenzhen, and the 2021 Conference IT School-Enterprise Cooperation in China* (2021中國IT產業校企合作大會), which was hosted by Shenzhen Science and Technology Innovation Committee* (深圳市科技創新委員會), the Pilot Software Engineering Schools Association* (示範性軟件學院聯盟) and China International Talent Exchange Foundation* (中國國際人才交流基金會), in April 2021 in Shenzhen. In February 2021, the Group was recognised as a Practice Base for University Students of Futian District* (福田區大學生實習基地) by the Human Resource Bureau* (人力資源局) of Futian District of Shenzhen. All the aforementioned participations and recognition have indicated that the Group attach great importance to the value of the talents in the operation and management of the Group;

- With the aim of integrating the development of itself into the regional development trend of Guangdong-Hong Kong-Macao Greater Bay Area, the Group participated in the "Digital China" 2021 Guangdong-Hong Kong-Macao Greater Bay Area Digital Development Summit* (「點亮數字中國」2021粵港澳大灣區數字化發展高峰論壇), which was held by Shenzhen Watermelon Interactive Media Co., Ltd.* (深圳市西瓜互動傳媒有限公司) and Shenzhen Federation of Industry* (深圳工業總會), in May 2021 in Shenzhen. The Group was also awarded the Top Ten Management Innovation Brands of Business Digitalisation* (企業數字化十大管理創新品牌) by this summit.

Furthermore, the Group was awarded as one of the top 100 enterprises in terms of revenue from software business in Shenzhen* (深圳市軟件業務收入百家企業) for the year of 2020 in August 2021, and was awarded as the "Anti-COVID-19 Star* (抗疫之星)" as a science and technology enterprise of Futian District of Shenzhen, in April 2021.

Strengthening the Group's services capacity and improve its products and/or services portfolio

In 2021, the Group continued to diversify its product lines and enhance its collaboration with internationally renowned IT products vendors. The Group entered into the strategic cooperative relationships with certain internationally renowned IT products vendors in 2021 and made efforts to enhance and promote the industrialization of scenarios of the target markets and related services market. For example, the Group established a relationship of strategic cooperative partner with Parasoft (Shanghai) Co., Ltd.* (倍睿軟件（上海）有限公司) in September 2021, as the only tier-1 agent in Southern China, which includes ten provinces and municipalities located in the southern part of China, referring to Hubei, Hunan, Guangdong, Guangxi, Hainan, Chongqing, Sichuan, Guizhou, Yunnan and Tibet, to penetrate into the testing fields of white goods and new energy that enjoy broad prospects in China. Meanwhile, the Group participated in standardization of industrial tests of certain domestic industrial associations in 2021 in the PRC. In response to the relevant new laws and regulations on data privacy and security promulgated in China, the Group held activities on the "Strategy to Expedite Data Protection* (加速數據保護策略)" with Veeam Software (Beijing) Co., Ltd., a global leader in back-up that delivers cloud data management, in November 2021 in Shenzhen. In January 2022, the Group also joined the "Microsoft Ignite China 2022" in Beijing as its top-level partner and has showed its professional ability to provide IT products and/or services to the Group's customers and its cooperative partners worldwide.

In consideration of China-made IT products and services are becoming increasingly popular in recent years in China, the Group accelerated its efforts on introduction of China-made software products, IT application innovation software and related services into its products and/or services portfolio. For example, it has introduced Coremail into its own product portfolio, which is one of the most widely used email systems in China, from a reputable domestic supplier. The Group is currently seeking cooperation with the supplier of a China-made operating system, which has the top level of security in China, and aims to introduce its products in its own product portfolio and further reaches strategic cooperation with its official training school by the end of 2022. In December 2021, the Group successfully held the first session of Kylin Operating System Administrator Training Course in Shenzhen, which, the Directors believe, has added new driving force to the training services of China-made software products and IT application innovation software in Shenzhen and even in the entire Southern China.

II. Business segments of the Group

With the planning, deployment and implementation of Eden Management Strategy 2.0, the Group refined and improved the structure and strategic objectives of its product lines in 2021. Based on the three business segments, namely IT infrastructure services, IT implementation and supporting services and cloud services, the Group made efforts to diversify the supporting product lines. This enabled the Group to make development plan for the business units of the supporting product lines in the corresponding business segment in accordance with their own characteristics, reduce internal constraints, if any, among them and also achieve effective market collaboration and business cooperation with its business partners. The Group's total revenue increased from approximately RMB690.7 million for the year ended 31 December 2020 to approximately RMB800.5 million for the year ended 31 December 2021, representing an increase of approximately 15.9%, among which, the Group's revenue derived from Eastern China (including seven provinces and municipalities located in the eastern part of China, referring to Shanghai, Jiangsu, Zhejiang, Jiangxi, Anhui, Fujian and Shandong) increased from approximately RMB66.6 million for the year ended 31 December 2020 to approximately RMB97.8 million for the year ended 31 December 2021, representing an increase of approximately 46.9%, which was primarily due to the increase of the Group's revenue derived from provision of cloud services in Eastern China. For the year ended 31 December 2021, the Group was principally engaged in the following business activities.

IT infrastructure services

As one of the components of the regional expansion strategy to penetrate into the local markets of Eastern China, the Group established Shanghai Branch office at the end of 2020. In order to further ensure the steady growth of its overall revenue, the Group plans to take various go-to-market approaches, including establishing Beijing Branch office to increase the business presence in the local markets of Northern China, which includes 13 provinces and municipalities located in the northern part of China, referring to Beijing, Tianjin, Hebei, Shanxi, Inner Mongolia, Liaoning, Jilin, Shaanxi, Henan, Gansu, Qinghai, Ningxia and Xinjiang, and expending industry coverage to high-technology, finance and manufacturing, etc.

Meanwhile, in order to cater to the on-going changing international political environment, enhance the provision capacity of products and services of China-made software and follow the trend of IT application innovation in China, on the one hand, the Group has continuously to expand its software products portfolio with independent intellectual property rights owned by China in relation to IT application innovation, keep pace with internationally renowned IT products vendors and provide such China-made software products as well as the Group's supporting value-added services for the enterprise customers in China. On the other hand, the Group intends to promote China-made software products in the overseas markets leveraging its expansion of overseas resources, including but not limited to its sales channels. This will enable the Group to achieve synchronized business growth of overseas and domestic products.

IT implementation and supporting services

In line with the strategy of strengthening core competitiveness and the evolution of relevant markets, the Group's structure of its business segments has been constantly optimized in 2021. The proportion of revenue derived from IT infrastructure services in the Group's total revenue decreased from approximately 49.0% for the year ended 31 December 2020 to approximately 44.1% for the year ended 31 December 2021. On the other hand, the proportion of the Group's revenue derived from IT implementation and supporting services as well as the cloud services increased from approximately 51.0% for the year ended 31 December 2020 to approximately 55.9% for the year ended 31 December 2021. Meanwhile, the efficiency and value of the R&D Centre in Wuhan, which was established in collaboration with a number of universities at the end of 2020, are also being increasingly demonstrated in 2021. It has been providing development support for the Group's internal R&D capabilities since 2021.

Furthermore, benefiting from the enhancement of market related activities in 2020 and 2021, the Group has completed the industrialization of solution products. For example, medical service platform solutions, smart education solutions, high technology manufacturing solutions and retail industry solutions have been launched in the markets successively and have obtained positive feedbacks from the corresponding customers.

Looking forward to 2022, the Group intends to strategically and continuously increase its investment in customization and development of self-developed business application solutions. Meanwhile, the Group will continue to enhance its efforts on the development and expansion of its industrialization of self-developed business applications and strengthen the acquisition of independent intellectual property rights. The Group aims to enter into the industrial markets such as data assets, CRM platform construction, big data and data lake related scenarios, thereby building its brand image as an industrial solutions customization developer in the future. The Directors believe that its extensive experience from successful projects in Fast Moving Consumer Goods, manufacturing, education and pharmaceutical industries will also contribute to the business expansion in the forementioned new industrial markets.

Cloud services

Cloud services have been clearly defined as one of the Group's future strategic focuses according to the Eden Management Strategy 2.0. Currently, the Group's cloud services mainly comprise of resale services, value-added services, development and other related services provided to enterprise customers via basic cloud platforms.

In line with the development trend of SaaS market for enterprises in China, the Group has established its own SaaS application online mall on the basis of the self-established container platform, which is a platform-as-a-service ("**PaaS**") platform, with the Group's self-developed products provided. Customers are now able to activate and use the online application system immediately after the online payment. For example, the Cloud Documents Management System* (雲文檔管控系統) and the Enterprise Assets Management System* (企業資產管理系統), which were previously sold mainly through the private approaches, are now gradually accessible in the online malls of domestic enterprises, This indicates that the Group has started to provide online purchase and activation services to the relevant enterprise customers. Generally, the enterprise customers purchase the services on an annual basis under the corresponding circumstances.

Besides the abovementioned, the Group has been making efforts to build an ecological alliance for its SaaS application online mall. For the industrial customer scenarios, not only the self-developed software of the Group, but also software from the ecological partners in the industry, may log into the online mall and the Group together with such ecological partners could make joint efforts to build the SaaS application scenarios and ecology of the industry. The Directors believe that such ecological alliance could provide a sounder scenario for industrial customers and further explore the value of the Group's SaaS platform.

Except for SaaS application online mall, while researching and developing its own container platform and SaaS application mall, the Group has obtained solid experience in construction of enterprise-level container platform and development of DevOps mode, which is complementary with Agile software development combined software development (Dev) and IT operations (Ops), as well as cloud-native application development. The Group has also successively developed and built tools platform related to operation and maintenance, which primarily comprises of multi-cloud management platform, monitoring platform and IT service management system. Meanwhile, the Group is now making efforts to reshape such capacity into standardized services, which will be available for promotion among the Group's customers, so as to provide managerial services for the cloud-based platforms of enterprise customers, including value-added services such as cloud architecture 7*24 monitoring service (雲架構7*24監控服務) and cloud architecture management, operation and maintenance service (雲架構管理運維服務). By adopting this approach, the Group aims to become a comprehensive third-party MCSP. The Group will provide enterprise customers with full-stack service capacity output, which covers infrastructure-as-a-service ("**IaaS**")/PaaS and SaaS under the cloud architecture mode, and also further support the transformation need of IT operation and maintenance of cloud-native environment, which is entailed by cloud-based operation. As such, while expanding its capacities for provision of cloud services, the Group intends to establish an upselling channel for its existing customers.

Therefore, benefited from the expansion of marketing channels, establishment of ecological cooperation and formation of core technological competitiveness, the Directors believe that its profitability would be improved and enhanced.

The Group aims to provide enterprise customers with one-stop services in the future by establishing and improving its ability and service extension as an independent third-party MCSP, which primarily comprises of on-demand supply of domestic and overseas basic cloud resources (IaaS/PaaS), construction consulting services of cloud-native platform, development of cloud-native application and maintenance services of cloud platform operation. The Directors believe that this will attract the potential enterprise customers to outsource specific tasks or overall cloud infrastructure, especially the multi-cloud environment, to the Group's technical team, which consists of professionals in the industry with a cooperative business culture to support one another in operations and management. Besides, such customers will also have access to strong technical support services of the Group for private cloud, hybrid cloud and public cloud platforms, primarily including cloud migration, cloud monitoring operation and maintenance, cloud-native application development and other related services.

III. Acquisition opportunities

The Directors believe that suitable acquisition opportunities will further strengthen the competitiveness of its business and will allow the Group to, among other things, provide effective support to the optimization of its business structure and sustainable expansion of its business.

FINANCIAL REVIEW

Revenue

The Group's revenue for the year ended 31 December 2021 was approximately RMB800.5 million, representing an increase of approximately RMB109.8 million, or approximately 15.9%, compared to revenue of approximately RMB690.7 million for the year ended 31 December 2020. The overall increase in revenue was primarily attributable to the increase of revenue derived from the provision of cloud services designed to meet the new demands from the Group's existing customer.

Cost of sales

Cost of sales of the Group increased by approximately RMB79.1 million, or approximately 12.8% from approximately RMB619.4 million for the year ended 31 December 2020 to approximately RMB698.5 million for the year ended 31 December 2021. The increase was in line with the increase in revenue during the relevant period, which was mainly due to the increase of revenue derived from the provision of cloud services.

Gross profit and margin

	2021 **RMB'000**	2020 RMB'000
Revenue	**800,510**	690,717
Cost of sales	**(698,502)**	(619,413)
Gross profit	**102,008**	71,304
Gross profit margin (%)	**12.7%**	10.3%

The gross profit increased by approximately RMB30.7 million, or approximately 43.1%, from approximately RMB71.3 million for the year ended 31 December 2020 to approximately RMB102.0 million for the year ended 31 December 2021, primarily attributable to the increase of revenue derived from the provision of cloud services and IT implementation and supporting services. The gross profit margin increased from 10.3% for the year ended 31 December 2020 to 12.7% for the year ended 31 December 2021, which was primarily due to (i) the decrease in average procurement costs for IT products or services for provision of the Group's IT implementation and supporting services and cloud services; and (ii) the Group had relatively more projects with higher gross profit margin in 2021 compared to the same in 2020.

Other income and gains

Other income and gains decreased from approximately RMB6.7 million for the year ended 31 December 2020 to approximately RMB4.9 million for the year ended 31 December 2021, representing a decrease of approximately 27.6%. Such decrease was mainly due to the decrease in government grants received in 2021 compared to the same in 2020.

Selling and distribution expenses

The selling and distribution expenses increased from approximately RMB14.3 million for the year ended 31 December 2020 to approximately RMB25.0 million for the year ended 31 December 2021, representing an increase of approximately 75.2%. Such increase was primarily due to the increase in staff cost and marketing expense for the year ended 31 December 2021.

Administrative expenses

Administrative expenses increased from approximately RMB23.5 million for the year ended 31 December 2020 to approximately RMB25.2 million for the year ended 31 December 2021, representing an increase of 7.2%. Such increase was mainly due to the increase in staff cost in 2021 compared to that of 2020.

Research and development expenses

The research and development expenses increased from approximately RMB19.8 million for the year ended 31 December 2020 to approximately RMB35.0 million for the year ended 31 December 2021, representing an increase of approximately 77.1%. Such increase was mainly due to the increase of investment for strengthening and developing the Group's R&D and IT services capabilities and further expanding the Group's cloud services.

Finance costs

Finance costs decreased from approximately RMB0.4 million for the year ended 31 December 2020 to approximately RMB0.3 million for the year ended 31 December 2021, representing a decrease of approximately 29.3%. Such decrease was mainly due to the decrease in interest-bearing bank borrowings in 2021 compared to the same of 2020.

Income tax expenses

Income tax expenses had decreased by approximately 68.3% from approximately RMB3.2 million for the year ended 31 December 2020 to approximately RMB1.0 million for the year ended 31 December 2021. Such decrease was primarily due to the decrease in current tax in 2021 compared to the same in 2020, which was primarily attributable to the increase of additional tax deductions according to the policy of the PRC government primarily because that the Group's research and development expenses increased in 2021 compared to that of 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 RMB19.4 million for the year ended 31 December 2021, representing an increase of approximately 21.3%, as compared to a profit for the year and attributable to owners of the parent of approximately RMB16.0 million for the year ended 31 December 2020. Such increase was in line with the increase of the Group's revenue for the relevant period, which was primarily due to the increase of revenue derived from the provision of cloud services for the relevant period.

If the Group excludes the one-off listing expense, the profit before tax decreased by approximately 24.1% from approximately RMB26.9 million for the year ended 31 December 2020 to approximately RMB20.5 million for the year ended 31 December 2021, as analysed below:

	2021 **RMB'000**	2020 RMB'000
Profit before tax	**20,460**	19,266
Add: listing expense	**–**	7,675
	20,460	26,941

CHARGES ON ASSETS

The Group had pledged deposits in the aggregate amount of approximately RMB9.0 million to banks for the Group's factoring loans and letters of guarantee as at 31 December 2021 (2020: approximately RMB15.5 million).

CAPITAL EXPENDITURE AND COMMITMENTS

As at 31 December 2021, the Group had capital expenditure amounted to RMB0.2 million (31 December 2020: RMB0.4 million) in relation to the purchase of property, plant and equipment in the PRC. The Group had no commitments (31 December 2020: nil) which had been contracted but not provided for as at 31 December 2021.

CONTINGENT LIABILITIES

As at 31 December 2021, the Group did not have any significant contingent liabilities (31 December 2020: nil).

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2021, the Group's current assets were approximately RMB360.2 million (31 December 2020: RMB348.6 million), of which approximately RMB120.8 million (31 December 2020: RMB105.3 million) were cash and cash equivalents and approximately RMB25.4 million (31 December 2020: RMB35.7 million) were time deposits and pledged deposits. As at 31 December 2021, the net asset value of the Group amounted to approximately RMB208.4 million, representing an increase of approximately 9.2% as compared to approximately RMB190.9 million at 31 December 2020. The increase in net asset value in 2021 compared to that of 2020 was primary due to the expansion of business.

As at 31 December 2021, the Group's gearing ratio (calculated by dividing net debt by capital plus net debt) was 4.7% (31 December 2020: 19.4%). 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 2021, the share capital of the Company was approximately RMB18.3 million (31 December 2020: RMB18.3 million). The Group's reserves were approximately RMB190.1 million (31 December 2020: RMB172.6 million). As at 31 December 2021, the Group had total current liabilities of approximately RMB165.7 million (31 December 2020: RMB173.4 million), mainly comprising trade payables and other payables and accruals and contract liabilities. The total non-current liabilities of the Group amounted to approximately RMB2.1 million (31 December 2020: RMB3.6 million), which mainly represented lease liabilities.

CAPITAL STRUCTURE OF THE GROUP

As at 31 December 2021, the capital structure of the Group consists of (i) debts, which include lease liabilities of approximately RMB6.3 million, trade payables of approximately RMB123.3 million and financial liabilities included in other payables and accruals of approximately RMB1.4 million; and (ii) equity reserves attributable to owners of the parent of approximately RMB208.4 million, comprising issued share capital and various reserves.

As at 31 December 2021, financial liabilities included in other payables and accruals were non-interest bearing and were repayable within one year.

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 2021. 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 2021, the Group has utilised approximately HK$60.6 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	**Actual use of proceeds during the year ended 31 December 2021** 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	–	13,024	11,376	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	–	–
Maintaining fund for performance bond	12,400	7,771	4,629	–	–
Strengthening its marketing effort and improving its brand recognition	3,800	–	2,710	1,090	by the year ending 31 December 2022
Working capital and general corporate purposes	7,400	1,983	4,438	979	by the first half of the year ending 31 December 2022
Total	74,000	9,803	50,752	13,445	

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

Save for the below, there were no significant investments held, material acquisitions or disposals of subsidiaries and affiliated companies by the Group during the year ended 31 December 2021.

The Group subscribed for approximately RMB40.0 million of principal-guaranteed wealth management products issued by Industrial Bank Shenzhen Branch with floating income on 9 July 2021 for a period of investment from 12 July 2021 to 30 December 2021, and subsequently redeemed all amount of fund of such wealth management products on 30 December 2021. It gained approximately RMB0.6 million from such wealth management products for the year ended 31 December 2021. For further details, please refer to the announcement of the Company dated 12 July 2021. As at 31 December 2021, the Group did not hold any wealth management products (31 December 2020: nil).

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as the future plans or development of the Group's business as disclosed in the paragraphs headed "Business Review" 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 2021.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2021, the Group employed a total of 258 (31 December 2020: 198) employees. Total employee benefit expense (including Directors' remuneration) for the years ended 31 December 2021 and 2020 were approximately RMB39.9 million and approximately RMB31.4 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

References are made to the announcements of the Company dated 9 November 2021, 11 January 2022 and 23 March 2022 in relation to the adoption of share award plan of the Company. Unless the context otherwise requires, capitalised terms used in this section shall have the same meaning as those defined in the aforementioned announcements.

The Company has adopted the Share Award Plan on 9 November 2021 and provided supplementary information to Shareholders and potential investors of the Company in relation to Eligible Participants and Plan Limit of the Share Award Plan on 11 January 2022.

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

DIVIDEND

The Group recommended the payment of dividend of HK$0.0018 per share for the year ended 31 December 2021, which is subject to the approval by the shareholders at the annual general meeting of the Company. The dividend is expected to be payable to the shareholders on or before 21 June 2022. The dividend will be payable to the Shareholders whose names appear on the register of members of the Company at the close of business on 27 May 2022.

* 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 51, 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 40, was appointed as an executive Director on 8 March 2019. Ms. Li is primarily responsible for supervision of internal management and is in charge of legal affairs of the Group. Ms. Li is also the compliance officer of the Company and a director of Eden Information. Ms. Li has been a limited partner holding 2% interests in Shenzhen Zhen Xinan Qiankun Investment Enterprise* (深圳市振辛安乾坤投資企業(有限合夥)) ("**Qiankun Investment**") from July 2015 to March 2021. Qiankun Investment was cancelled in March 2021.

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Leung Chu Tung (梁柱桐) ("Mr. Leung"), aged 42, was appointed as an independent non-executive Director on 14 May 2021. He is responsible for supervising and providing independent advice on the operation and management of the Group. He is also the chairman of the audit committee of the Company (the "**Audit Committee**"), and a member of each of the nomination committee (the "**Nomination Committee**") and the remuneration committee (the "**Remuneration Committee**") of the Company.

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

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

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

Ms. Zhu Weili (朱偉利) ("Ms. Zhu"), aged 51, was appointed as an independent non-executive Director on 20 May 2021. She is responsible for supervising and providing independent advice on the operation and management of the Group. She is also the chairman of the Remuneration Committee, and a member of each of the Nomination Committee and the Audit Committee.

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

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

Mr. Liang Chi (梁赤) ("Mr. Liang"), aged 63, 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, and a member of each of the Audit Committee and the Remuneration Committee.

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 was dissolved by striking off under section 291 of the Predecessor Companies Ordinance on 1 April 2011.

Ms. Zhang Shuo (張朔) ("Ms. Zhang"), aged 57, was appointed as an independent non-executive Director on 25 June 2021. She is responsible for supervising and providing independent advice on the operation and management of the Group.

Ms. Zhang obtained a Master of Engineering Science degree from The Pennsylvania State University in United States in December 1994.

Ms. Zhang has rich operational experiences in the semiconductor industry. She also has strong governance experience in public technology companies. Since July 2019, Ms. Zhang has been an independent board director of PDF Solutions Inc. (stock code: PDFS), a company listed on NASDAQ which provides comprehensive data solutions designed to empower organizations across the semiconductor ecosystem to improve the yield and quality. Since July 2019, she has also served as an independent director of Soitec, a company listed on Euronext Paris. Soitec designs and manufactures innovative semiconductor materials. In addition, Ms. Zhang has served as an independent director of Grid Dynamics Holdings Inc. (stock code: GDYN), a company listed on NASDAQ since March 2017. Grid Dynamics provides enterprise-level digital transformation services.

SENIOR MANAGEMENT

Mr. Xu Qingtang (徐慶堂) ("Mr. Xu"), aged 41, is the technical manager of the Group, responsible for technical design planning, project implementation management, PPE project cost assessment and resource coordination.

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

Ms. Peng Hui (彭慧) ("Ms. Peng"), aged 36, was appointed as the chief financial officer of the Group on 26 November 2021, responsible for the overall financial management of our Group.

Ms. Peng has over 13 years of accounting and financial management experience. She is also experienced in capital operations and project management in relation to mergers and acquisitions. Ms. Peng is a fellow member of both the Hong Kong Institute of Certified Public Accountants and the Chinese Institute of Certified Public Accountants. She graduated from The University of Hong Kong with a master's degree in business administration.

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

COMPANY SECRETARY

Ms. Mok Ming Wai (莫明慧) ("Ms. Mok"), was appointed as the company secretary of the Company on 26 April 2021, responsible for the Group's overall company secretarial matters.

Ms. Mok is an executive director of corporate services of Tricor Services Limited, an Asia's leading business expansion specialist specialising in integrated business, corporate and investor services. Ms. Mok has over 25 years of experience in the corporate secretarial field. Ms. Mok is a chartered secretary and a fellow of both The Hong Kong Chartered Governance Institute (formerly The Hong Kong Institute of Chartered Secretaries) and The Chartered Governance Institute (formerly The Institute of Chartered Secretaries and Administrators).

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REPORT OF THE DIRECTORS

The Directors are pleased to present this report and the audited consolidated financial statements of the Group for the year ended 31 December 2021.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. For the year ended 31 December 2021, the principal activities of its subsidiaries comprised provision of IT infrastructure services, IT implementation and supporting services and cloud services in the PRC.

BUSINESS REVIEW

A review of the Group's business, a discussion and analysis of the Group's performance for the year ended 31 December 2021, 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 7 to 17 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 2021 and the financial position of the Group as at 31 December 2021 are set out in the consolidated financial statements of the Group from pages 87 to 93 of this annual report.

The Group recommended the payment of dividend of HK$0.0018 per share for the year ended 31 December 2021, which is subject to the approval by the shareholders at the annual general meeting of the Company. The dividend is expected to be payable to the shareholders on or before 21 June 2022. The dividend will be payable to the Shareholders whose names appear on the register of members of the Company at the close of business on 27 May 2022. No Shareholder 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 168 of this annual report, are extracted from this annual report and the Prospectus.

PRINCIPAL RISKS AND UNCERTAINTIES

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

The Group 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 RMB319.6 million, RMB215.1 million and RMB176.2 million, for the years ended 31 December 2019, 2020 and 2021, respectively, representing approximately 40.4%, 31.1% and 22.0% 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.

The Group relies heavily on the relationship with Supplier A.

Purchases of the Group from Supplier A, which is a leading United States ("**U.S.**") based global computer software provider, was approximately RMB226.2 million, RMB141.5 million and RMB156.6 million, for the years ended 31 December 2019, 2020 and 2021, respectively, representing approximately 32.7%, 27.9% and 22.9% of the total purchases for the same periods. The Group's business will be adversely affected if we are unable to keep the cooperation licensing from Supplier A. The Group has adopted and implemented the following measures in order to further reduce and mitigate its reliance on Supplier A: (i) actively identify alternative Chinese and other non-U.S. suppliers, who develop IT products and services that are functionally equivalent and/or compatible with those provided by Supplier A and other U.S. suppliers; (ii) allocate more marketing resources to host or organise IT industry exhibitions, marketing events and seminars with leading Chinese and non-U.S. suppliers to promote their IT products and services among the customers; and (iii) establish innovation team to strengthen and develop the Group's R&D capability and IT service capability.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2021, the Group's largest and the five largest customers represented approximately 22.0% and approximately 49.2% respectively of the Group's total revenue.

For the year ended 31 December 2021, the Group's largest and the five largest suppliers accounted for approximately 22.9% and approximately 65.1% respectively of the Group's total purchases.

During the year ended 31 December 2021, none of the Directors nor any of their associates (as defined in the Listing Rules) nor any Shareholders (which, to the best knowledge of the Directors, own more than 5.0% of the Company's issued share capital) had any material beneficial interest in the Group's five largest customers and five largest suppliers.

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

The Group is committed to establishing and maintaining long-term and harmonious relationships with its employees, customers and suppliers. The Group provides a pleasant and healthy working environment to employees. During the year ended 31 December 2021, 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 2021 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 2021, 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 2021. 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 2021 are set out in note 13 to the consolidated financial statements of this annual report.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year ended 31 December 2021 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 2021 (2020: nil).

RESERVES

Details of movements in the reserves of the Group and the Company during the year ended 31 December 2021 are set out in the consolidated statement of changes in equity and in note 29 to the consolidated financial statements of the Group, respectively.

DISTRIBUTABLE RESERVES OF THE COMPANY

As at 31 December 2021, the Company's reserves available for distribution to the Shareholders were approximately RMB155.6 million (2020: RMB138.8 million) as calculated in accordance with statutory provisions applicable in the Cayman Islands.

CHARITABLE CONTRIBUTIONS

During the year ended 31 December 2021, the Group did not make any charitable contributions (2020: 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 2021.

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 2021 or subsisted at the end of the year ended 31 December 2021.

SHARE OPTION SCHEME

A share option scheme (the "**Share Option Scheme**") was adopted by the Shareholders on 14 April 2020 to attract and retain the best competent personnel, to provide 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 2021, 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 2021.

SHARE AWARD SCHEME PLAN

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

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

According to the Plan, any Award Shares shall either be (i) existing Shares as may be purchased by the Trustee on the Stock Exchange or off the market; or (ii) new Shares to be allotted and issued to the Trustee by the Company pursuant to general mandate or specific mandate granted by Shareholders at general meeting(s) of the Company from time to time. The maximum number of Shares to be subscribed for and/or purchased by the Trustee for the purpose of the Plan shall not exceed 10% of the total number of issued Shares as at the Adoption Date (i.e. not exceed 200,000,000 Shares).

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

CORPORATE GOVERNANCE

The principal corporate governance practices as adopted by the Company are set out in the section headed "Corporate Governance Report" from page 66 to page 80 of this annual report.

DIRECTORS AND THEIR SERVICE CONTRACTS

The Directors during the year ended 31 December 2021 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
(resigned on 30 September 2021)
Ms. Peng Dongping
(resigned on 30 September 2021)

Independent non-executive Directors

Mr. Liang Chi
Mr. Leung Chu Tung
(appointed on 14 May 2021)
Ms. Zhu Weili
(appointed on 20 May 2021)
Ms. Zhang Shuo
(appointed on 25 June 2021)
Mr. Ho Ka Chun
(resigned on 14 May 2021)
Mr. Yu Kwok Leung
(resigned on 20 May 2021)

The biographical details of the Directors are set out on page 18 to page 21 of this annual report.

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

In accordance with Article 108 of the Articles of Association, at each annual general meeting, one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third, shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. Accordingly, Ms. Ding Xinyun and Ms. Li Yi will retire from office as Directors at the 2022 AGM, and being eligible, each of them has offered herself for re-election as Director at the 2022 AGM.

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

No Director proposed for re-election at the forthcoming annual general meeting of the Company (the "**2022 AGM**") has or will have a service contract with the Company, which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

CONFIRMATION OF INDEPENDENCE

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

CONTROLLING SHAREHOLDERS' INTEREST

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

EMOLUMENT POLICY

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

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

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

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

The remuneration payable to the senior management of the Company for the year ended 31 December 2021 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 2021, 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 2021, 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 32 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 2021, the Group had not entered into any one-off connected transactions or continuing connected transactions which were subject to disclosure and annual review requirements under Chapter 14A of the Listing Rules.

Financial Assistance from the Controlling Shareholder

During the year ended 31 December 2021, 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 RMB120,000,000 at 31 December 2021 were guaranteed by Ms. Ding Xinyun, the controlling Shareholder, of which RMB40,000,000 have been utilised for letter of guarantee.

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

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

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

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

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

As at 31 December 2021, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was taken or deemed to have under such provisions of the SFO), or as recorded in the register of the Company required to be kept under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuer ("**Model Code**") set out in Appendix 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	1,455,000,000	72.75%

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 1,455,000,000 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 2021, 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 2021, the following persons (not being a Director or chief executive of the Company) have interests or short positions in Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or which would be required to be entered into the registered required to be kept under section 336 of the SFO.

Long Position in the Company

Name	Capacity/Nature of interest	Number of Shares held/interested in	Percentage of interest in the Company
Aztec Pearl (Note 1)	Registered Owner	1,455,000,000	72.75%
Tricor Equity Trustee (Note 2)	Trustee of the Family Trust and interest in a controlled corporation	1,455,000,000	72.75%
Ms. Ding (Note 1)	Settlor of the Family Trust and beneficial interest	1,455,000,000	72.75%
Green Leaf (Note 1)	Beneficiary of the Family Trust	1,455,000,000	72.75%
Mr. Cai Aaron Ding ("**Mr. Cai**") (Note 1)	Beneficiary of the Family Trust	1,455,000,000	72.75%
Mr. Yan Shi (Note 3)	Interest of a spouse	1,455,000,000	72.75%

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 1,455,000,000 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 2021 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 32 to the consolidated financial statements, of the Company during the year ended 31 December 2021, 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 2021.

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 2021.

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 2021 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 2022 AGM, the register of members of the Company will be closed from Friday, 13 May 2022 to Wednesday, 18 May 2022, both days inclusive, during which period, no transfer of Shares will be registered. In order to qualify for attending and voting at the 2022 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, 12 May 2022.

In addition, the register of members of the Company will be closed from Wednesday, 25 May 2022 to Friday, 27 May 2022, both days inclusive, for the purpose of ascertaining the shareholders' entitlement to the final dividend. In order to qualify for the final dividend, all transfers of shares accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, no later than 4:30 p.m. on Tuesday, 24 May 2022.

ANNUAL GENERAL MEETING

The 2022 AGM will be held on Wednesday, 18 May 2022. 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 2021 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 2022 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, 18 March 2022

* English translation name is for identification purpose only

OVERVIEW OF THE REPORT

The Group hereby presents its Environmental, Social and Governance Report (the "**ESG Report**") for the year ended 31 December 2021.

The Group's 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 2021, 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 its business and operations locate. 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 since 2020 and continuation in 2021, 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, the Board 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 Performance Index (the "**KPI Index**") 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, 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 PRC.

The ESG Report covers the period from 1 January 2021 to 31 December 2021 (the "**Reporting Year**"), which is consistent with the financial year covered by the 2021 Annual Report of the Group.

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 Listing Rules 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 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 18 March 2022 upon confirmation by the management of the Company. The electronic version of the 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

ESG MANAGEMENT

Statement of the Board

As a responsible corporate citizen, the Group acknowledges that quality management of environmental and societal proves and activities is of great importance to promoting sustainable economic growth. The ESG Report summarizes the strategy, practice, and vision of the Group in respect of the issues related to ESG, and further conveys a clear message of the Group's devotion to sustainability. For example, to address the global concern about climate change that affects not only the environmental systems but also our daily lives, the Group has considered the climate-related issues and incorporated them into its risk management system to enhance its resilience and adaptive capacity to potential climate change impacts. All potential risks that may have impact on the Group's businesses will be covered and evaluated in the annual risk assessment.

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

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

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

Governance structure

Identification of and Engagement with Stakeholders

In the course of its operation, the Group continues to pay attention to the major concerns of its stakeholders. Through comprehensive and transparent engagement with its stakeholders, the Group continues to improve its sustainable development strategies and plans based on the opinions of its stakeholders. Though addressing the expectation and needs of its stakeholders, the Group aims to consolidate mutual trust and develop cooperative relationships with its stakeholders, and create a future of sustainable economic growth, environmental friendliness and social development.

The major ESG concerns of its stakeholders and the means through which the Group engages with such stakeholders are detailed below:

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

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

Materiality Assessment

The Group has identified ESG issues that may have potential impacts on its sustainable development from various sources, including issues identified and included in the Group's previous ESG report and internal policies, some reflected by industry trends, the areas of ESG concerns raised by the Group's stakeholders as set out above, and the Sustainability Accounting Standards Board's Materiality Map. Such ESG issues have been analysed with reference to an array of factors, including the Group's overall strategy, targets and development. In order to determine its key ESG concerns and information disclosure priority and to ensure the pertinence and responsiveness of the ESG Report, the Group has conducted a materiality assessment to determine the level of importance and respcetive impact of the identified ESG issues that are pertinent to its business and stakeholders. With relevant measures to cope with these factors put in place, the Group believes that these factors do not have a material impact on the financial and operational performance of the Group.

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

Environmental Aspect	Energy Consumption
Social Aspect	Privacy Protection Intellectual Property Employment Employment Turnover Development and Training

[1] Sustainability Accounting Standards Board's Materiality Map, https://materiality.sasb.org/

ENVIRONMENTAL

Overview

The Group is an integrated 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. 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 number of 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 of the RPC" (《中華人民共和國環境保護法》), "the Law of the PRC on the Prevention and Control of Atmospheric Pollution" (《中華人民共和國大氣污染防治法》), "the Law of the PRC on the Prevention and Control of Water Pollution" (《中華人民共和國水污染防治法》), "the Law of the PRC on the Prevention and Control of Environmental Pollution of Solid Waste" (《中華人民共和國固體廢物污染環境防治法》), and "the Law of the PRC on Conserving Energy" (《中華人民共和國節約能源法》). When applicable, the Group strives to comply with the 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 PRC. During the Reporting Year, the Group has complied with all applicable environmental portion laws and regulations that have a significant impact on the Group.

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	Year ended 31 December 2021 Total	Year ended 31 December 2020 Total
Nitrogen Oxides (NO_x)	Kg	**5.01**	3.13
Sulphur Oxides (SO_x)	Kg	**0.08**	0.05
Particulate Matter (PM)	Kg	**0.37**	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

Scope 1 – Energy Direct Emissions

Types of Emissions	Unit	**Year ended 31 December 2021 Total**	Year ended 31 December 2020 Total
Scope 1 – Energy Direct Emissions			
Combustions of fuels in generators	Tonnes CO_2e	**–**	–
Combustion of fuels in vehicles	Tonnes CO_2e	**15.01**	9.40
Total	Tonnes CO_2e	**15.01**	9.40
Scope 2 – Energy Indirect Emissions[2]			
Electricity	Tonnes CO_2e	**90.32**	98.10
Scope 3 – Other Indirect Emissions			
Waste Paper	Tonnes CO_2e	**3.62**	3.46
Business Trips	Tonnes CO_2e	**15.41**	14.80
Total Emissions			
Total Emissions	Tonnes CO_2e	**124.36**	125.76
Emission Intensity	Tonnes CO_2e/number of employees[3]	**0.48**	0.64

2 According to The Ministry of Ecology and Environment of People's Republic of China (2019), the National Emission Factors for Mainland China is 0.6101 t-CO_2/MWh.

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 2021 was 258, whereas that of the year ended 31 December 2020 is 198.

Setting up feasible emission targets on an annual basis helps the Group to track its greenhouse gas emissions and further 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 80% to 120% of current year's intensity as a short-term target. Measures are taken by the Group to curb unnecessary emissions. For further details, please refer to subsections headed "Measures to Reduce Waste Generation and Emissions" and "Energy Use Efficiency".

Hazardous Waste

Due to the Group's business nature, the Group's ordinary course of business does not generate any kind of material hazardous wastes, including chemical wastes, clinical wastes, and hazardous chemicals.

Non-Hazardous Waste

Regarding non-hazardous waste, 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**	**Year ended 31 December 2021 Total**	Year ended 31 December 2020 Total
Non-hazardous waste	Tonnes	**0.75**	0.72
Non-hazardous waste intensity	Tonnes/number of employees	**0.0029**	0.0036

Measures to Reduce Waste Generation and Emissions

As paper waste is the sole category of waste generation 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 0.75 tonnes, with an intensity of 0.0029 tonnes per employee. Aiming to minimize the production of waste, the Group actively initiates a series of Green Office practices, which may 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. In terms of detailed 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. 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 or non-hazardous waste.

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

Use of Resources

The Group is committed to becoming a resource-saving and environmentally-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 stems from purchased electricity. Since electricity cost was charged by the landlord since October 2021 for Shanghai office, the calculation of electricity consumption for Shanghai office takes only the consumption in October to December 2021 into consideration, whereas the whole year consumption of Shenzhen, Dongguan and Wuhan offices is included. During the Reporting Year, the units of electricity purchased from electricity providers totalled 148,037.59 kWh (2020: 121,861 kWh), with an intensity of 596.93 kWh (2020: 662.29 kWh) per employee.

Water Usage

As water is one of the most precious resources in the world, reducing water consumption is one of the fundamental targets 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 1,039 cubic metres (2020: 1,065 cubic metres), with an intensity of 4.03 cubic metres per employee (2020: 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 minimize 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 freshwater. Notices reminding employees to avoid unnecessary use of water are stipulated on bathroom walls.

Through adopting these practices to reduce electricity and water consumption in offices, the Group aims at keeping next Reporting Year's consumption intensities at 90% to 115% of the level of current Reporting Year.

Packaging Material

As the Group's business field lies in providing IT solutions 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

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

Risk Type	Risks	Potential Financial Impact	Short (current reporting period)	Medium (1–3 years)	Long (4–10 years)	Mitigation Strategy
Physical Risks	• Extreme weather conditions such as flooding and typhoon • Sustained elevated temperature	• Reduced revenue from business and supply chain disruptions • Increased cost related to the rising need for cooling	✔	✔		• Located our offices in cities where the occurrences extreme weather conditions are relatively rare • Established adverse weather condition policy • Adopted energy conservation measures
Transition Risks	• Changes in environmental-related regulations	• Higher operating costs to adopt new practices		✔	✔	• Our Group has limited company vehicle use to necessary meetings and reduced energy consumption by implementing energy conservation measures

SOCIAL

Employment and Labour Standards

For the Group, constructing a 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 information technology solution and cloud services provider, the Group understands that employees with sophisticated technology knowledge are 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》), "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 be 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 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 (員工手冊) 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 standardized based on the nature of department: (i) for positions related to technology, research and development, department heads conduct the first round of the interview and Human Resources Department is responsible for the second interview; and (ii) for positions related to operations and general business, the interview sequence is reverted. As such, it ensures that the respective departments can screen for the most suitable candidate and no competitive candidate will be missed out. 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 workdays 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 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 organized 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.

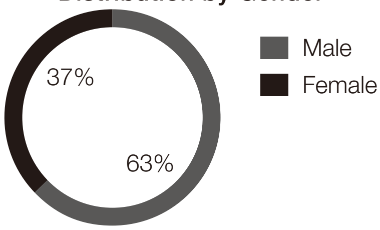
Total Number and Classification of Employees

As at 31 December 2021, the Group had a total of 258 employees, with all of them full-time employees. The detailed employment information is as follows:

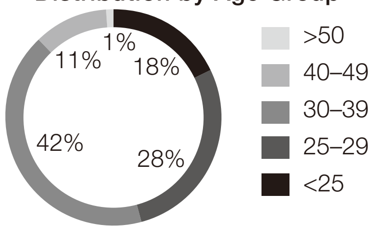
	Year ended 31 December 2021 Total	Year ended 31 December 2020 Total
Total Number of Employees	**258**	198
Distribution by Gender		
Female	**96**	78
Male	**162**	120
Distribution by Age		
<25	**46**	34
25–29	**73**	60
30–39	**108**	87
40–49	**29**	14
>50	**2**	3
Distribution by Employee Category		
Management	**29**	22
Senior Employee	**29**	36
Junior Employee	**200**	140
Distribution by Region		
Shenzhen	**176**	158
Dongguan	**9**	10
Shanghai	**33**	14
Wuhan	**40**	16

The Group hires based on experience, expertise and values, regardless of race, colour, creed, national origin, ancestry, sex, marital status, disability, religious or political affiliation, age, or sexual orientation. We formulate equal opportunities and diversity policies for all employees, and are committed to building a diversified and inclusive working environment. For the Reporting Year, female employees accounted for approximately 37% 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 2021, employee turnover across the Group was at 38%. The detailed turnover information is as follows:

	Year ended 31 December 2021 Total	Year ended 31 December 2020 Total
Total Turnover	**38%**	23%
Distribution by Gender		
Female	**33%**	41%
Male	**40%**	59%
Distribution by Age		
<25	**46%**	15%
25–29	**44%**	35%
30–39	**33%**	48%
40–49	**24%**	2%
>50	**50%**	0%
Distribution by Region		
Shenzhen	**73%**	96%
Dongguan	**6%**	0%
Wuhan	**16%**	4%
Shanghai	**4%**	0%

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. During the Reporting Year, no work-related fatalities and lost days due to work injury were recorded by the Group. 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》) and 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, inspecting fire drills and fire extinguishers regularly, and providing adequate illumination and suitable temperature in the offices. On the other hand, the Group is strongly opposed to any form of discrimination, harassment and inappropriate conduct. The Group has listed out the relevant misconducts in the Employment Handbook, 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 organizes 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 the COVID-19 pandemic, the Group has implemented a series of contingency policies to minimize the chance of spread and transmission within the Group and ensure employees' safety. 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 sanitizers 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 sanitizing office areas once every day; and
- designating different lunch periods to avoid group gatherings.

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 Human Resources and Salary Management (人力資源與工資管理制度), internal training can be classified into two levels, namely company level, which is organised by Human Resources Department, and department level, which is organised by departments themselves. Internal training sessions 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 two main categories, which will be illustrated below with examples.

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

With the purpose to enhance employees' understandings about our Group's policies and procedures, in October 2021, the Group held an array of internal training on Finance Procedure (財務流程), Law Procedure (法務流程), and the Group's Business Culture (企業文化). These sessions of training were conducted by respective managerial staff in ensuring the credibility, efficacy, and quality of the training.

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

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

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:

	Number of employees	% of all employees
Total Trainees	129	46%

Distribution by Gender

	Number of employees	% of trainees
Female	53	41%
Male	76	59%

Training Hours by Gender

	Total hours	Hours per employee
Female	1,523	13.6
Male	2,200	13.1

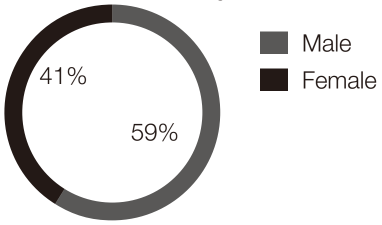
Distribution by Employee Category

	Number of employees	% of trainees
Junior Employee	198	70%
Senior Employee	50	25%
Management	26	5%

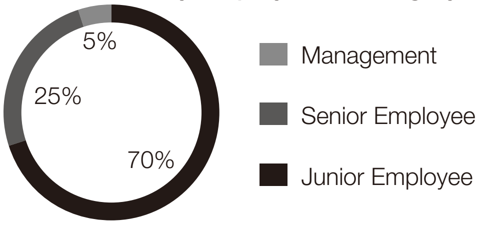
Training Hours by Employee Category

	Total hours	Hours per employee
Junior Employee	2,870	14.5
Senior Employee	723	14.5
Management	130	5.0

Distribution by Gender



Distribution by Employment Category



Supply Chain Management

The Group places great emphasis on the procurement principles. In procurement process, the Group promotes fair and open competition based on established procurement policies and procedures, with the aim to ensure that the price, quality, delivery and services are in line with the best economic benefits. As a responsible organization, the Group strictly abides by the principle, purpose and content of the contracts entered with its suppliers. 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 standardize the procurement procedures of products and services, the Group has adopted strict new supplier selection criteria in the Procurement and Payment Management System (採購至付款管理制度), and conduct on-going assessments and regular inspections of our existing suppliers. 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.

Before establishing cooperation with new suppliers, the purchasing agent assesses their capabilities based on various considerations, including but not limited to their background information, professional qualifications, product and service quality, and reputation. The professional qualifications, in particular, such as relevant business licenses, certificates of authorization, ISO System Certifications are especially crucial for suppliers due to the Group's business nature and major purchase. Besides, issues such as human rights management adopted by the suppliers and environmental protection are also taken into consideration in the Group's assessing process. The qualified suppliers are included in the Approved Vendor List (合格供應商名單) upon Procurement Department Manager's approval.

As at 31 December 2021, the Group has a total of 534 suppliers. Amongst them, 384 suppliers are located in the PRC. The remaining 150 suppliers are located in Hong Kong, the rest of Asia, the United States, and Europe. 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 emphasizes 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 and integrated IT solutions. The quality control system is classified into two main components, namely service quality and product quality. Products and services of the Group, such as software and cloud services, are intangible goods delivered virtually. Thus, they are not subject to direct health and safety concerns, and are seen 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, which is responsible for quality control of the procurement, storage and sales of the hardware, strictly inspect IT products procured from suppliers and sold to customers. The Group also regularly evaluates existing suppliers' performance quality, and remains open to seek opportunities of establishing cooperation relationship 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. The 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 the Trademark Law of the PRC (《中華人民共和國商標法》), the Patent Law of the PRC (《中華人民共和國專利法》), and the Civil Code of the PRC (《中國民典法》). Internally, the Group has adopted Intellectual Property and Trademark Management System (知識產權及商標管理制度) to standarize and monitor 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 programs developed by the Group are important intangible assets. After the Research and Development Department complete the development of new software, the Group will seek a third-party intellectual property agent for the registration of Computer Software Copyright (計算機軟件著作權) at the Copyright Protection Centre of China (中國版權保護中心), which serves as the only national copyright registration institution in the PRC. Internally, the Group records the successfully registered copyrights and respective details, including development and approval dates, and registration number, in the List of Computer Software Copyright (公司著作權清單). 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 unauthorized 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 Group believes that the risk of accidental leakage of the its intellectual property can be minimized.

Concerning advertising and labelling matters, the Group adheres to the "Advertising Law" (《廣告法》) of the PRC. As an IT solutions and cloud services provider, the Group does not have material issues concerning advertising and labelling matters. Currently, 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 the "Information Security Technology – Personal Information Security Specification" (《信息安全技術個人信息安全規範》), the "Personal Information Protection Law of the PRC" (《中華人民共和國個人信息保護法》), and the "Network Security Law of the PRC" (《中華人民共和國網絡安全法》). 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 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 or scan any information in the Group's CRM system or verbally communicate to unauthorized 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 such information 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 authorized 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 utilizes 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, and forbidding the downloads of unknown email attachments. The Group believes that such measures will reduce the risk of exposure to cyber-attacks.

Anti-corruption

The Group strictly complies with all applicable laws and regulations regarding anti-corruption, including the "Anti-Money Laundering Law of the PRC" (《中華人民共和國反洗錢法》), the "Anti-Unfair Competition Law of the PRC" (《中華人民共和國反不正當競爭法》), and the "Criminal Law of the PRC" (《中華人民共和國刑法》). As part of the commitment, all forms of bribery and corruptions 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 Group held two sessions of anti-corruption training conducted by external professionals such as law firms in August and November 2021 for our directors and senior management. The training raises their awareness regarding 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 Executive Directors or 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 the impact of the COVID-19 pandemic has forbidden the Group from holding public welfare activities in the current Reporting Year, we strive to actively contribute to the education, environment, and cultural aspects of the community in the future. The Group will explore opportunities in the neighborhoods, where it can invest resources and engage employees in 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 minimizing 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 labor.	Employment and Labour Standards
KPI B4.1	Description of measures to review employment practices to avoid child and forced labor.	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, labor needs, health, culture, sport).	Community Investment
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	Community Investment

CORPORATE GOVERNANCE PRACTICES

The Company is committed to achieving and maintaining high standards of corporate governance to safeguard the stakeholders' interests and to enhance their confidence and support. The Board of the Company is pleased to report that for the year ended 31 December 2021, the Company has adopted and complied with the code provisions of the Corporate Governance Code ("**CG Code**") in force 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.

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 the Listing Date, Ms. Ding Xinyun has been acting as both the chairman of the Board and the chief executive officer of the Company. In the view that Ms. Ding is one of the founders of the Group and has been operating and managing Eden Information 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 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 for communicating with shareholders and regulatory bodies and, where appropriate, making recommendations to the Shareholders on final dividends and approving the declaration of any interim dividend.

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

Corporate Governance Functions

The Board is responsible for, among others, performing the corporate governance duties as set out in the code provision 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 six members including two executive Directors and four independent non-executive Directors. In compliance with Rules 3.10 and Rules 3.10A of the Listing Rules, the Company has appointed four independent non-executive Directors, representing more than one-third of the Board and at least one of them has appropriate professional qualifications, or accounting or related financial management expertise. The Board is of the view that the Board comprises members with diversified background and industry expertise to oversee and operate the Company efficiently and safeguard the interests of various stakeholders of the Company.

EXECUTIVE DIRECTORS

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

Executive Directors

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

Independent Non-Executive Directors

Mr. Liang Chi
Mr. Leung Chu Tung
Ms. Zhu Weili
Ms. Zhang Shuo

All independent non-executive Directors are professionals with well recognised experience and expertise to bring valuable advice to the Board. Mr. Leung Chu Tung possesses the appropriate professional qualifications, accounting and related financial management expertise as required under Rule 3.10(2) of the Listing Rules. None of the independent non-executive Directors has any business or financial interests with the Company and all independent non-executive Directors confirmed their independence to the Group as at 31 December 2021 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, and where appropriate, revisions will be made with the approval from the Board.

The Board comprises of six members, including two female executive Directors and two female independent non-executive Directors. The Directors also have a balanced mix of knowledge and experience in the areas of integrated IT solution and cloud services, legal, finance and accounting. None of the Directors is related to one another. The four 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.

During the year ended 31 December 2021, seven Board meetings were held and the attendance records are as follows:

Name of Directors	**Meetings attended/ Meetings held during his/her tenure**
Executive Directors	
Ms. Ding Xinyun	7/7
Ms. Li Yi	7/7
Mr. Ling Yunzhi *(resigned on 30 September 2021)*	5/5
Ms. Peng Dongping *(resigned on 30 September 2021)*	5/5
Independent Non-executive Directors	
Mr. Liang Chi	7/7
Mr. Leung Chu Tung *(appointed on 14 May 2021)*	4/4
Ms. Zhu Weili *(appointed on 20 May 2021)*	4/4
Ms. Zhang Shuo *(appointed on 25 June 2021)*	4/4
Mr. Ho Ka Chun *(resigned on 14 May 2021)*	3/3
Mr. Yu Kwok Leung *(resigned on 20 May 2021)*	3/3

GENERAL MEETING

During the year ended 31 December 2021, one general meeting of the Company was held and the attendance records are as follows:

Name of Directors	Meeting attended/ Meeting held during his/her tenure
Executive Directors	
Ms. Ding Xinyun	1/1
Ms. Li Yi	1/1
Mr. Ling Yunzhi *(resigned on 30 September 2021)*	1/1
Ms. Peng Dongping *(resigned on 30 September 2021)*	1/1
Independent Non-executive Directors	
Mr. Liang Chi	1/1
Mr. Leung Chu Tung *(appointed on 14 May 2021)*	1/1
Ms. Zhu Weili *(appointed on 20 May 2021)*	1/1
Ms. Zhang Shuo *(appointed on 25 June 2021)*	0/0
Mr. Ho Ka Chun *(resigned on 14 May 2021)*	0/0
Mr. Yu Kwok Leung *(resigned on 20 May 2021)*	0/0

APPOINTMENT, RE-ELECTION AND REMOVAL OF DIRECTORS

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

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

In accordance with Article 108 of the Articles of Association, at each annual general meeting, one-third of the Directors for the time being, or, if the number is not three or a multiple of three, the number nearest to but not less than one-third, shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. In addition, according to Article 112 of the Articles of Association, any Director appointed by the Board to fill casual vacancy or as an addition to the existing Board shall hold office only until the 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 Nomination Committee and the Audit Committee, in compliance with the Listing Rules and for overseeing particular aspects of the Company's affairs. All Board committees have been established with defined written terms of reference, which are posted on the HKEx website and on the Company's website at www.edensoft.com.cn. All the Board committees should report to the Board on their decisions or recommendations.

Remuneration Committee

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

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

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

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

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

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

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

(f) to monitor 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 or share awards to be made to Directors and senior management.

During the year ended 31 December 2021, five Remuneration Committees' meetings were held and the attendance records are as follows:

Name of Directors	Meetings attended/ Meetings held during his/her tenure
Independent Non-executive Directors	
Ms. Zhu Weili *(Chairman) (appointed on 20 May 2021)*	3/3
Mr. Liang Chi	5/5
Mr. Leung Chu Tung *(appointed on 14 May 2021)*	3/3
Mr. Ho Ka Chun *(resigned on 14 May 2021)*	2/2
Mr. Yu Kwok Leung *(resigned on 20 May 2021)*	2/2

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. Leung Chu Tung and Ms. Zhu Weili, 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; and

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

During the year ended 31 December 2021, four Nomination Committees' meetings were held and the attendance records are as follows:

Name of Directors	Meetings attended/ Meetings held during his/her tenure
Independent Non-executive Directors	
Mr. Liang Chi *(Chairman)*	4/4
Mr. Leung Chu Tung *(appointed on 14 May 2021)*	2/2
Ms. Zhu Weili *(appointed on 20 May 2021)*	2/2
Mr. Ho Ka Chun *(resigned on 14 May 2021)*	2/2
Mr. Yu Kwok Leung *(resigned on 20 May 2021)*	2/2

Audit Committee

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

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

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

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

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

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

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

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

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

Two Audit Committee meetings were held during the year ended 31 December 2021 to discuss and review the consolidated interim results and annual results of the Group and to plan for the 2021 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) entered into 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 2021 had complied with applicable accounting standards and the Listing Rules and that adequate disclosures have been made. There is no disagreement between the Directors and the Audit Committee regarding the selection and appointment of the external auditor. The Audit Committee has recommended to the Board that Ernst & Young be nominated for re-appointment as the independent auditor of the Company at forthcoming annual general meeting of the Company.

During the year ended 31 December 2021, the attendance record of the Audit Committees' meetings of each member are set out below:

Name of Directors	**Meetings attended/ Meetings held during his/her tenure**
Independent Non-executive Directors	
Mr. Leung Chu Tung *(Chairman) (appointed on 14 May 2021)*	1/1
Mr. Liang Chi	2/2
Ms. Zhu Weili *(appointed on 20 May 2021)*	1/1
Mr. Ho Ka Chun *(resigned on 14 May 2021)*	1/1
Mr. Yu Kwok Leung *(resigned on 20 May 2021)*	1/1

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 2021, the Board was not aware of any material uncertainties relating to events or conditions that might cast significant doubt upon the Group's ability to continue as a going concern. The Directors believed that they have selected suitable accounting policies and applied the consistently, made judgement and estimates that are prudent and reasonable and ensured the consolidated financial statements are prepared on a going concern basis.

The responsibility of the external auditor is to form an independent opinion based on their audit on the consolidated financial statements prepared by the Board and to report their opinion to the Shareholders. The independent auditor's report by external auditor, Ernst & Young, about their reporting responsibility on the consolidated financial statements of the Group is set out in the independent auditor's report on pages 81 to 86 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. During the year ended 31 December 2021, all Directors, namely Ms. Ding Xinyun, Ms. Li Yi, Mr. Leung Chu Tung, Ms. Zhu Weili, Mr. Liang Chi and Ms. Zhang Shuo 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

Ms. Mok Ming Wai ("**Ms. Mok**") was appointed as the company secretary of the Company on 26 April 2021, she worked and communicated closely with Ms. Li Yi, an executive Director of the Company. Please refer to the section "Biographical details of Directors and Senior Management" in this annual report for her biographical information. During the year ended 31 December 2021, Ms. Mok 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 2021, 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	1,120
Non-audit services	170

RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

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

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

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

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

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

As the corporate and operation structure of the Group is relatively not complex and a separate internal audit department may divert resources of the Group, the Group currently does not have an internal audit department. However, the Group engaged an external internal control consultant, BT Corporate Governance Limited, to conduct a review on the internal control system of the Group during the year ended 31 December 2021. The review covered certain operational procedures and included recommendations for improvement and strengthening of the internal control system of the Group. No significant control failings or weakness have been identified by the external internal control consultant during the review.

The Board has conducted a review of the effectiveness of the internal control system for the year ended 31 December 2021 and considered the internal control system effective and adequate and no significant areas of concern which might affect shareholders were identified.

Handling and Dissemination of Inside Information

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

DIVIDEND POLICY

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

(a) the financial results of the Group;

(b) the Shareholders' interests of the Company;

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

(d) the Group's capital requirements;

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

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

(g) other factors the Board may deem relevant.

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

COMMUNICATION WITH AND RIGHTS OF THE SHAREHOLDERS

Communications with the Shareholders and Investor Relations

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

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

During the year ended 31 December 2021, there were 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 page 87, which comprise the consolidated statement of financial position as at 31 December 2021, 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 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

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

KEY AUDIT MATTERS *(Continued)*

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of trade receivables	
As at 31 December 2021, the carrying value of trade receivables amounted to RMB130,749,000, for which loss allowance of RMB1,739,000 was recorded. Management applied judgement in assessing the expected credit losses ("ECLs"). ECLs are estimated by assessing the likelihood of recovery, taking into account the nature of customers and ageing category and applying expected credit loss rates ("ECLs rates") to the respective gross carrying amounts of the receivables. The ECL rates are determined based on historical credit loss experience and are adjusted to reflect current and forward-looking information such as macroeconomic factors affecting the ability of the customers to settle the receivables. We focused on this area due to the magnitude of the trade receivables and the estimation and judgement involved in determining the expected credit loss allowance for the trade receivables. The Group's disclosures about the 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 the following: We obtained an understanding of internal controls of impairment assessment of trade receivables and discussed with management on the estimates on ECL; We tested aging of trade receivables by comparing individual items in the analysis, on sample basis, to historical billing and collection information; We evaluated the 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; and We also read and assessed the adequacy of relevant disclosures made in the financial statements in relation to impairment assessment of trade receivables.

KEY AUDIT MATTERS *(Continued)*

Key audit matter

Goodwill impairment assessment

The Group had goodwill amounting to RMB6,217,000 as at 31 December 2021 arising from the acquisition of Shenzhen Heweiteng Technology Limited in 2020, which was significant to the consolidated financial statements.

In the impairment test of goodwill, the management calculated the recoverable amount of cash-generating unit, which is the higher of the fair value less costs of disposal and the value in use. The calculation of the recoverable amount involved significant judgements and assumptions, such as revenue growth rate, gross margins, discount rate, etc., which may be affected by unexpected future market or economic conditions.

The Group's disclosures about goodwill impairment assessment are included in note 2.4, note 3 and note 15 to the financial statements.

How our audit addressed the key audit matter

For goodwill impairment assessment, our audit procedures included the following:

We obtained an understanding of internal controls of goodwill impairment assessment and discussed with management on the impairment test model;

We involved our internal valuation specialists to assist us in evaluating the assumptions and the methodologies used by management, in particular, the discount rate and the long-term growth rate;

We assessed the reasonableness of the assumptions and parameters used in the impairment test by comparing the forecasts with the historical performance of the respective cash-generating unit, reviewing the business development plan and corroborating the assumptions with current market trend.

We checked the mathematical accuracy of the management's recoverable amount calculations in the impairment assessment; and

We also read and assessed the adequacy of relevant disclosures made in the financial statements.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Choi, Wai Wing.

Ernst & Young
Certified Public Accountants

Hong Kong
18 March 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
REVENUE	5	**800,510**	690,717
Cost of sales		**(698,502)**	(619,413)
Gross profit		**102,008**	71,304
Other income and gains	5	**4,875**	6,729
Selling and distribution expenses		**(25,028)**	(14,282)
Administrative expenses		**(25,192)**	(23,499)
Research and development expenses	6	**(35,023)**	(19,778)
Other expenses		**(31)**	(147)
Impairment losses on financial and contract asset, net	6	**(655)**	(188)
Finance costs	7	**(287)**	(406)
Share of loss of an associate	6	**(207)**	(467)
PROFIT BEFORE TAX	6	**20,460**	19,266
Income tax expense	10	**(1,026)**	(3,241)
PROFIT FOR THE YEAR		**19,434**	16,025
Attributable to:			
Owners of the parent		**19,434**	16,025
		19,434	16,025
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	12		
Basic and diluted			
– For profit for the year		**RMB0.97 cents**	RMB0.88 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2021

	2021 RMB'000	2020 RMB'000
PROFIT FOR THE YEAR	**19,434**	16,025
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on currency translation	**126**	402
Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods:		
Exchange differences on currency translation of the parent	**(2,052)**	(6,548)
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX	**(1,926)**	(6,146)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**17,508**	9,879
Attributable to:		
Owners of the parent	**17,508**	9,879
	17,508	9,879

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2021

	Notes	31 December 2021 RMB'000	31 December 2020 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**858**	1,229
Right-of-use assets	14	**7,027**	9,817
Goodwill	15	**6,217**	6,217
Other intangible assets	16	**788**	1,008
Investment in an associate	17	**454**	661
Deferred tax assets	27	**594**	330
Total non-current assets		**15,938**	19,262
CURRENT ASSETS			
Inventories	18	**54,312**	60,393
Trade and bills receivables	19	**140,875**	133,364
Prepayments, deposits and other receivables	20	**15,486**	10,624
Contract assets	21	**3,455**	3,246
Time deposits and pledged deposits	22	**25,364**	35,689
Cash and cash equivalents	22	**120,756**	105,313
Total current assets		**360,248**	348,629
CURRENT LIABILITIES			
Trade payables	23	**123,326**	141,235
Other payables and accruals	24	**9,762**	11,202
Contract liabilities	25	**22,888**	11,938
Interest-bearing bank borrowings	26	**–**	2
Lease liabilities	14	**4,421**	3,944
Tax payable		**5,312**	5,037
Total current liabilities		**165,709**	173,358
NET CURRENT ASSETS		**194,539**	175,271
TOTAL ASSETS LESS CURRENT LIABILITIES		**210,477**	194,533

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2021

	Notes	**31 December 2021 RMB'000**	31 December 2020 RMB'000
NON-CURRENT LIABILITIES			
Lease liabilities	14	**1,876**	3,385
Deferred tax liabilities	27	**197**	252
Total non-current liabilities		**2,073**	3,637
Net assets		**208,404**	190,896
EQUITY			
Equity attributable to owners of the parent			
Share capital	28	**18,289**	18,289
Reserves	29	**190,115**	172,607
Total equity		**208,404**	190,896

Ms. Ding Xinyun
Director

Ms. Li Yi
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2021

	Attributable to owners of the parent								
	Share capital RMB'000 (note 28)	Other capital reserve RMB'000 (note 29(ii))	Share premium reserve RMB'000 (note 29(iii))	Statutory surplus reserve RMB'000 (note 29(iv))	Merge reserve RMB'000 (note 29(v))	Exchange fluctuation reserve RMB'000 (note 29(vi))	Retained profits RMB'000	Total RMB'000	Total equity RMB'000
At 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	18,289	(1,152)#	81,273#	12,157#	28,877#	(6,051)#	57,503#	190,896	190,896
At 31 December 2020# and 1 January 2021	**18,289**	**(1,152)#**	**81,273#**	**12,157#**	**28,877#**	**(6,051)#**	**57,503#**	**190,896**	**190,896**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**19,434**	**19,434**	**19,434**
Other comprehensive loss for the year:									
Exchange differences on currency translation	**–**	**–**	**–**	**–**	**–**	**(1,926)**	**–**	**(1,926)**	**(1,926)**
Total comprehensive income/(loss) for the year	**–**	**–**	**–**	**–**	**–**	**(1,926)**	**19,434**	**17,508**	**17,508**
Transfer from retained profits	**–**	**–**	**–**	**2,579**	**–**	**–**	**(2,579)**	**–**	**–**
At 31 December 2021	**18,289**	**(1,152)#**	**81,273#**	**14,736#**	**28,877#**	**(7,977)#**	**74,358#**	**208,404**	**208,404**

* The amount is less than RMB500.

\# These reserve accounts comprise the consolidated reserves of RMB190,115,000 (2020: RMB172,607,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**20,460**	19,266
Adjustments for:			
Depreciation of property, plant and equipment	13	**542**	559
Depreciation of right-of-use assets	14	**4,295**	3,589
Investment income on financial assets at fair value through profit or loss	6	**(587)**	(45)
Share of loss of an associate	17	**207**	467
Bank interest income		**(792)**	(327)
Recognition of impairment loss on financial and contract asset, net	6	**655**	188
Covid-19-related rent concessions from lessors	14	**–**	(974)
Amortisation of other intangible assets	16	**220**	92
Foreign exchange losses/(gains), net		**(642)**	–
Finance costs	7	**287**	406
		24,645	23,221
Decrease/(increase) in inventories		**6,081**	(22,165)
Increase in trade and bills receivables		**(8,152)**	(32,396)
Increase in prepayments, deposits and other receivables		**(4,862)**	(1,737)
Increase/(decrease) in contract assets		**(223)**	11,443
Decrease/(increase) in trade payables		**(17,909)**	58,838
Decrease/(increase) in other payables and accruals		**(1,440)**	3,574
Increase in contract liabilities		**10,950**	6,681
Decrease/(increase) in pledged deposits		**6,502**	(9,531)
Cash generated from operations		**15,592**	37,928
Income tax paid		**(1,070)**	(2,274)
Net cash flows from operating activities		**14,522**	35,654

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(171)**	(431)
Additions of financial assets at fair value through profit or loss		**(40,000)**	(5,000)
Proceeds from disposal of financial assets at fair value through profit or loss		**40,587**	5,045
Acquisition of a subsidiary		**–**	(7,483)
Interest received		**792**	327
Proceeds from redemption of time deposits		**20,187**	3,280
Additions of time deposits		**(16,364)**	(20,062)
Net cash flows from/(used in) investing activities		**5,031**	(24,324)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares of the Company		**–**	114,305
Share issue expenses		**–**	(29,549)
New bank loans		**–**	15,013
Repayment of bank loans		**(2)**	(20,663)
Principal and interest elements of lease payments	30(c)	**(2,824)**	(2,722)
Interest paid		**–**	(147)
Net cash flows (used in)/from financing activities		**(2,826)**	76,237
NET INCREASE IN CASH AND CASH EQUIVALENTS		**16,727**	87,567
Cash and cash equivalents at the beginning of year		**105,313**	23,892
Effect of foreign exchange rate changes, net		**(1,284)**	(6,146)
CASH AND CASH EQUIVALENTS AT END OF YEAR	22	**120,756**	105,313

1. CORPORATE AND GROUP INFORMATION

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

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

In the opinion of the directors (the "Directors"), as at the date of this report, Aztec Pearl Limited, and through the Family Trust, Tricor Equity Trustee, Ms. Ding Xinyun ("Ms. Ding"), Green Leaf Development Limited ("Green Leaf") and Mr. Cai Aaron Ding ("Mr. Cai") 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	RMB10,000,000	–	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
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

1. CORPORATE AND GROUP INFORMATION *(Continued)*

Information about subsidiaries *(Continued)*

Name	Place of incorporation/ registration and business	Issued capital	Percentage of equity attributable to the Company Direct %	Indirect %	Principal activities
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.

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

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), 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 2021. 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 following revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	*Interest Rate Benchmark Reform – Phase 2*
Amendment to HKFRS 16	*Covid-19-Related Rent Concessions beyond 30 June 2021* (early adopted)

The nature and the impact of the revised HKFRSs are described below:

(a) 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 risk-free rate ("RFR"). The amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities 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 did not have any significant impact on the financial position and performance of the Group.

(b) Amendment to HKFRS 16 issued in April 2021 extends the availability of the 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 by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted.

    The Group has early adopted the amendment on 1 January 2021. During the year ended 31 December 2020, certain monthly lease payments for the leases of the Group's office premises had been reduced. However, the Group has not received Covid-19-related rent concessions during the year ended 31 December 2021 and plans to apply the practical expedient when it becomes applicable within the allowed period of application.

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*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
HKFRS 17	*Insurance Contracts*[2]
Amendments to HKFRS 17	*Insurance Contracts*[2, 5]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current*[2, 4]
Amendments to HKAS 1 and HKFRS Practice Statement 2	*Disclosure of Accounting Policies*[2]
Amendments to HKAS 8	*Definition of Accounting Estimates*[2]
Amendments to HKAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[2]
Amendments to HKAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*[1]
Amendments to HKAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*[1]
Annual Improvements to HKFRSs 2018–2020	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41[1]

1 Effective for annual periods beginning on or after 1 January 2022
2 Effective for annual periods beginning on or after 1 January 2023
3 No mandatory effective date yet determined but available for adoption
4 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
5 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.

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 resulting from a downstream transaction 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 *Classification of Liabilities as Current or Non-current* 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 1 *Disclosure of Accounting Policies* require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. Amendments to HKAS 1 are effective for annual periods beginning on or after 1 January 2023 and earlier application is permitted. Since the guidance provided in the amendments to HKFRS Practice Statement 2 is non-mandatory, an effective date for these amendments is not necessary. The Group is currently assessing the impact of the amendments on the Group's accounting policy disclosures.

Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

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

Amendments to HKAS 12 narrow the scope of the initial recognition exception so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset and a deferred tax liability for temporary differences arising from these transactions. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained profits or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations. 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments in associates *(Continued)*

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations and goodwill *(Continued)*

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, 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 and 20%

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

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

Intangible assets (other than goodwill)

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

Software copyrights

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

Research and development costs

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

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

Leases

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

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	2 to 3 years
Residence property	20 years

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

(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.

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 staff dormitory (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option).

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

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.

Derecognition of financial assets

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

- the rights to receive cash flows from the asset have expired; or

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets *(Continued)*

Derecognition of financial assets *(Continued)*

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, lease liability and interest-bearing bank borrowings.

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. 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. Each of the multiple deliverables is sold at the standalone selling price specified in the contract.

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

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

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

– *Cloud services:*

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

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

Revenue from the provision of cloud solution services in relation to annual/monthly subscription fee for cloud-related software used under the cloud platforms is generally recognized 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 contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

Borrowing costs

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

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies *(Continued)*

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.

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

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

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

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

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 2021 was RMB6,217,000 (2020: RMB6,217,000). Further details are given in note 15.

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 of customers.

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

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

Leases – Estimating the incremental borrowing rate

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

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The amount of unrecognised tax losses at 31 December 2021 was RMB3,959,000 (2020: RMB1,423,000). 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 product vendors and installing these IT products in customers' IT environment.

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

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

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

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 2021			
	IT infrastructure services RMB'000	IT implementation and supporting services RMB'000	Cloud services RMB'000	Total RMB'000
Reportable segment revenue	352,807	188,567	259,136	800,510
Reportable segment cost of sales	(311,574)	(160,527)	(226,401)	(698,502)
Reportable segment gross profit	41,233	28,040	32,735	102,008

4. OPERATING SEGMENT INFORMATION *(Continued)*

	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

Geographical information

(a) Revenue from external customers

	2021 RMB'000	2020 RMB'000
Mainland China	**795,649**	680,944
Hong Kong	**4,861**	9,773
	800,510	690,717

(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 RMB176,228,000 (2020: RMB215,131,000) 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:

	2021 **RMB'000**	2020 RMB'000
Revenue from contracts with customers	**800,510**	690,717

Revenue from contracts with customers

(a) Disaggregated revenue information

For the year ended 31 December 2021

Segments	**IT infrastructure services RMB'000**	**IT implementation and supporting services RMB'000**	**Cloud services RMB'000**	**Total RMB'000**
Types of goods or services				
Sale of software and/or hardware products and related services	**352,807**	**–**	**–**	**352,807**
Sale of solution-based software and/or hardware products and related services	**–**	**103,022**	**233,754**	**336,776**
IT supporting and maintenance services	**–**	**8,785**	**–**	**8,785**
IT design and implementation services	**–**	**76,760**	**–**	**76,760**
Cloud solution services	**–**	**–**	**19,826**	**19,826**
Cloud platform design services	**–**	**–**	**5,556**	**5,556**
Total revenue from contracts with customers	**352,807**	**188,567**	**259,136**	**800,510**
Geographical markets				
Mainland China	**347,946**	**188,567**	**259,136**	**795,649**
Hong Kong	**4,861**	**–**	**–**	**4,861**
Total revenue from contracts with customers	**352,807**	**188,567**	**259,136**	**800,510**
Timing of revenue recognition				
Services transferred over time	**–**	**85,545**	**25,382**	**110,927**
Services transferred at a point in time	**352,807**	**103,022**	**233,754**	**689,583**
Total revenue from contracts with customers	**352,807**	**188,567**	**259,136**	**800,510**

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

Revenue from contracts with customers *(Continued)*

(a) ***Disaggregated revenue information*** *(Continued)*

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				
Sale of software and/or hardware products and related services	338,362	–	–	338,362
Sale of solution-based software and/or hardware products and related services	–	116,146	112,493	228,639
IT supporting and maintenance services	–	9,399	–	9,399
IT design and implementation services	–	24,794	–	24,794
Cloud solution services	–	–	13,007	13,007
Cloud platform design services	–	–	76,516	76,516
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)*

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:

	2021	2020
	RMB'000	RMB'000
Revenue recognised that was included in the contract liabilities at the beginning of the reporting period:		
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

(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.

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

Revenue from contracts with customers *(Continued)*

(b) Performance obligations *(Continued)*

IT supporting and maintenance services

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

Cloud solution services

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

IT design and implementation services and cloud platform design services

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

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

	2021	2020
	RMB'000	RMB'000
Amounts expected to be recognised as revenue:		
Within one year	**82,337**	41,848
More than one year	**178,820**	210,745
	261,157	252,593

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

Revenue from contracts with customers *(Continued)*

(b) ***Performance obligations*** *(Continued)*

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

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

	2021 **RMB'000**	2020 RMB'000
Other income		
Bank interest income	**792**	327
Government grants – related to income*	**2,738**	5,247
Investment income from financial assets at fair value through profit or loss	**587**	–
	4,117	5,574
Gains		
Foreign exchange gains, net	**642**	1,072
Gain on financial assets at fair value through profit or loss	**–**	45
Others	**116**	38
	758	1,155
	4,875	6,729

* 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	2021 RMB'000	2020 RMB'000
Cost of inventories sold		**450,789**	414,268
Cost of services provided		**247,713**	205,145
Depreciation of property, plant and equipment	13	**542**	559
Depreciation of right-of-use assets	14	**4,295**	3,589
Amortisation of other intangible assets	16	**220**	92
Auditor's remuneration		**1,120**	1,226
Lease payments not included in the measurement of lease liabilities	30(c)	**611**	154
Listing expense		**–**	7,675
Research and development expenses		**35,023**	19,778
Employee benefit expense (including Directors' remuneration (note 8)):			
Wages and salaries		**34,569**	30,951
Pension scheme contributions**		**5,304**	402
		39,873	31,353
Foreign exchange differences, net*	5	**(642)**	(1,072)
Recognition of impairment losses on trade and bills receivables	19	**642**	268
Recognition/(reversal) of impairment losses on contract assets	21	**14**	(80)
Investment income on financial assets at fair value through profit or loss*	5	**(587)**	(45)
Share of losses of an associate	17	**207**	467

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

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

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2021 RMB'000	2020 RMB'000
Interest on bank loans	**–**	147
Interest on lease liabilities	**287**	259
	287	406

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:

	2021	2020
	RMB'000	RMB'000
Fees	**1,481**	914
Other emoluments:		
Salaries, allowances and benefits in kind	**2,116**	1,629
Pension scheme contributions	**57**	16
Total	**3,654**	2,559

(a) Independent non-executive directors

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

	2021	2020
	RMB'000	RMB'000
Mr. Yu Kwok Leung (resigned)	**–**	68
Mr. Ho Ka Chun (resigned)	**–**	68
Mr. Liang Chi	**100**	68
Mr. Leung Chu Tung	**63**	–
Ms. Zhu Wei Li	**56**	–
Ms. Zhang Shuo	**50**	–
	269	204

There were no other emoluments payable to the independent non-executive directors during the year (2020: Nil).

Mr. Leung Chu Tung, Ms. Zhu Wei Li and Ms. Zhang Shuo were newly appointed as non-executive directors on 14 May 2021, 20 May 2021 and 25 June 2021 respectively.

8. DIRECTORS' REMUNERATION *(Continued)*

(b) Executive directors

2021	**Fees RMB'000**	**Salaries, allowances, and benefits in kind RMB'000**	**Pension scheme contributions RMB'000**	**Total remuneration RMB'000**
Ms. Ding Xinyun	**589**	**117**	**3**	**709**
Ms. Li Yi	**249**	**369**	**20**	**638**
Mr. Ling Yunzhi (resigned)	**187**	**470**	**13**	**670**
Ms. Peng Dongping (resigned)	**187**	**1,160**	**21**	**1,368**
	1,212	**2,116**	**57**	**3,385**

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

Ms. Peng Dongping and Mr. Ling Yunzhi resigned as executive director of the Company on 30 September 2021.

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 (2020: two directors), details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining three (2020: three) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2021 RMB'000	2020 RMB'000
Salaries, allowances and benefits in kind	2,647	2,667
Pension scheme contributions	60	14
	2,707	2,681

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

	Number of employees 2021	2020
Nil to HK$1,000,000	2	2
HK$1,000,001 to HK$1,500,000	1	1
	3	3

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

10. INCOME TAX EXPENSE

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

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

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

Hong Kong profits tax has been provided at the rate of 16.5% (2020: 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 (2020: HK$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (2020: 8.25%) and the remaining assessable profits are taxed at 16.5% (2020: 16.5%).

10. INCOME TAX EXPENSE *(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% (2020: 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% (2020: 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 15% (2020: 15%). Under the 2021 tax regime of Micro and Small Companies, Dongguan Eden, Shenzhen Yundeng and Shenzhen Heweiteng are entitled to a preferential tax rate of 5% (2020: 5%) for the first RMB1,000,000 of assessable profits and the remaining assessable profits below RMB3,000,000 are taxed at 10% (2020: 10%).

	2021 **RMB'000**	2020 RMB'000
Current – PRC		
– charge for the year	**1,345**	3,063
Current – Hong Kong		
– charge for the year	**–**	292
Deferred (note 27)	**(319)**	(114)
Total tax charge for the year	**1,026**	3,241

10. INCOME TAX EXPENSE *(Continued)*

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:

	2021		2020	
	RMB'000	**%**	RMB'000	%
Profit before tax	**20,460**		19,266	
Tax at the statutory tax rate	**6,231**	**30.5**	6,785	35.2
Entities subject to lower statutory income tax rates	**(2,149)**	**(10.5)**	(2,480)	(12.9)
Losses attributable to associates	**31**	**0.2**	70	0.4
Additional deduction for research and development expense	**(3,271)**	**(16.0)**	(1,221)	(6.3)
Expenses not deductible for tax	**120**	**0.6**	25	0.1
Tax losses utilised from previous periods	**(26)**	**(0.1)**	–	–
Adjustments in respect of current tax of previous periods	**(100)**	**(0.5)**	–	–
Tax losses not recognised	**190**	**0.9**	67	0.3
Tax charge at the Group's effective tax rate	**1,026**	**5.0**	3,241	16.8

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

As at 31 December 2021, no deferred tax (2020: Nil) has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the Directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amounts of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately RMB92,974,000 (2020: RMB71,141,000).

11. DIVIDENDS

The board proposed a final dividend in respect of year ended 31 December 2021 of HK0.18 cent (2020: Nil) per ordinary share, the final number of ordinary shares subject to the approval of the Company's shareholders at the forthcoming annual general meeting. This proposed dividend is not reflected as dividend payable in the consolidated financial statements.

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 attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 2,000,000,000 (2020: 1,818,306,011) in issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2021 and 2020.

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

	2021 **RMB'000**	2020 RMB'000
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	**19,434**	16,025

	Number of shares	
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**2,000,000,000**	1,818,306,011

13. PROPERTY, PLANT AND EQUIPMENT

	Office and other equipment RMB'000	Motor vehicles RMB'000	Leasehold improvements RMB'000	Total RMB'000
31 December 2021				
At 1 January 2021:				
Cost	1,561	611	1,861	4,033
Accumulated depreciation	(897)	(360)	(1,547)	(2,804)
Net carrying amount	664	251	314	1,229
At 1 January 2021, net of accumulated depreciation	664	251	314	1,229
Additions	171	–	–	171
Depreciation provided during the year (note 6)	(170)	(58)	(314)	(542)
At 31 December 2021, net of accumulated depreciation	665	193	–	858
At 31 December 2021:				
Cost	1,732	611	1,861	4,204
Accumulated depreciation	(1,067)	(418)	(1,861)	(3,346)
Net carrying amount	665	193	–	858

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 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

14. LEASES

The Group as a lessee

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

(a) Right-of-use assets

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

	Office premises RMB'000	**Residence property** RMB'000	**Total** RMB'000
As at 1 January 2020	4,780	3,303	8,083
Additions	5,323	–	5,323
Depreciation charge	(3,397)	(192)	(3,589)
As at 31 December 2020 and 1 January 2021	6,706	3,111	9,817
Additions	1,505	–	1,505
Depreciation charge	(4,103)	(192)	(4,295)
As at 31 December 2021	4,108	2,919	7,027

(b) Lease liabilities

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

	2021 **RMB'000**	2020 RMB'000
Carrying amount at 1 January	**7,329**	5,443
New leases	**1,505**	5,323
Accretion of interest recognised during the year	**287**	259
Covid-19-related rent concessions from lessors	**–**	(974)
Payments	**(2,824)**	(2,722)
Carrying amount at 31 December	**6,297**	7,329
Analysed into:		
Current portion	**4,421**	3,944
Non-current portion	**1,876**	3,385

The maturity analysis of lease liabilities is disclosed in note 35 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:

	2021 RMB'000	2020 RMB'000
Interest on lease liabilities	**287**	259
Depreciation charge of right-of-use assets	**4,295**	3,589
Expense relating to short-term leases (included in administrative expenses)	**611**	154
COVID-19-related rent concessions from lessors	**–**	(974)
Total amount recognised in profit or loss	**5,193**	3,028

(d) The total cash outflow for leases is disclosed in note 30(c) to the financial statements.

15. GOODWILL

	RMB'000
Cost at 1 January 2020, net of accumulated impairment	–
Acquisition of a subsidiary	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
Cost at 1 January 2021, net of accumulated impairment	**6,217**
Impairment during the year	**–**
Cost and net carrying amount at 31 December 2021	**6,217**
At 31 December 2021	
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 20.7% (2020: 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 2021. 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 2021	
Cost at 1 January 2021, net of accumulated amortisation	**1,008**
Amortisation provided during the year (note 6)	**(220)**
At 31 December 2021	**788**
At 31 December 2021:	
Cost	**1,100**
Accumulated amortisation	**(312)**
Net carrying amount	**788**
31 December 2020	
Cost at 1 January 2020, net of accumulated amortisation	–
Acquisition of subsidiaries	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

	2021	2020
	RMB'000	RMB'000
Share of net assets	**454**	661

Particulars of the associate of the Company are as follows:

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

	2021	2020
	RMB'000	RMB'000
Share of the associate's loss for the year	**(207)**	(467)
Share of the associate's total comprehensive loss	**(207)**	(467)
Aggregate carrying amount of the Group's investment in the associate	**454**	661

18. INVENTORIES

	2021	2020
	RMB'000	RMB'000
Commodity products	**54,312**	60,393

19. TRADE AND BILLS RECEIVABLES

	2021 RMB'000	2020 RMB'000
Trade receivables	**132,488**	121,746
Impairment	**(1,739)**	(1,097)
Trade receivables, net	**130,749**	120,649
Bills receivable	**10,126**	12,715
	140,875	133,364

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 2020 and 2021, certain of the Group's interest-bearing bank borrowings were secured by the Group's trade and bills receivables with carrying values of RMB2,000 and nil, respectively. Trade and bills receivables are non-interest-bearing, and the carrying amounts of the trade and bills receivables approximate to their fair values.

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

	2021 RMB'000	2020 RMB'000
Within 6 months	**127,002**	105,697
6 to 12 months	**3,697**	10,630
Over 12 months	**1,789**	5,419
	132,488	121,746

19. TRADE AND BILLS RECEIVABLES *(Continued)*

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

	2021	2020
	RMB'000	RMB'000
At beginning of year	**1,097**	829
Impairment losses	**642**	268
At end of year	**1,739**	1,097

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

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

		Ageing		
	Less than 6 months	**6 to 12 months**	**Over 12 months**	**Total**
As at 31 December 2021				
Expected credit loss rate	**1.18%**	**3.93%**	**5.13%**	**1.31%**
Gross carrying amount (RMB'000)	**127,002**	**3,697**	**1,789**	**132,488**
Expected credit losses (RMB'000)	**1,502**	**145**	**92**	**1,739**
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

20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2021 RMB'000	2020 RMB'000
Prepayments	**11,769**	4,837
Deposits and other receivables	**3,717**	5,787
	15,486	10,624

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 2021 and 2020, the loss allowance was assessed to be minimal.

21. CONTRACT ASSETS

	31 December 2021 RMB'000	31 December 2020 RMB'000	1 January 2020 RMB'000
Contract assets arising from			
IT implementation and supporting services	**3,492**	3,269	14,712
Impairment	**(37)**	(23)	(103)
	3,455	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 the implementation of IT solutions. Upon completion of the implementation and acceptance by the customer, the amounts recognised as contract assets are reclassified to trade receivables. The increase in contract assets in 2021 was the result of the increase in the ongoing provision of IT implementation and supporting services at the end of the years. The decrease in contract assets during the year ended 31 December 2020 was mainly due to 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:

	2021 RMB'000	2020 RMB'000
Within one year	**3,455**	3,246

21. CONTRACT ASSETS *(Continued)*

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

	2021	2020
	RMB'000	RMB'000
At beginning of year	**23**	103
Impairment losses, net	**14**	(80)
At end of year	**37**	23

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

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

	2021	2020
Expected credit loss rate	**1.06%**	0.70%
Gross carrying amount (RMB'000)	**3,492**	3,269
Expected credit losses (RMB'000)	**37**	23

22. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	2021 RMB'000	2020 RMB'000
Cash and bank balances	**129,756**	112,384
Time deposits	**16,364**	28,618
Less:		
Time deposits with original maturity of over three months	**(16,364)**	(20,187)
Pledged deposit for letters of guarantee	**(9,000)**	(15,500)
Pledged deposit for factoring loans	**–**	(2)
Cash and cash equivalents	**120,756**	105,313

Cash and cash equivalents denominated in:

	2021 RMB'000	2020 RMB'000
RMB	**80,468**	49,499
US$	**16,231**	16,197
HK$	**24,029**	39,585
EUR	**28**	32
Cash and cash equivalents	**120,756**	105,313

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 are deposited with creditworthy banks with no recent history of default.

As at 31 December 2020 and 31 December 2021, cash and cash equivalents of the Group were considered to be of low credit risk, and thus the Group has assessed that the ECL for cash and cash equivalents is immaterial under the 12-month expected credit loss method.

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:

	2021 RMB'000	2020 RMB'000
Within 30 days	**113,259**	130,809
31 to 60 days	**6,873**	7,336
61 to 90 days	**567**	87
Over 90 days	**2,627**	3,003
	123,326	141,235

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

	2021 RMB'000	2020 RMB'000
Salary and welfare payables	**6,813**	4,280
Other payables and accruals	**2,949**	6,915
Accrued interest	**–**	7
	9,762	11,202

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

25. CONTRACT LIABILITIES

	31 December 2021 RMB'000	31 December 2020 RMB'000	1 January 2020 RMB'000
Short-term advances received from customers			
IT infrastructure services	**7,300**	2,558	2,039
IT implementation and supporting services	**10,994**	7,050	1,693
Cloud services	**4,594**	2,330	1,525
	22,888	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 2021 and 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

	2021			2020		
	Contractual interest rate (%)	**Maturity**	**RMB'000**	Contractual interest rate (%)	Maturity	RMB'000
Current						
Bank loans – secured	–	–	–	LPR+1.805%	2021	2
			–			2

	2021	2020
	RMB'000	RMB'000
Analysed into:		
Bank loans:		
Within one year	–	2

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 bank borrowings amounting to nil (2020: RMB2,000) were secured by trade and bills receivables of the Group amounting to nil (2020: RMB2,000) as at 31 December 2021 (Note 19).

The Group's interest-bearing bank borrowings amounting to nil (2020: RMB2,000) were secured by pledged deposits of the Group amounting to nil (2020: RMB2,000) as at 31 December 2021 (Note 22).

The Group's banking facilities amounting to RMB100,000,000 and RMB120,000,000 as at 31 December 2020 and 2021 were guaranteed by Ms. Ding Xinyun, the controlling shareholder of the Group, of which RMB55,000,000 and RMB40,000,000 have been utilised for letters of guarantee.

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	Right-of use assets RMB'000	Total RMB'000
At 1 January 2020	275	1,212	1,487
Deferred tax charged to the statement of profit or loss during the year (note 10)	(23)	(206)	(229)
Gross deferred tax liabilities at 31 December 2020 and 1 January 2021	252	1,006	1,258
Deferred tax credited to the statement of profit or loss during the year (note 10)	(55)	(389)	(444)
At 31 December 2021	197	617	814

Deferred tax assets

	Impairment of financial and contract assets RMB'000	Leases Liabilities RMB'000	Total RMB'000
At 1 January 2020	140	1,223	1,363
Deferred tax credited to the statement of profit or loss during the year (note 10)	28	(55)	(27)
Gross deferred tax assets at 31 December 2020 and 1 January 2021	168	1,168	1,336
Deferred tax credited to the statement of profit or loss during the year (note 10)	98	(223)	(125)
At 31 December 2021	266	945	1,211

27. DEFERRED TAX *(Continued)*

Deferred tax assets *(Continued)*

For presentation purposes, certain deferred tax assets and liabilities have been offset in the statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	2021	2020
	RMB'000	RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	**594**	330
Net deferred tax liabilities recognised in the consolidated statement of financial position	**197**	252

The Group has tax losses arising in Mainland China of RMB2,815,000 (2020: RMB1,423,000) 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 RMB1,144,000 (2020: 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.

28. SHARE CAPITAL

	2021	2020
	RMB'000	RMB'000
Issued and fully paid:		
2,000,000,000 (2020: 2,000,000,000) ordinary shares	**18,289**	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$0.01 each**	**Nominal value of ordinary shares** HK$'000	**Nominal value of ordinary shares** RMB'000
At 1 January 2020		2	0.02	–
Capitalisation Issue	(a)	1,499,999,998	15,000	13,717
Issuance of ordinary shares upon listing	(b)	500,000,000	5,000	4,572
At 31 December 2020		2,000,000,000	20,000	18,289
At 31 December 2021		2,000,000,000	20,000	18,289

Notes:

(a) 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.

(b) 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 page 91 of the financial statements.

(ii) Other capital reserve of the Group mainly arises from transactions undertaken with non-controlling interests.

(iii) Share premium reserve represents the difference between the par value of the shares issued and the consideration received.

29. RESERVES *(Continued)*

(iv) In accordance with the PRC Company Law, the PRC subsidiaries of the Group are required to allocate 10% of their profit after tax to the statutory surplus reserve (the "SSR") until such reserve reaches 50% of the registered capital of the PRC subsidiaries. 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 subsidiaries, provided that the remaining balance after the capitalisation is not less than 25% of the registered capital.

(v) Merge reserve of the Group represents the issued capital of the then holding company of the companies now comprising the Group and the capital contributions from the equity holders of certain subsidiaries now comprising the Group before the completion of the reorganisation.

(vi) The exchange fluctuation reserve comprises all foreign exchange differences arising from the translation of the financial statements of companies outside Mainland China. The reserve is dealt with in accordance with the accounting policy set out in note 2.4 to the financial statements.

30. 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 RMB1,505,000 (2020: RMB5,323,000) and RMB1,505,000 (2020: RMB5,323,000), respectively, in respect of lease arrangements for buildings used in its operations.

(b) Changes in liabilities arising from financing activities

2021

	Bank borrowings RMB'000	Lease liabilities RMB'000
At 1 January 2021	2	7,329
Proceeds from loans and borrowings	–	–
Additions to lease liabilities	–	1,505
Accretion of interest expenses (note 7)	–	287
Repayment of interest expenses	–	(287)
Repayment of loans and borrowings	(2)	–
Principal elements of lease payments	–	(2,537)
At 31 December 2021	–	6,297

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

(b) Changes in liabilities arising from financing activities *(Continued)*

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

(c) Total cash outflow for leases

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

	2021 RMB'000	2020 RMB'000
Within operating activities	**611**	154
Within financing activities	**2,762**	2,722
	3,373	2,876

31. 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.

32. 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:

	2021	2020
	RMB'000	RMB'000
An associate:		
Sales of products*	**–**	1,214

(2) Other transactions with a related party:

	2021	2020
	RMB'000	RMB'000
Banking facilities and borrowings guaranteed by:		
Ms. Ding Xinyun**	**120,000**	100,000

The Group's banking facilities amounting to RMB40,000,000 (2020: RMB55,000,000) have been utilized for letter of guarantee at 31 December 2021.

32. RELATED PARTY TRANSACTIONS *(Continued)*

(3) Balances with a related party

	2021 RMB'000	2020 RMB'000
Due from an associate:		
Fuzhou Donghu***	**–**	200

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

	2021 RMB'000	2020 RMB'000
Salaries, allowances and benefits in kind	**3,970**	2,879
Pension scheme contributions	**76**	21
	4,046	2,900

* The sales to the associate were 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.

33. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

Financial assets

	Financial assets at amortised cost 2021 RMB'000	Financial assets at amortised cost 2020 RMB'000
Trade and bills receivables	**140,875**	133,364
Financial assets included in prepayments, deposits and other receivables	**3,717**	5,787
Time deposits and pledged deposits	**25,364**	35,689
Cash and cash equivalents	**120,756**	105,313
	290,712	280,153

Financial liabilities

	Financial liabilities at amortised cost 2021 RMB'000	Financial liabilities at amortised cost 2020 RMB'000
Trade payables	**123,326**	141,235
Financial liabilities included in other payables and accruals	**1,420**	2,602
Interest-bearing bank borrowings	**–**	2
Lease liabilities	**6,297**	7,329
	131,043	151,168

34. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

At 31 December 2021 and 2020, the fair values of the Group's financial assets and financial liabilities approximated to their respective carrying amounts.

Management has assessed that the fair values of cash and cash equivalents, time deposits and pledged deposits, trade and bills receivables, financial assets included in prepayments, deposits and other receivables, trade payables, financial liabilities included in other payables and accruals and interest-bearing bank borrowings approximate to their respective carrying amounts largely due to the short-term maturities of these instruments.

The Group's corporate finance team headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The corporate finance team reports directly to the chief financial officer. At each reporting date, the corporate finance team analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The fair values of the non-current portion of lease liabilities has been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The changes in fair value as a result of the Group's own non-performance risk for lease liabilities as at the end of each of the Relevant Periods were assessed to be insignificant.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing bank borrowings and cash and cash equivalents. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade and bills receivables, other receivables, trade payables, lease liabilities and other payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are foreign currency risk, credit risk and liquidity risk. The directors review and agree policies for managing each of these risks and they are summarised below.

35. 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 78% and 77% of costs were denominated in the units' functional currencies for the years ended 31 December 2021 and 2020, respectively.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the US$, HK$, EUR and GBP exchange rates, with all other variables held constant, of the Group's profit before tax (due to changes in the fair values of monetary assets and liabilities) and the Group's equity.

	Increase/ (decrease) in exchange rate	Increase/ (decrease) in profit before tax	Increase/ (decrease) in equity
	%	RMB'000	RMB'000
As at 31 December 2021			
If RMB strengthens against HK$	**5**	**(3,399)**	**(2,889)**
If RMB weakens against HK$	**(5)**	**3,399**	**2,889**
If RMB strengthens against US$	**5**	**(118)**	**(100)**
If RMB weakens against US$	**(5)**	**118**	**100**
If RMB strengthens against EUR	**5**	**3**	**3**
If RMB weakens against EUR	**(5)**	**(3)**	**(3)**
If RMB strengthens against GBP	**5**	**5**	**4**
If RMB weakens against GBP	**(5)**	**(5)**	**(4)**
As at 31 December 2020			
If RMB strengthens against HK$	5	(2,810)	(2,389)
If RMB weakens against HK$	(5)	2,810	2,389
If RMB strengthens against US$	5	(719)	(611)
If RMB weakens against US$	(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)

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.

35. 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 2021

	12-month ECLs Stage 1 RMB'000	Lifetime ECLs Simplified approach RMB'000	Total RMB'000
Trade receivables*	**–**	**132,488**	**132,488**
Bills receivable	**10,126**	**–**	**10,126**
Contract assets*	**–**	**2,771**	**2,771**
Financial assets included in prepayments, deposits and other receivables	**3,717**	**–**	**3,717**
Time deposits and pledged deposits	**25,364**	**–**	**25,364**
Cash and cash equivalents	**120,756**	**–**	**120,756**
	159,963	**135,259**	**295,222**

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
Time deposits and pledged deposits	35,689	–	35,689
Cash and cash equivalents	105,313	–	105,313
	159,504	125,015	284,519

* 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.

35. 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 2021 and 2020, based on the contractual undiscounted payments, was as follows:

	As at 31 December 2021			
	On demand RMB'000	**Less than 1 year RMB'000**	**2 to 5 years RMB'000**	**Total RMB'000**
Trade payables	**–**	**123,326**	**–**	**123,326**
Financial liabilities included in other payables and accruals	**–**	**1,420**	**–**	**1,420**
Lease liabilities	**–**	**4,552**	**1,941**	**6,493**
	–	**129,298**	**1,941**	**131,239**

	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

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 2021 and 2020.

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

Capital management *(Continued)*

The Group monitors capital using a gearing ratio, which is net debt divided by capital plus net debt. Net debt includes interest-bearing bank borrowings, lease liabilities, trade 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:

	2021	2020
	RMB'000	RMB'000
Interest-bearing bank borrowings	**–**	2
Lease liabilities	**6,297**	7,329
Trade payables	**123,326**	141,235
Financial liabilities included in other payables and accruals	**1,420**	2,602
Less: Cash and cash equivalents	**(120,756)**	(105,313)
Net debt	**10,287**	45,855
Equity attributable to owners of the parent	**207,756**	190,896
Capital and net debt	**218,043**	236,751
Gearing ratio	**5%**	19%

36. EVENTS AFTER THE REPORTING PERIOD

Adoption of Share Award Plan

The Company adopted a Share Award Plan (the "Plan") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Plan will be selected by the committee, which comprises Directors and senior management of the Group. The Plan became effective on 9 November 2021 (the "Adoption Date") and, subject to any early termination in accordance with the rules of the Plan, the Plan shall be valid and effective for a term of 10 years commencing from the Adoption Date.

According to the Plan, any Award Shares shall either be (i) existing Shares as may be purchased by the Trustee on the Stock Exchange or off the market; or (ii) new Shares to be allotted and issued to the Trustee by the Company pursuant to general mandate or specific mandate granted by Shareholders at general meeting(s) of the Company from time to time. The maximum number of Shares to be subscribed for and/or purchased by the Trustee for the purpose of the Plan shall not exceed 10% of the total number of issued Shares as at the Adoption Date (i.e. not exceed 200,000,000 Shares).

The Award Shares have not been granted to any eligible participants up to the report date.

37. 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	2021 RMB'000	2020 RMB'000
NON-CURRENT ASSETS			
Investment in a subsidiary		**9,214**	9,485
Total non-current assets		**9,214**	9,485
CURRENT ASSETS			
Prepayments, deposits and other receivables		**30,244**	8,775
Time deposits and pledged deposits		**16,364**	16,832
Cash and cash equivalents		**14,777**	41,445
Total current assets		**61,385**	67,052
CURRENT LIABILITIES			
Other payables and accruals		**2,527**	2,689
Total current liabilities		**2,527**	2,689
NET CURRENT ASSETS		**58,858**	64,363
Net assets		**68,072**	73,848
EQUITY			
Equity attributable to owners of the parent			
Share capital	28	**18,289**	18,289
Reserves		**49,783**	55,559
Total equity		**68,072**	73,848

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

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

	Share capital RMB'000	Share premium reserve RMB'000	Exchange fluctuation reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 31 December 2020 and 1 January 2021	18,289	81,273	(6,461)	(19,253)	73,848
Loss for the year	–	–	–	(3,724)	(3,724)
Other comprehensive loss for the year:					
Exchange differences on currency translation	–	–	(2,052)	–	(2,052)
At 31 December 2021	18,289	81,273	(8,513)	(22,977)	68,072

38. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 18 March 2022.

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				
	2021	2020	2019	2018	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**800,510**	690,717	791,888	612,092	468,439
Profit before tax	**20,460**	19,266	28,874	31,655	26,005
Income tax expense	**(1,026)**	(3,241)	(4,326)	(4,525)	(3,732)
Profit for the year	**19,434**	16,025	24,548	27,130	22,273

	Assets and liabilities of the Group as at 31 December				
	2021	2020	2019	2018	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets	**15,938**	19,262	10,819	13,482	9,238
Current assets	**360,248**	348,629	195,681	175,650	127,467
Total assets	**376,186**	367,891	206,500	189,132	136,705
Current liabilities	**165,709**	173,358	108,009	118,918	90,523
Non-current liabilities	**2,073**	3,637	2,230	5,056	1,973
Net assets	**208,404**	190,896	96,261	65,158	44,209