EDENSOFT HOLDINGS LIMITED
伊登軟件控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1147)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

FINANCIAL HIGHLIGHTS

- The Group's revenue for the year ended 31 December 2020 was approximately RMB690.7 million, representing a decrease of approximately 12.8% as compared to that of the revenue for the year ended 31 December 2019 of approximately RMB791.9 million.

- The gross profit of the Group for the year ended 31 December 2020 was approximately RMB71.3 million, representing a decrease of approximately 14.3% as compared to that of the gross profit for the year ended 31 December 2019 of approximately RMB83.2 million.

- The profit for the year and attributable to owners of the parent for the year ended 31 December 2020 was approximately RMB16.0 million, representing a decrease of approximately 34.7% as compared to that of the profit for the year and attributable to owners of the parent for the year ended 31 December 2019 of approximately RMB24.5 million.

- If the Group excludes the one-off listing expenses, the profit before tax for the year ended 31 December 2020 and 2019 was approximately RMB26.9 million and RMB37.7 million, respectively, representing a decrease of approximately 28.6%.

- The basic and diluted earnings per share decreased by approximately 46.3% to approximately RMB0.88 cents (31 December 2019: approximately RMB1.64 cents).

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

The board (the "**Board**") of directors (the "**Director(s)**") of Edensoft Holdings Limited (the "**Company**") is pleased to announce the annual results of the Company and its subsidiaries (together, the "**Group**") for the year ended 31 December 2020, together with the comparative figures for the year ended 31 December 2019 are set out below.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

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

	Note	2020 RMB'000	2019 RMB'000
OTHER COMPREHENSIVE INCOME			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on currency translation		**402**	9
Other comprehensive income/(loss) that may not be reclassified to profit or loss in subsequent periods:			
Exchange differences on currency translation		**(6,548)**	313
OTHER COMPREHENSIVE (LOSS)/ INCOME FOR THE YEAR, NET OF TAX		**(6,146)**	322
TOTAL COMPREHENSIVE INCOME FOR THE YEAR AND ATTRIBUTABLE TO THE OWNERS OF THE PARENT		**9,879**	24,870
EARNINGS PER SHARE ATTRIBUTABLE TO THE OWNERS OF THE PARENT			
Basic and diluted	9	**RMB0.88 cents**	RMB1.64 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2020

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

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

* The amount is less than RMB500.

NOTES

1. CORPORATE AND GROUP INFORMATION

Edensoft Holdings Limited is a limited liability company incorporated in the Cayman Islands on 4 September 2018. The registered office of the Company is located at Windward 3, Regatta Office Park, P.O. Box 1350, Grand Cayman KY1-1108, Cayman Islands.

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

In the opinion of the Directors, as at the date of this announcement, Aztec Pearl, and, through the Family Trust, Tricor Equity Trustee, Ms. Ding, Green Leaf and 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		Principal activities
			Direct	Indirect	
			%	%	
Frontier View Limited	British Virgin Islands	US$1	100	–	Investment holding
Edensoft International Limited	Hong Kong	HK$1	–	100	Investment holding
Shenzhen Yundeng Technology Limited (深圳市雲登科技有限公司) ("**Shenzhen Yundeng**")*^	PRC/Mainland China	RMB1,000,000	–	100	Investment holding
Eden Information Service Limited (深圳市伊登軟件有限公司) ("**Eden Information**")^	PRC/Mainland China	RMB30,345,010	–	100	Provision of IT infrastructure services, IT implementation and supporting services and cloud services
Dongguan Edensoft Limited (東莞市伊登軟件有限公司) ("**Dongguan Edensoft**")^	PRC/Mainland China	RMB2,160,000	–	100	Provision of IT infrastructure services, IT implementation and supporting services and cloud services
Shenzhen Heweiteng Technology Limited (深圳市合威騰信息技術有限公司) ("**Shenzhen Heweiteng**")^	PRC/Mainland China	RMB1,000,000	–	100	Provision of IT implementation and supporting services and cloud services

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

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

During the year, the Group acquired Shenzhen Heweiteng from two third-party individuals.

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.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the *Conceptual Framework for Financial Reporting 2018* and the following revised HKFRSs for the first time for the current year's financial statements.

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

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

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

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

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

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

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

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

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

[1] Effective for annual periods beginning on or after 1 January 2021
[2] Effective for annual periods beginning on or after 1 January 2022
[3] Effective for annual periods beginning on or after 1 January 2023
[4] No mandatory effective date yet determined but available for adoption
[5] As a consequence of the amendments to HKAS 1, Hong Kong Interpretation 5 *Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised in October 2020 to align the corresponding wording with no change in conclusion
[6] As a consequence of the amendments to HKFRS 17 issued in October 2020, HKFRS 4 was amended to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before 1 January 2023

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

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

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

Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

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

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

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

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.

3. OPERATING SEGMENT INFORMATION

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

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

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

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

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

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

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

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

Geographical information

(a) Revenue from external customers

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

(b) Non-current assets

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

Information about a major customer

Revenue of approximately RMB215,131,000 (2019: RMB319,643,000) was derived from sales to a single customer, including sales to a group of entities which are known to be under common control with that customer.

4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

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

Revenue from contracts with customers

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

For the year ended 31 December 2020

Segments	**IT infrastructure services**	**IT implementation and supporting services**	**Cloud services**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
Types of goods or services				
IT infrastructure services	**338,362**	**–**	**–**	**338,362**
IT implementation and supporting services	**–**	**150,339**	**–**	**150,339**
Cloud services	**–**	**–**	**202,016**	**202,016**
Total revenue from contracts with customers	**338,362**	**150,339**	**202,016**	**690,717**
Geographical markets				
Mainland China	**328,589**	**150,339**	**202,016**	**680,944**
Hong Kong	**9,773**	**–**	**–**	**9,773**
Total revenue from contracts with customers	**338,362**	**150,339**	**202,016**	**690,717**
Timing of revenue recognition				
Services transferred over time	**–**	**34,193**	**89,523**	**123,716**
Services transferred at a point in time	**338,362**	**116,146**	**112,493**	**567,001**
Total revenue from contracts with customers	**338,362**	**150,339**	**202,016**	**690,717**

For the year ended 31 December 2019

Segments	IT infrastructure services *RMB'000*	IT implementation and supporting services *RMB'000*	Cloud services *RMB'000*	Total *RMB'000*
Types of goods or services				
IT infrastructure services	401,775	–	–	401,775
IT implementation and supporting services	–	141,563	–	141,563
Cloud services	–	–	248,550	248,550
Total revenue from contracts with customers	401,775	141,563	248,550	791,888
Geographical markets				
Mainland China	401,775	141,563	248,550	791,888
Timing of revenue recognition				
Services transferred over time	–	48,416	109,704	158,120
Services transferred at a point in time	401,775	93,147	138,846	633,768
Total revenue from contracts with customers	401,775	141,563	248,550	791,888

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

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

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

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

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 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 services and customer acceptance.

IT design and implementation services

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

Cloud platform design services

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

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

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

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

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

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

5. PROFIT BEFORE TAX

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

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

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

6. FINANCE COSTS

An analysis of finance costs is as follows:

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

7. INCOME TAX EXPENSES

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

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

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

Hong Kong profits tax has been provided at the rate of 16.5% (2019: 16.5%) on the estimated assessable profits arising in Hong Kong during the year, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime. The first HK$2,000,000 (2019: HK$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (2019: 8.25%) and the remaining assessable profits are taxed at 16.5% (2019: 16.5%).

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

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

8. DIVIDENDS

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

9. EARNINGS PER SHARE ATTRIBUTABLE TO THE OWNER OF THE PARENT

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

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

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

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

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

10. TRADE AND BILLS RECEIVABLES

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

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

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

As at 31 December 2019 and 2020, certain of the Group's interest-bearing bank borrowings were secured by the Group's trade and bills receivables with carrying values of RMB55,000 and RMB2,000, respectively. Trade and bills receivables are non-interest-bearing, and the carrying amounts of the trade and bills receivables approximate to their fair values.

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

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

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

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

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses (ECLs). The provision rates are based on the invoice date for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if past due for more than three years and are not subject to enforcement activity.

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

		Ageing		
	Less than 6 months	**6 to 12 months**	**Over 12 months**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2020				
Expected credit loss rate	**0.76%**	**1.36%**	**2.75%**	**0.90%**
Gross carrying amount *(RMB'000)*	**105,697**	**10,630**	**5,419**	**121,746**
Expected credit losses *(RMB'000)*	**804**	**144**	**149**	**1,097**
As at 31 December 2019				
Expected credit loss rate	0.69%	1.25%	0.83%	0.82%
Gross carrying amount *(RMB'000)*	100,111	1,357	147	101,615
Expected credit losses *(RMB'000)*	691	17	121	829

11. TRADE PAYABLES

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

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

The trade payables are non-interest-bearing and are normally settled on terms of 30 to 90 days. The carrying amounts of the trade payables approximate to their fair values.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

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

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

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

I. IT infrastructure services

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

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

II. IT implementation and supporting services

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

III. Cloud services

1. Intensifying cooperation with domestic cloud providers

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

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

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

3. Continuously developing in-house cloud service capabilities

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

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

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

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

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

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

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

IV. New branches of the Group

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

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

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

V. External acquisition

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

FUTURE PROSPECTS

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

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

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

FINANCIAL REVIEW

Revenue

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

Cost of sales

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

Gross profit and margin

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

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

Other income and gains

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

Selling and distribution expenses

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

Administrative expenses

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

Research and development expenses

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

Finance costs

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

Income tax expenses

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

Profit for the year and attributable to owners of the parent

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

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

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

CHARGES ON ASSETS

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

CAPITAL EXPENDITURE AND COMMITMENTS

As at 3l December 2020, the Group had capital expenditure amounted to RMB0.4 million (31 December 2019: RMB1.2 million) in relation to the purchase of property, plant and equipment in the People's Republic of China (the "**PRC**"). The Group had no commitments (31 December 2019: nil) which had been contracted but not provided for as at 31 December 2020.

CONTINGENT LIABILITIES

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

LIQUIDITY AND FINANCIAL RESOURCES

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

As at 31 December 2020, the Group's gearing ratio (calculated by dividing net debt by capital plus net debt) was 19.4% (31 December 2019: 43.0%). Net debt is calculated as interest-bearing bank borrowings, lease liabilities, trade payables, financial liabilities included in other payables and accruals, less cash and cash equivalents. Capital represents equity attributable to owners of the parent.

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

CAPITAL STRUCTURE OF THE GROUP

The capital structure of the Group consists of (i) debts, which include interest-bearing bank borrowings, lease liabilities, trade payables, financial liabilities included in other payables and accruals; and (ii) equity reserves attributable to owners of the parent, comprising issued share capital and various reserves. All interest-bearing bank borrowings are repayable within one year and are denominated in RMB. The contractual interest rate on bank borrowings is LPR+1.805% (2019: from LPR+1.505% to 6.612%). 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.

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

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

INTEREST RATE RISK

Interest rate risk refers to the risk that the fair value of interest rate risk in relation to fixed rate bank borrowings. The Group is also exposed to cash flow interest rate due to fluctuation of prevailing market interest rate on bank deposits and bank borrowings carried at prevailing market interest rates. The Group however did not engage in any derivatives agreements and did not commit any financial instrument to hedge its interest rate risk during the year ended 31 December 2020. The management monitors the Group's interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

USE OF PROCEEDS

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

After deduction of all related listing expenses and commissions, the net proceeds from the Listing of the Shares on the Stock Exchange Listing amounted to approximately HK$74.0 million. Up to 31 December 2020, the Group has approximately utilised HK$9.8 million of the net proceeds from the Listing as follows:

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

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

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

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as the future plans or development of the Group's business as disclosed in the paragraphs headed "Future Prospects" and "Events After the Reporting Period" in this announcement, there was no specific plan for material investments or capital assets as at 31 December 2020.

EMPLOYEES AND REMUNERATION POLICES

As at 31 December 2020, the Group employed a total of 198 (31 December 2019: 141) employees. Total employee benefit expense (including Directors' remuneration) for the years ended 31 December 2020 and 2019 were approximately RMB31.4 million and approximately RMB25.2 million, respectively. Remuneration is determined with reference to market level of salaries paid by comparable companies, the respective responsibilities of the individual employee and the performance of the Group. In addition to a basic salary, benefits in kind and discretionary bonuses were offered to those employees according to the assessment of individual performance.

EVENTS AFTER THE REPORTING PERIOD

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

DIVIDEND

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

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

As at 31 December 2020, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Future Ordinance, Chapter 571 of the laws of Hong Kong ("**SFO**")), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was taken or deemed to have under such provisions of the SFO), or as recorded in the register of the Company required to be kept under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuer ("**Model Code**") set out in Appendix 10 to the Listing Rules were as follows:

(i) Long position in the Shares

Name of Director	Capacity/Nature	Number of Shares held/ interested in	Percentage of shareholding in the Company
Ms. Ding Xinyun ("**Ms Ding**") *(Note)*	Settlor of the Family Trust and beneficial interest	1,500,000,000	75%

Note: The 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 acting as the trustee (the "**Family Trust**"), holds the entire issued share capital of Aztec Pearl Limited ("**Aztec Pearl**"). Ms. Ding beneficially owns the entire issued share capital of Green Leaf. Therefore, Ms. Ding is deemed to be interested in 1,500,000,000 Shares held by Aztec Pearl for the purpose of the SFO. Ms. Ding is the sole director of Green Leaf.

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

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

Save as disclosed above, as at 31 December 2020, none of the Directors or the chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were: (a) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was taken or deemed to have taken under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, recorded in the register referred to therein; or (c) pursuant to the Model Code, notified to the Company and the Stock Exchange.

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

So far as is known to the Directors, and as at 31 December 2020, the following persons (not being a Director or chief executive of the Company) have interests or short positions in Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who are, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

Long Position in the Company

Name	Capacity/ Nature of interest	Number of Shares held/ Interested in	Percentage of interest in the Company
Aztec Pearl *(Note 1)*	Registered Owner	1,500,000,000	75%
Tricor Equity Trustee *(Note 2)*	Trustee of the Family Trust and interest in a controlled corporation	1,500,000,000	75%
Ms. Ding *(Note 1)*	Settlor of the Family Trust and beneficial interest	1,500,000,000	75%
Green Leaf *(Note 1)*	Beneficiary of the Family Trust	1,500,000,000	75%
Mr. Cai Aaron Ding ("**Mr. Cai**") *(Note 1)*	Beneficiary of the Family Trust	1,500,000,000	75%
Mr. Yan Shi *(Note 3)*	Interest of a spouse	1,500,000,000	75%

Notes:

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

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

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

Interests of the Substantial Shareholders of any member of the Group (other than the Company)

Name of shareholders	Name of subsidiary of the Company	Capacity/Nature of interest	Equity interests *(RMB'000)*	Approximate percentage of equity interests in the subsidiary of the Company
Fuzhou Career Technical Institute* (福州職業技術學院)	Fuzhou Donghu Education Technology Ltd.* (福州東湖教育科技有限公司) ("**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 executives in the Shares, Underlying Shares and Debentures of the Company and its Associated Corporations" and the "Share Option Scheme" in this announcement, at no time during the year ended 31 December 2020 and as at the end of the year ended 31 December 2020 was the Company or any of its subsidiaries a party to any arrangements to enable the Directors and Chief Executives (including their respective spouse and children under 18 years of age) to acquire benefits by means of the acquisition of shares or underlying shares in, or debentures of, the Company or any of its associated corporation.

SHARE OPTION SCHEME

The Company has adopted the share option scheme on 14 April 2020 to attract and retain the best available personnel, to provide additional incentive to employees (full-time and part-time), directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners and service providers of the Group and to promote the success of the business of the Group. As at 31 December 2020, there were no outstanding share options. No share options were granted, exercised or cancelled or lapsed from the Listing Date to 31 December 2020.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the securities of the Company from the Listing Date to the year ended 31 December 2020.

CORPORATE GOVERNANCE CODE COMPLIANCE

The Company is committed to achieving high standards of corporate governance with a view to safeguarding the interest of the Shareholders. To accomplish this, save for the deviation from the Code Provision A.2.1 as set out below, the Company has complied with the code provisions set out in the Corporate Governance Code in Appendix 14 to the Listing Rules from the Listing Date to 31 December 2020.

Code Provision A.2.1 stipulates that the role of chairman and chief executive should be separate and should not be performed by the same individual. Ms. Ding is the chairperson of the Board and the chief executive officer of the Company. In view that Ms. Ding being one of the founders of the Group and has been operating and managing Eden Information, the major operating subsidiary of the Group, since November 2002, the Board believes that the vesting of the roles of chairperson 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.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct governing securities transactions by the Directors. Following a specific enquiry made by the Company with each of them, all Directors confirmed that they had complied with the required dealing standards set out in the Model Code from the Listing Date to 31 December 2020.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining entitlement to attend and vote at the annual general meeting of the Company ("**2021 AGM**"), the register of members of the Company will be closed from Thursday, 24 June 2021 to Tuesday, 29 June 2021, both days inclusive, during which period, no transfer of Shares will be registered. In order to qualify for attending and voting at the 2021 AGM, all transfer of Shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, no later than 4:30 p.m. on Wednesday, 23 June 2021.

ANNUAL GENERAL MEETING

The 2021 AGM will be held on Tuesday, 29 June 2021. A notice convening the meeting will be issued and sent to the shareholders in due course.

AUDIT COMMITTEE AND REVIEW OF ANNUAL RESULTS

An audit committee of the Board (the "**Audit Committee**") was established on 14 April 2020 with its terms of reference in compliance with Rule 3.21 to Rule 3.23 of the Listing Rules and paragraphs C.3.3 and C.3.7 of the CG Code. The Audit Committee consists of three members, namely, Mr. Ho Ka Chun, Mr. Liang Chi and Mr. Yu Kwok Leung, all being independent non-executive Directors. Mr. Ho Ka Chun currently serves as the chairman of the Audit Committee.

The Audit Committee is to assist the Board in fulfilling its responsibilities by providing an independent review and supervision of financial reporting, by satisfying themselves as to the effectiveness of the internal controls of the Group, and as to the adequacy of the external and internal audits.

The Audit Committee and the management of the Company have reviewed the accounting principles and practices adopted by the Group and the consolidated financial results of the Group for the year ended 31 December 2020. The Audit Committee is of the opinion that the consolidated financial results of the Group for the year ended 31 December 2020 complied with the applicable accounting standards, the requirements under the Listing Rules and other applicable requirements and that adequate disclosures have been made.

SCOPE OF WORK OF ERNST & YOUNG

The figures in respect of the Group's consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position and the related notes thereto for the year ended 31 December 2020 as set out in this announcement have been agreed by the Group's auditors, Ernst & Young, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2020. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Ernst & Young on this announcement.

By Order of the Board
Edensoft Holdings Limited
Ms. Ding Xinyun
Chairperson, Executive Director and Chief Executive Officer

Hong Kong, 23 March 2021

As at the date of this announcement, the Board comprises Ms. Ding Xinyun (Chairperson and Chief Executive Officer), Ms. Li Yi, Mr. Ling Yunzhi and Ms. Peng Dongping as the executive Directors, and Mr. Yu Kwok Leung, Mr. Ho Ka Chun and Mr. Liang Chi as the independent non-executive Directors.

The English translation of any descriptions in Chinese which are marked with "" is for identification purpose only.*