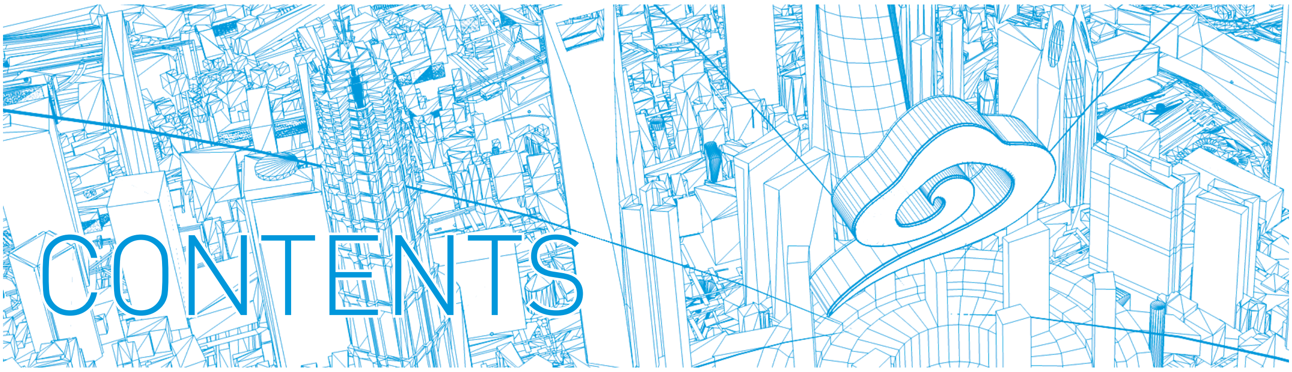
明源雲

明源雲集團控股有限公司
MING YUAN CLOUD GROUP HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code：909

ANNUAL REPORT 2020



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Gao Yu *(Chairman)*
Mr. Jiang Haiyang *(Chief Executive Officer)*
Mr. Chen Xiaohui *(Vice President)*
Mr. Jiang Keyang *(Chief Financial Officer and Joint Company Secretary)*

Non-executive Directors

Mr. Liang Guozhi
Mr. Yi Feifan

Independent Non-executive Directors

Mr. Li Hanhui
Mr. Zhao Liang
Ms. Zeng Jing

AUDIT COMMITTEE

Ms. Zeng Jing *(Chairperson)*
Mr. Li Hanhui
Mr. Zhao Liang

REMUNERATION COMMITTEE

Mr. Li Hanhui *(Chairperson)*
Mr. Gao Yu
Mr. Zhao Liang

NOMINATION COMMITTEE

Mr. Gao Yu *(Chairperson)*
Ms. Zeng Jing
Mr. Zhao Liang

REGISTERED OFFICE

Cricket Square, Hutchins Drive
P.O. Box 2681, Grand Cayman KY1-1111
Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

501-509, East Block
Skyworth Semiconductor Design Building
18 Gaoxin South 4th Road, Gaoxin Community
Yuehai Subdistrict, Nanshan District, Shenzhen
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 1901, 19/F, Lee Garden One
33 Hysan Avenue
Causeway Bay
Hong Kong

PRINCIPAL SHARE REGISTRAR

Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712-1716
17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

CORPORATE INFORMATION

INDEPENDENT AUDITOR

PricewaterhouseCoopers
Certified Public Accountants and
Registered Public Interest Entity Auditor
22/F, Prince's Building
Central, Hong Kong

HONG KONG LEGAL ADVISER

Davis Polk & Wardwell
18th Floor, The Hong Kong Club Building
3A Chater Road
Hong Kong

COMPLIANCE ADVISOR

Maxa Capital Limited
Flat 08, 19/F
Harbour Centre, 25 Harbour Road
Wanchai, Hong Kong

AUTHORIZED REPRESENTATIVES

Mr. Gao Yu
Mr. Jiang Keyang

JOINT COMPANY SECRETARIES

Mr. Jiang Keyang
Ms. Szeto Kar Yee Cynthia

PRINCIPAL BANKS

China Merchants Bank Co., Ltd.
Gaoxinyuan Sub-Branch
1/F, Deweisen Building
High-Tech South 7th Road
High-Tech District Community
Nanshan District
Shenzhen
PRC

China Minsheng Banking Corp., Ltd.
Shenzhen Bao'an Sub-Branch
No.33, Jian'an 1st Road
Baocheng 3rd District, Bao'an District
Shenzhen
PRC

Ping An Bank Co., Ltd.
Shenzhen Gaoxinjishuqu Sub-Branch
2/F, Comprehensive Service Building
West-1, South District
High-Tech District Community
Nanshan District
Shenzhen
PRC

STOCK CODE

909

COMPANY WEBSITE

www.mingyuanyun.com

FINANCIAL HIGHLIGHTS

	2020	Year ended December 31, 2019 (RMB'000)	2018	2017
Revenues	**1,705,276**	1,263,969	912,795	579,608
Gross profit	**1,339,722**	994,569	735,680	460,285
Operating profit	**326,456**	244,091	180,299	88,592
(Loss)/profit before income tax	**(650,086)**	242,378	178,392	83,282
(Loss)/profit for the year	**(668,200)**	231,649	163,034	72,802
Adjusted EBITDA	**422,278**	276,674	201,488	124,461
Adjusted net income	**382,690**	235,920	163,034	96,259

	2020	Year ended December 31, 2019 (RMB'000)	2018	2017
ASSETS				
Non-current assets	**262,330**	246,200	236,784	185,043
Current assets	**7,209,836**	988,488	549,958	458,415
Total assets	**7,472,166**	1,234,688	786,742	643,458
LIABILITIES				
Non-current liabilities	**59,276**	49,085	48,934	33,789
Current liabilities	**843,354**	914,651	439,811	272,467
Total liabilities	**902,630**	963,736	488,745	306,256
EQUITY				
Equity attributable to owners of the Company	**6,538,793**	266,485	302,556	347,663
Non-controlling interests	**30,743**	4,467	(4,559)	(10,461)
Total equity	**6,569,536**	270,952	297,997	337,202
Total equity and liabilities	**7,472,166**	1,234,688	786,742	643,458

FINANCIAL HIGHLIGHTS

Overall financial data

Revenue was RMB1,705.3 million in 2020, representing a year-on-year increase of 34.9%.

Adjusted EBITDA was RMB422.3 million in 2020, representing a year-on-year increase of 52.6%.

Adjusted net income was RMB382.7 million in 2020, representing a year-on-year increase of 62.2%.

SaaS products

Revenue was RMB871.2 million in 2020, representing a year-on-year increase of 70.9% and accounting for 51.1 % of the total revenue.

Net income increased from RMB-41.8 million in 2019 to RMB18.7 million in 2020, thus turning from loss to profit.

We provided services for approximately 15,200 sales offices in 2020, representing a year-on-year increase of over 70%.

We provided services for approximately 4,100 construction sites in 2020, representing a year-on-year increase of over 90%.

ERP solutions

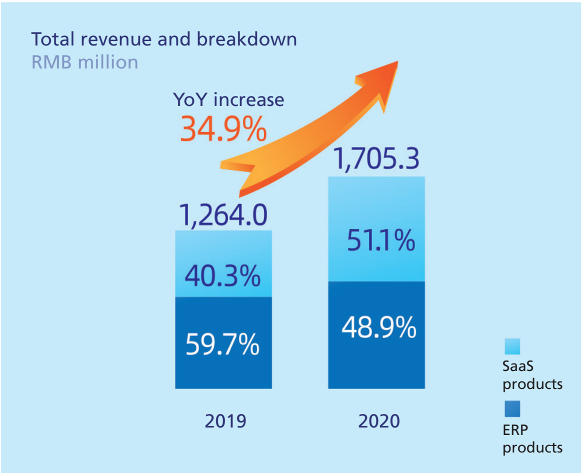
Revenue was RMB834.1 million in 2020, representing a year-on-year increase of 10.6% and accounting for 48.9% of the total revenue.

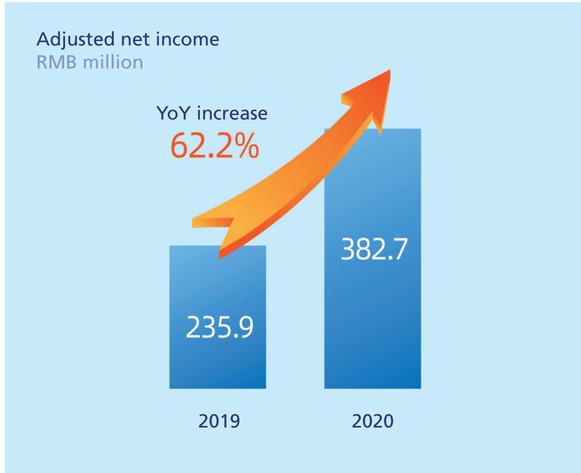
Net income was RMB306.8 million in 2020, representing a year-on-year increase of 12.4%.

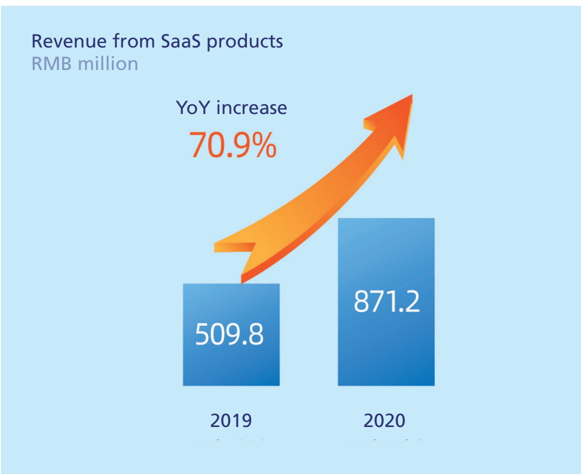
We served approximately 2,000 developers in 2020, representing a year-on-year increase of over 30%.

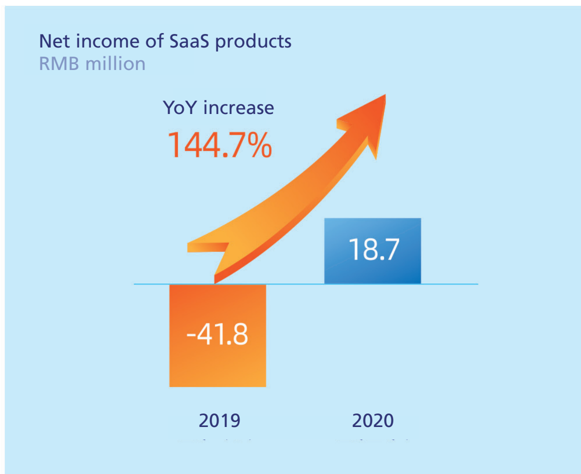
FINANCIAL HIGHLIGHTS

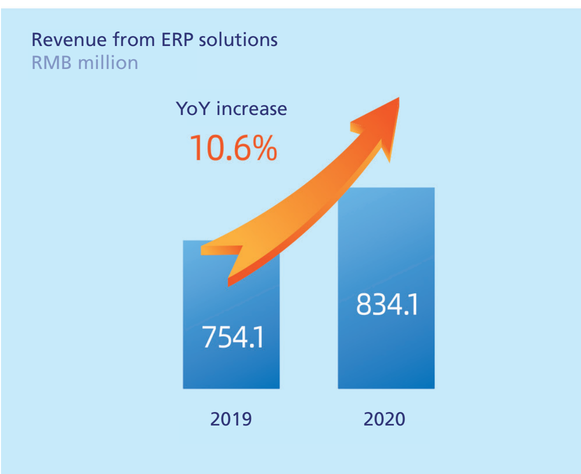
The table below sets forth our revenue and profit for the years indicated.

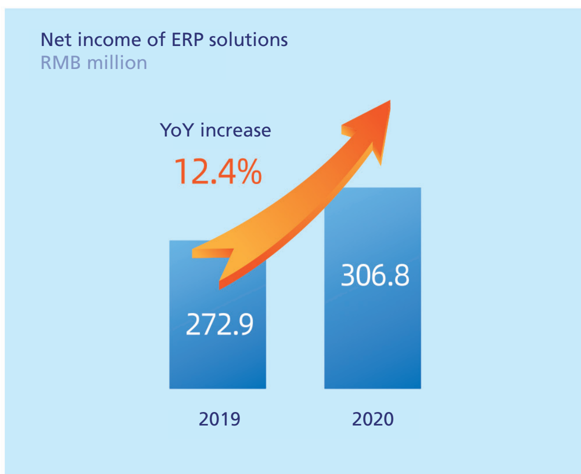












CHAIRMAN'S STATEMENT

Gao Yu
Chairman

Dear Shareholders,

REVIEW

In 2020, an extremely challenging year, the outbreak of COVID-19 had a great impact on the upstream and downstream industries of the real estate value chain, which has also brought about greater innovations in the industry. In particular, the online, mobile and intelligent innovative technologies have been applied to help more businesses realize online operation. In the face of the outbreak of COVID-19, the Company decisively adjusted its strategies and launched various SaaS innovative products in a short period of time to satisfy the core demand of customers in key areas including marketing, supply chain, operation and decision-making, in a timely manner, thereby achieving sustained and rapid growth in its overall results.

During the Reporting Period, SaaS product business revenue of the Company increased by 70.9% year on year to RMB871.2 million and accounted for 51.1% of the total revenue, which successfully turned losses into profits. Despite the adverse impact of the outbreak of COVID-19, the ERP solution business revenue of the Company maintained a year-on-year growth of 10.6% to RMB834.1 million.

The outstanding performance in 2020 is attributable to the firm implementation of the following key strategies by the Company:

1. Rapid launch of several innovative products: During the Reporting Period, each team of the Company launched a number of extremely competitive and innovative products, contributing to the growth of over 70% in SaaS product business.

2. Continuous increase of investment in technological innovation: The Company continuously and firmly invested in technology research and development during the Reporting Period and successfully launched the Skyline Open Platform, a powerful enterprise-level PaaS platform, in November, which focuses on the five independent capabilities of "agile development, full-domain integration, process driven, data insight, and technological innovation", and lays a solid foundation for the Company's open strategy.

3. Accelerating the marketing and service channel expansion to cover lower-tier cities: During the Reporting Period, the number of cities covered by the Company's marketing and service network increased from 42 to 70, so as to provide localized professional services for customers.

4. Further strengthening in-depth cooperation with industry-leading enterprises: During the Reporting Period, the average amount of cooperation with the Top 100 property developers increased significantly from RMB4.7 million in 2019 to RMB6 million in 2020, fully demonstrating the trust of industry-leading enterprises in the Company's products and services.

CHAIRMAN'S STATEMENT

OUTLOOK

The changing industry trends driven by the "three red lines" and other regulatory policies, the ever-changing technological innovation, and the profound impact of the outbreak of COVID-19 cause the decision-makers of real estate enterprises to truly realize that the digital upgrade has become a key challenge at the corporate strategic level. Large and medium-sized real estate enterprises have increased their investment in digitalization, which further drives other upstream and downstream participants of the value chain to increase investment in digitalization, thereby bringing rare opportunities for the development of the Company. I believe that the increasing innovation in products and technologies, the nationwide service network, and the dynamic and open ecology of the Company will help create more values for customers, and promote the sustained and rapid growth of the Company.

We are decidedly optimistic that the digital upgrading of the real estate value chain holds great opportunities for development. We have always firmly believed in the business philosophy and long-term strategy of correct orientation, continuous efforts and waiting for return.

APPRECIATION

On behalf of the Board, I would like to extend my appreciation to all investors and customers for their trust and support in the development of the Company, and express my heartfelt gratitude to the management team and each employee for their contributions and efforts in the previous year. There are new challenges and better development opportunities each year. The staff of the Company will continue to persist in working together and continuously carrying out innovation, create outstanding customer value, create long-term value to our shareholders and become the most trustworthy partner in the digitalization of the real estate value chain.

Gao Yu
Chairman
March 30, 2021

明源雲

Accelerate Digital Upgrading of the Real Estate Value Chain

INDUSTRY REVIEW

In 2020, the GDP of China exceeded RMB100 trillion for the first time, representing a year-over-year increase of 2.3%, thus making China the only major economy in the world to achieve positive economic growth in 2020. Therefore, the performance of the property market in China was beyond expectation, with a steady growth despite various difficulties arising from the COVID-19 outbreak. In 2020, the sales of commercial housing in China were RMB17 trillion, representing a year-over-year increase of 8.7%, and the floor space of commercial housing sold in China was 1.76 billion square meters, representing a year-over-year increase of 2.6%.

Since the second half of 2020, the PRC government has promulgated a series of policies to promote the steady and sound development of the real estate industry. In August 2020, the PRC government implemented the policy "three red lines" to restrict the financing of property developers, so as to facilitate the change from extensive development of developers with high debt, growth and turnover to a sustainable development with low debt, moderate growth and focus on products and quality. In August 2020, SASAC published the "Notice on Accelerating the Digital Transformation of State-owned Enterprises" to fully deploy the digitalization of enterprises.

Under such industry development trend, property developers and participants in both upstream and downstream industry chains became more deeply aware of the strategic value of digitalization upgrading for the sustainable development of enterprises, thus elevating digitization to the company-level strategy one after another and significantly increasing their investment in various aspects, which brings good opportunities for the development of the Company.

BUSINESS REVIEW

Our Products and Services

We specialize in providing enterprise-grade SaaS products and ERP solutions for property developers and other industry participants in the real estate value chain in China, to help them achieve delicate and digital operation of their businesses. Capitalizing on the powerful scalability, connectivity of our Skyline Open Platform and integration with software solutions, our SaaS products and ERP solutions enable our customers to carry out their businesses internally and with their business partners, in a more efficient and intelligent manner. Going forward, we will actively cover the upstream and downstream of the real estate value chain through an increasingly rich product matrix, and incorporate previously fragmented product lines into four major segments, namely sales and marketing management, supply chain management, stock management and enterprise resource planning, among which, marketing management corresponds to our CRM Cloud business, supply chain management includes our Construction Cloud business and Procurement Cloud business, stock management includes our asset management, property management and commercial management, and enterprise resource planning corresponds to our ERP solutions.

The graph below illustrates our main products.

SaaS products

Based on the focuses in the industry chain, our SaaS products can be classified into three major categories, namely CRM Cloud for the marketing market, Construction Cloud and Procurement Cloud for the supply chain market, and Space Cloud for the existing market. In 2020, the Company made a breakthrough in its SaaS product business, with significant increase in product revenue by 70.9% from RMB509.8 million for the year ended December 31, 2019 to RMB871.2 million for the year ended December 31, 2020, which accounted for 51.1% of the total revenue of the Company. Meanwhile, we made a profit from the SaaS product business for the first time with net income reached RMB18.7 million. As the most mature SaaS products of the Company, CRM Cloud continued to grow strongly, with significant increase in revenue by 88.3% from RMB355.2 million for the year ended December 31, 2019 to RMB668.9 million for the year ended December 31, 2020. The remaining SaaS products, namely Construction Cloud, Procurement Cloud and Space Cloud, also maintained a relatively high growth rate, with revenues of RMB137.5 million, RMB26.5 million and RMB38.2 million for the year ended December 31, 2020, respectively. In 2018, 2019 and 2020, 92, 96 and 97 of the Top 100 property developers subscribed for at least one of our SaaS products.

CRM Cloud

In 2020, the market penetration rate and average revenue per property sales office of CRM Cloud continued to increase. Especially during the outbreak of COVID-19, we quickly launched a new version of the Handheld Sales Office (掌上售樓處), which integrates various application scenarios including online dissemination, digital exhibition hall, VR showing and online property launch, so as to promote the efficient interaction among home buyers, property consultants, third-party sales agents and brokers, greatly improve the experience of home buyers, and the customer acquisition ability and transaction conversion efficiency of property developers, and effectively help property developers reduce their marketing transaction costs significantly.

In 2018, 2019 and 2020, a total number of approximately 1,700, 2,400 and 4,200 paying end group customers subscribed for CRM Cloud, respectively. The number of property sales offices across China equipped with CRM Cloud was approximately 5,900, 8,700 and 15,000 in 2018, 2019 and 2020, respectively. The annual customer account retention rate for CRM Cloud was approximately 93%, 96% and 90% in 2018, 2019 and 2020, respectively.

Construction Cloud

In 2020, Construction Cloud quickly launched Pandemic Prevention on the Construction Site (工地防疫寶) and Online Handover (在線交房寶) to facilitate the resumption of work and production for nearly 10,000 construction site projects, with free use during the outbreak of COVID-19. Subsequently, we were the first in the industry to launch special quality digitalization solutions for three aspects, namely foundation, leakage prevention and refined decoration, and new products including tracing of materials and quality risk control. Construction Cloud is the first vendor in the industry to realize the whole-cycle quality digitalization solutions covering house construction, acceptance inspection, handover, move-in and maintenance. It helps property developers efficiently manage the entire property construction and handover processes, thus enhancing operational efficiency and quality control.

In 2018, 2019 and 2020, approximately 300, 400 and 800 paying end group customers subscribed for Construction Cloud, respectively. The numbers of construction sites equipped with Construction Cloud in China were approximately 1,100, 2,100 and 4,100 in 2018, 2019 and 2020, respectively. The total annual customer account retention rate for quality inspection and customer service products of Construction Cloud was 85% in 2020.

Procurement Cloud

In 2020, due to the impact of the outbreak of COVID-19, offline business contact between sellers and buyers was restricted. Procurement Cloud provides property developers with online tools to assist them in sourcing, online negotiation, invitation for bids, procurement and other businesses online, thus acquiring a large number of new property developers, thus significantly increasing the traffic of the platform and making the platform more attractive to suppliers. Meanwhile, in terms of suppliers, the per customer transaction increased significantly, as we focused on two major types of suppliers, namely material and equipment suppliers, and provided them with more comprehensive services including brand promotion, marketing activities and digital marketing.

As at December 31, 2020, Procurement Cloud enabled the nationwide connection between approximately 2,800 property developers and 71,000 suppliers certified by the Company. The total number of purchase demand from property developers were approximately 27,000 and 55,000 in 2019 and 2020, respectively. The annual customer account retention rate of certified diamond suppliers of Procurement Cloud was 83% in 2020 and the annual customer account retention rate for portal products for property developers was 93% in 2020.

Space Cloud

Space Cloud comprises two sub-product lines, among which, Asset Management Cloud focuses on the field of asset management, providing various forms of online asset management digitization solutions for asset owners, mainly state-owned enterprises, based on overall business plans of customers. As at December 31, 2020, Asset Management Cloud managed various forms of properties of over 47 million square meters, and the annual customer account retention rate for Asset Management Cloud were 78% and 83% in 2019 and 2020, respectively.

Property Management Cloud for residential properties was not marketed on a large scale in 2020 due to the impact of the outbreak of COVID-19, and we only conducted pilot promotion of this product in some second and third-tier regions, in which it has been widely recognized by customers.

ERP solutions

Our ERP solutions enable property developers to effectively integrate and manage enterprise resources and optimize their core business functions with modules including selling, cost, procurement, planning and expense. In addition to software licensing, we offer implementation services, product support services, and value-added services to deliver an effective integration of our ERP solutions into our customers' own business processes, databases and systems with enhanced performance and customization. The cloud version of our ERP solutions, launched in 2019, offers substantial scalability benefits to our customers, while allowing us to achieve greater implementation flexibility and development efficiency.

In 2020, despite the impact of the outbreak of COVID-19, there was a steady growth in ERP solutions. Revenue from ERP solutions increased by 10.6% from RMB754.1 million for the year ended December 31, 2019 to RMB834.1 million for the year ended December 31, 2020. In 2018, 2019 and 2020, revenues from sales of ERP solutions to approximately 1,200, 1,500 and 2,000 paying end group customers were RMB583.5 million, RMB754.1 million and RMB834.1 million, respectively. In 2020, we provided services for 89 of the Top 100 property developers. Due to the impact of the outbreak of COVID-19, the decision-making cycle of end customers for the new purchase and upgrade of software products and the demand for value-added services was postponed, which resulted in a slowdown in the growth rate of revenues from product sales and value-added services for the year ended December 31, 2020. Meanwhile, our revenues from implementation, operation and maintenance continued to grow rapidly, as we took active measures to ensure the product implementation, daily operation and maintenance services for end customers who purchased products via online service.

Skyline Open Platform

In November 2020, the Company launched Skyline Open Platform, a powerful enterprise-grade PaaS platform. With a focus on the five major independent capabilities of "agile development, full-area integration, process-driven, data insight and technological innovation", Skyline Open Platform provides more than 10 core capability areas, including "modeling platform, mobile platform, BPM process platform, data analysis platform, big data management platform, integrated and open platform, AIoT platform, DevOps platform, monitoring platform, developer community and application market", and supports rapid development, easy deployment, implementation and management of applications.

Compared with the traditional application platform, Skyline Open Platform supports users in fully developing "user interface, business logic, process services and data services" through "no-code and low-code" methods, and improves productivity through cross-platform portability for users. Through Skyline Open Platform, the Company can develop high-quality SaaS products and update products in a short time, so as to cater for the changing customer demand and technological innovation. The Company also makes the functions of Skyline Open Platform available for IT teams of its customers, third-party property developers and business partners, so as to encourage them to provide innovative applications to customers. We believe that this will enrich the product functions and the technological ecosystem of our Group.

Our Sales and Distribution Network

We sell and deliver SaaS products and ERP solutions through our direct sales force and a nationwide network of regional channel partners. Our sales team is organized by geographic region and divided into different teams targeting different types of customers and offerings, which results in a higher level understanding of customers' varying needs. Consistent with market practices in China, we conduct direct sales through our sales teams based in tier-1 cities including Beijing, Shanghai, Shenzhen and Guangzhou, and closely work with our regional channel partners to market our SaaS products and ERP solutions to customers in the rest of China for greater cost efficiency.

We dedicate direct sales force to serving customers in tier-1 cities to establish long-standing relationships with the leading and large property developers headquartered in these cities. As at December 31, 2020, our direct sales force consisted of more than 200 employees with good knowledge about our products, technology and the real estate industry and extensive professional experience. We organize our direct sales force by geographic locations and customer accounts to maximize sales efficiency.

Outside of tier-1 cities served by our direct sales force, we deploy an extensive sales and service network across China primarily focusing on small and medium-sized property developers, to rapidly scale up our presence in regional markets in a cost-effective manner.

FUTURE AND OUTLOOK

As a leading software solution provider for property developers in China, our mission is to accelerate the digital upgrade of the real estate value chain. In 2021, we will continue to actively and unswervingly be dedicated to our SaaS business to serve more diversified industry participants through a composite product matrix.

Meanwhile, we will continuously maintain our absolute leading position in ERP solutions with respect to the internal management of property developers, by continuously enhancing our open and scalable infrastructure of Skyline Open Platform, and capitalizing on our reputation among leading property developers and our extensive network of regional channel partners.

In addition to SaaS products and ERP solutions, we will continuously invest in Skyline Open Platform launched at the end of last year, so as to consolidate our technological base and accelerate the pace of opening up our ecosystem.

SaaS products

CRM Cloud

CRM Cloud will continue to adhere to the philosophy of "technology-driven marketing innovation", integrate the world's leading edge technologies with real estate marketing scenarios, and create new infrastructure for real estate marketing through 3D digital twin, VR, AIoT, data intelligence and other technologies. It will realize full-contact-point digitalization and full-link intelligence through the upgraded version of the new-generation Handheld Sales Office Max, comprehensively covering four key areas of real estate marketing, namely marketing cloud, channel cloud, sales cloud and transaction cloud. In addition, CRM Cloud will link and integrate the new-generation online marketing ecological service providers in the industry to support property developers in rapidly achieving the digitalization of marketing.

Construction Cloud

Construction Cloud will continuously optimize its products and services, strengthen the construction of its technology platform, enhance its customer-oriented operation and service capabilities through nation-wide channels, and accelerate its capabilities to cover the market and construction site projects. Meanwhile, Construction Cloud will focus on existing quality core product solutions and provide a better product experience for users with big data and AIoT technology, thereby supporting property developers in reducing costs and increasing efficiency and ensuring property quality for home buyers.

Procurement Cloud

On the basis of the original subscription-based services, Procurement Cloud will continue to explore a new model of online and offline integration through strategic cooperation with CBD Fair in professional exhibitions, regional procurement summits and other measures. Moreover, Procurement Cloud will provide property developers with in-depth services including centralized procurement, and enable offline business through online services, and promote online development through offline business, and improve the depth and quality of services, and consolidating the leading position in the market. Meanwhile, Procurement Cloud will build a pool of selected suppliers and explore value-added services including data services, through the accumulated big data of the platform.

Space Cloud

In 2021, based on the overall plan for the existing market, the Company separated the Property Management Cloud business from Space Cloud and established a Property Management Cloud BU being managed by an independent team, so as to prepare for the next large-scale development of the residential property market.

In August 2020, SASAC published the "Notice on Accelerating the Digital Transformation of State-owned Enterprises", to guide state-owned enterprises to make efforts to develop the digitalization empowerment system for the management of existing real estate assets. In 2021, Asset Management Cloud will continue to focus on the asset management field dominated by state-owned enterprises, and provide existing asset management digitalization solutions which are more integrated and systematic, to help state-owned enterprises count and revitalize their assets and ensure the preservation and appreciation of the value of state-owned assets.

ERP Solutions

With respect to ERP business, the Company will enhance customer segmentation, and differentiate products, marketing and services for various segments including property enterprise at the 100-billion level, regional large-sized property enterprises, small and medium-sized property enterprises and state-owned enterprises, and help different types of property enterprises accelerate their digitalization. Meanwhile, the Company will further increase its investment in product support service and value-added service businesses, help customers better meet their digitalization target through high-value services, realize the digitalization value, and continuously promote the continuous growth of the service revenue of the Company.

Skyline Open Platform

Skyline Open Platform will focus on and deepen the five major independent capabilities of agile development, full-area integration, process-driven, data insight and technological innovation, and make no-code and low-code technologies available for use by CIOs of property developers to realize the purpose of rapid development, testing and deployment, and can be adjusted or updated at any time. With Skyline Open Platform, even non-technical personnel can complete the development and customization of certain applications, thus greatly reducing the software development threshold and shortening the software development cycle. Meanwhile, for Skyline Open Platform, the Company will increase its investment in state-of-the-art technologies including RPA, 3D/VR/AR, AIoT, block chain, AI PaaS, etc., to accelerate the process of opening up the ecology of the Company.

Customer Success

Customer success is the long-held core value of the Company. The mission and vision of the Company are to adhere to customer orientation, lead management innovation in the industry, enhance the digitalization level of property developers and continuously create outstanding customer value. For nearly 20 years, the Company has adhered to the long-term principle and has been committed to continuous innovation to provide higher quality products and services for thousands of customers in the industry and realize customer value. Since the real estate industry entered the era of digital intelligence, the Company has established a new ecological cooperation model of win-win cooperation with customers and connected rich ecological resources based on Skyline Open Platform to help accelerate digitalization of enterprises in the real estate value chain. In 2021, we will create more intelligent service tools to achieve accurate measurement of the health of applications of customers. We will also meet the needs of various customers comprehensively and build a new operating system for customer success, by providing highly reliable OEM support service, professional and efficient application support services, and application improvement services benchmarked against the best practices in the industry.

Ecological Cooperation

Looking forward to 2021, the Company will realize its three strategic targets, in terms of industry research, ecological cooperation and investment, merger and acquisition, through the strategic development center that has been established. For industry research, the Company will provide forward-looking insights into new technologies, new models and new scenarios in the upstream and downstream of the real estate value chain, so as to carry out strategic planning and business arrangement from a medium and long-term perspective. Moreover, the Company will actively establish ecological cooperation with various platform giants and leading vertical vendors in segments to consolidate and enhance the ecological stickiness to Skyline Open Platform. Based on in-depth industry research and increasingly improved ecological cooperation, the Company will continue to implement its pre-listing strategy of investment, merger and acquisition. With a focus on the upstream and downstream of the real estate value chain, the Company will identify more vertical vendors such as Woxiang Technology, which can help cover key scenarios and diversified customers. The Company will also identify horizontal vendors that can help raise the technical barriers in the real estate industry and build an open and cooperative ecology, and continuously ensure the depth of services of the Company and the stickiness to the Company in the real estate industry.

FINANCIAL REVIEW

During the Reporting Period, we had achieved strong financial performance and enhanced our leading position in our two business segments, which was attributed to our visionary, insightful and creative management team, supervisor innovation capacity, as well as extensive business partner network.

Revenues

Our total revenue increased by 34.9% from RMB1,264.0 million for the year ended December 31, 2019 to RMB1,705.3 million for the year ended December 31, 2020, due to the increase in revenues generated from both of our SaaS products and ERP solutions as a result of our continuous business expansion and enhanced reputation among our existing and prospective customers. The following table sets forth a breakdown of our revenue by business segment for the years indicated. Revenues from SaaS products for the year ended December 31, 2020 was RMB871.2 million, representing an increase of 70.9%, and accounted for 51.1% of the total revenue, while revenues from ERP solutions was RMB834.1 million, representing an increase of 10.6%, and accounted for 48.9% of the total revenue.

	Year ended December 31,				
	2020		2019		Change
	RMB	***%***	*RMB*	*%*	*%*
	(RMB in thousand, except percentage)				
SaaS products	**871,199**	**51.1**	509,827	40.3	70.9
ERP solutions	**834,077**	**48.9**	754,142	59.7	10.6
Total	**1,705,276**	**100.0**	1,263,969	100.0	34.9

SaaS products

We derive revenues from sales of our SaaS products through our own direct sales team and a nationwide network of regional channel partners.

The following table sets forth a breakdown of our revenues from SaaS products by product types in absolute amounts and as a percentage of our revenues from SaaS products for the years indicated.

	For the year ended December 31,				
	2020		2019		Change
	RMB	***%***	*RMB*	*%*	*%*
	(RMB in thousand, except percentage)				
CRM Cloud	**668,904**	**76.8**	355,195	69.7	88.3
Construction Cloud	**137,537**	**15.8**	111,365	21.8	23.5
Procurement Cloud	**26,519**	**3.0**	16,727	3.3	58.5
Space Cloud	**38,239**	**4.4**	26,540	5.2	44.1
Total	**871,199**	**100.0**	509,827	100.0	70.9

Our revenues from SaaS products increased significantly by 70.9% from RMB509.8 million for the year ended December 31, 2019 to RMB871.2 million for the year ended December 31, 2020, and the proportion of the revenues from SaaS products to the total revenue increased from 40.3% for 2019 to 51.1% for 2020, exceeding 50.0%, mainly due to the increasing acceptability of our SaaS products in the market. In 2020, our CRM Cloud business grew rapidly, with a growth rate of 88.3% compared to 2019; in 2020, the growth rate of Procurement Cloud business was 58.5%; in 2020, the newly launched Space Cloud business oriented towards the existing market grew by 44.1%. In 2020, our Construction Cloud business focused on quality line products with relatively low purchases per customer transaction. Despite a rapid increase in the number of construction sites, the revenue growth rate was relatively low, at 23.5%.

The amount of the Company's outstanding long-term SaaS contracts increased by 59.6% from RMB390.0 million as at December 31, 2019 to RMB622.3 million as at December 31, 2020.

ERP solutions

Revenues from our ERP solutions are primarily derived from licensing fees for our ERP solutions and provision of implementation services, product support services and other value-added services.

The following table sets forth a breakdown of our revenues from ERP solutions by service types in absolute amounts and as a percentage of our revenues from ERP solutions for the years indicated.

	For the year ended December 31,				
	2020		2019		Change
	RMB	***%***	*RMB*	*%*	*%*
	(RMB in thousand, except percentage)				
Software licensing	**249,691**	**29.9**	232,888	30.9	7.2
Implementation services	**103,070**	**12.4**	87,711	11.6	17.5
Product support services	**137,814**	**16.5**	113,581	15.1	21.3
Value-added services	**343,502**	**41.2**	319,962	42.4	7.4
Total	**834,077**	**100.0**	754,142	100.0	10.6

Our revenues from ERP solutions increased by 10.6% from RMB754.1 million for the year ended December 31, 2019 to RMB834.1 million for the year ended December 31, 2020, and the proportion of the revenues from ERP solutions to the total revenue decreased from 59.7% in 2019 to 48.9% in 2020, less than 50%, mainly because due to the impact of the outbreak of COVID-19, the decision-making cycle of end customers for the purchase and upgrade of software products and the demand for value-added services was postponed, which resulted in the growth rates of revenues from product sales and value-added services for the year ended December 31, 2020 decreasing to 7.2% and 7.4%, respectively. Meanwhile, our revenues from implementation, operation and maintenance continued to grow at 17.5% and 21.3%, respectively in 2020, as we took active measures, ensuring the product implementation, daily operation and maintenance services for end customers who purchased products, under the online service model.

Cost of Sales

Our cost of sales increased by 35.7% from RMB269.4 million for the year ended December 31, 2019 to RMB365.6 million for the year ended December 31, 2020.

SaaS products

Cost of sales for our SaaS products consists primarily of (i) employee benefit expenses, representing salaries for our staff responsible for the implementation and delivery of our SaaS products, (ii) costs of inventories sold, representing cost relating to sales of smart devices in relation to our CRM Cloud, (iii) IT and communication charges, which consist of costs associated with leased IT infrastructure that supports the operation of our SaaS products, and (iv) taxes and surcharges.

The following table sets forth a breakdown of cost of sales for our SaaS products in absolute amount and as a percentage of our revenues from SaaS products for the years indicated.

	For the year ended December 31,				
	2020		2019		Change
	RMB	**%**	*RMB*	%	%
	(RMB in thousand, except percentage)				
Employee benefit expenses	**25,599**	**2.9**	18,060	3.5	41.7
Costs of inventories sold	**68,356**	**7.8**	18,226	3.6	275.0
IT and communication charges	**15,458**	**1.8**	6,681	1.3	131.4
Taxes and surcharges	**3,340**	**0.4**	1,949	0.4	71.4
Total	**112,753**	**12.9**	44,916	8.8	151.0

Our cost of sales for SaaS products increased by 151.0% from RMB44.9 million for the year ended December 31, 2019 to RMB112.8 million for the year ended December 31, 2020. This increase was mainly due to (i) the increase in the cost of hardware sold, (ii) the increase in employee benefit expenses, and (iii) the increase in the cost of data cloud services acquired to meet the growth of the cloud business.

ERP solutions

Cost of sales for our ERP solutions consists primarily of (i) employee benefit expenses, representing salaries for our staff responsible for the implementation and delivery of our ERP solutions and the provision of product support services and value-added services to our customers, (ii) outsourcing expenses, representing cost associated with provision of implementation services, product support services and value-added services for our ERP solutions by third-party service providers, (iii) costs of inventories sold, (iv) professional and technical service fees we paid to third-party service providers, and (v) taxes and surcharges.

The following table sets forth a breakdown of cost of sales for our ERP solutions in absolute amount and as percentage of our revenues from ERP solutions for the years indicated.

	For the year ended December 31,				
	2020		2019		Change
	RMB	**%**	*RMB*	%	%
	(RMB in thousand, except percentage)				
Employee benefit expenses	**158,169**	**19.0**	146,614	19.4	7.9
Outsourcing expenses	**81,063**	**9.7**	66,545	8.8	21.8
Costs of inventories sold	**2,113**	**0.3**	679	0.1	211.2
Professional and technical service fees	**3,232**	**0.4**	2,171	0.4	48.9
Taxes and surcharges	**8,224**	**1.0**	8,475	1.1	-3.0
Total	**252,801**	**30.4**	224,484	29.8	12.6

Our cost of sales for ERP solutions increased by 12.6% from RMB224.5 million for the year ended December 31, 2019 to RMB252.8 million for the year ended December 31, 2020, primarily driven by the increases in employee benefit expenses and outsourcing expenses, which are consistent with the increase of revenue during the same year.

Gross Profit

The following table sets forth a breakdown of our gross profit by our SaaS products and ERP solutions in absolute amounts and gross profit margin for the years indicated.

	Year ended December 31,				
	2020		2019		Change
	RMB'000	***Gross profit margin***	*RMB'000*	*Gross profit margin*	*%*
SaaS products	**758,446**	**87.1%**	464,911	91.2%	63.1
ERP solutions	**581,276**	**69.7%**	529,658	70.2%	9.7
Total	**1,339,722**	**78.6%**	994,569	78.7%	34.7

We reported gross profit of RMB1,339.7 million for the year ended December 31, 2020, representing an increase of 34.7% as compared to that of RMB994.6 million for the year ended December 31, 2019. Gross profit from our SaaS products increased by 63.1% from RMB464.9 million for the year ended December 31, 2019 to RMB758.4 million for the year ended December 31, 2020. Gross profit from our ERP solutions increased by 9.7% from RMB529.7 million for the year ended December 31, 2019 to RMB581.3 million for the year ended December 31, 2020. The gross profit margin of SaaS products decreased from 91.2% in 2019 to 87.1% in 2020, mainly because with regard to our CRM Cloud products, we increased our investment in the integration of hardware and software, based on the demand at the sales site, and intelligent hardware was used more and more widely, while the gross profit margin of intelligent hardware sales was comparatively lower.

Selling and Marketing Expenses

Our selling and marketing expenses increased by 33.8% from RMB441.1 million for the year ended December 31, 2019 to RMB590.4 million for the year ended December 31, 2020, and the proportion of the selling and marketing expenses to the total revenue decreased slightly from 34.9% in 2019 to 34.6% in 2020 due to the scale effect of revenue growth for the year ended December 31, 2020, the enhanced assessment by the Company of performance and output of employees and the implementation of cost control measures. The increase in selling and marketing expenses was mainly due to (i) the increase in dealer commission expenses arising out of the increase in revenues from SaaS products, and (ii) the increase in employee benefit expenses of the sales team. If the effect of dealer commission expenses is excluded, our selling and marketing expenses will increase by 23.8% from RMB239.1 million for the year ended December 31, 2019 to RMB296.1 million for the year ended December 31, 2020, and the proportion of selling and marketing expenses after excluding the effect of dealer commission expenses to the total revenue will decrease from 18.9% to 17.4%.

General and Administrative Expenses

Our general and administrative expenses increased by 91.6% from RMB108.4 million for the year ended December 31, 2019 to RMB207.7 million for the year ended December 31, 2020, and the proportion of the general and administrative expenses to the total revenue increased from 8.6% to 12.2%, mainly due to (i) a significant increase in listing expenses incurred in 2020 as compared to 2019, and (ii) an increase in share-based compensation expenses during the Reporting Period. If the effect of listing expenses and share-based compensation expenses is excluded, our general and administrative expenses would have increased by 39.9% from RMB104.1 million for the year ended December 31, 2019 to RMB145.6 million for the year ended December 31, 2020, and the proportion of general and administrative expenses after excluding the effect of listing expenses and share-based compensation expenses to the total revenue will slightly increase from 8.2% to 8.5%.

Research and Development Expenses

We continuously invest in the development of new products and technologies as in the past. In 2020, the total research and development expenses of the Group further increased by 24.3% from RMB286.3 million for the year ended December 31, 2019 to RMB355.9 million for the year ended December 31, 2020. The increase in research and development expenses was mainly due to the increase in the number and the remuneration of research and development staff.

Net Impairment Losses on Financial Assets and Contract Assets

We determine the provision for impairment of trade receivables and contract assets in accordance with IFRS 9. When accessing the credit risks of a particular customer, we consider, on a reasonable basis, available supporting information regarding the business and financial background of such customer and its ultimate beneficial shareholders and our historical business relationship (including disputes, if any) with such customer and its ultimate beneficial shareholders.

We had a net impairment loss of RMB2.1 million for the year ended December 31, 2019 compared to a net impairment loss of RMB4.4 million for the year ended December 31, 2020, primarily because we increased our provision on contract assets as the size of contract assets and trade receivables increased in the Reporting Period.

Other Income

Other income consists primarily of (i) other government grants, which mainly relate to financial assistance from local governments in China, (ii) income from our investments in wealth management products, (iii) value added tax ("**VAT**") refunds relating to the sales of our software solutions, (iv) income generated from offline activities and others, which primarily include (a) admission fees we charge property developers, construction materials suppliers and other service vendors for our offline industry events with respect to our Procurement Cloud (雲採購) and (b) income generated from our real estate industry seminars, and (v) dividend income from investments in unlisted equity securities included in financial assets at fair value through profit or loss.

The following table sets forth a breakdown of the components of our other income for the years indicated.

	Year ended December 31,		
	2020	2019	Change
	RMB'000	*RMB'000*	*%*
Income generated from offline activities and others	**25,406**	20,240	25.5
Other government grants	**25,363**	16,312	55.5
Income from wealth management products	**22,919**	15,395	48.9
VAT refund	**20,330**	30,412	-33.2
Dividend income from investments in unlisted equity securities included in financial assets at fair value through profit or loss	**624**	594	5.1
Total	**94,642**	82,953	14.1

We recorded other income of RMB94.6 million for the year ended December 31, 2020, as compared to that of RMB83.0 million for the year ended December 31, 2019, primarily due to significant increases of RMB9.1 million in other government grants and RMB7.5 million in income from wealth management products for the year ended December 31, 2020.

Other Gains, Net

Our other gains, net primarily consist of (i) fair value gains on investments in redeemable preferred shares, (ii) foreign exchange gains, (iii) fair value gains on investments in unlisted equity securities included in financial assets at fair value through profit or loss, and (iv) net gain/loss on disposal of property, plant and equipment.

The following table sets forth a breakdown of the components of our other gains, net for the years indicated.

	Year ended December 31,		
	2020	2019	Change
	RMB'000	*RMB'000*	*%*
Fair value gains on investments in redeemable preferred shares	**4,350**	2,640	64.8
Foreign exchange gains	**44,609**	300	14,769.7
Fair value gains on investments in unlisted equity securities included in financial assets at fair value through profit or loss	**17**	1,635	-99.0
Net gains/(losses) on disposal of property, plant and equipment	**1,497**	(26)	5,857.7
Others	**6**	–	–
Total	**50,479**	4,549	1,009.7

Our other gains, net significantly increased by 1,009.7% from RMB4.5 million for the year ended December 31, 2019 to RMB50.5 million for the year ended December 31, 2020, primarily due to an increase of RMB44.3 million in foreign exchange gains from the proceeds as a result of exchange rate fluctuation.

Operating Profit/(Loss)

As a result of the foregoing, we had an operating profit of RMB326.5 million for the year ended December 31, 2020, representing an increase of 33.7% compared to an operating profit of RMB244.1 million for the year ended December 31, 2019. For our SaaS products, we had operating profit of RMB19.2 million for the year ended December 31, 2020, representing an increase of 146.2% compared to operating loss of RMB41.4 million for the year ended December 31, 2019. For our ERP solutions, our operating profit increased 14.5% from RMB284.9 million for the year ended December 31, 2019 to RMB326.2 million for the year ended December 31, 2020.

The following table sets forth a breakdown of our operating profit/(loss) by our SaaS products and ERP solutions in absolute amounts for the years indicated.

	Year ended December 31,		
	2020	2019	Change
	RMB'000	*RMB'000*	*%*
SaaS products	**19,158**	(41,439)	146.2
ERP solutions	**326,155**	284,932	14.5
Unallocated items	**(18,857)**	598	-3,253.3
Total	**326,456**	244,091	33.7

Finance Income

Our finance income increased from RMB184,000 for the year ended December 31, 2019 to RMB14.4 million for the year ended December 31, 2020, primarily due to an increase in interest income from bank deposits.

Finance Costs

Our finance costs are primarily comprised of (i) interest expenses on our lease liabilities, (ii) interest expenses on our bank borrowings, and (iii) dividend paid to holders of financial liabilities at fair value through profit or loss.

Our finance costs increased from RMB1.9 million for the year ended December 31, 2019 to RMB2.1 for the year ended December 31, 2020, primarily due to an increase in interest expenses on lease liabilities.

Net Losses upon Financial Liabilities at Fair Value Through Profit or Loss Transferred to Equity

The Company completed the listing of Shares on September 25, 2020, upon which all the convertible redeemable preferred shares were immediately converted into ordinary shares. The fair value of the convertible redeemable preferred shares before conversion, measured based on the number of converted ordinary shares multiplied by the Listing offering price of HKD16.50, was approximately RMB1,307 million. The change in fair value between December 31, 2019 and September 25, 2020 of approximately RMB988.9 million was recognised as a loss in the consolidated statement of comprehensive income for the year ended December 31, 2020, as compared to nil for the year ended December 31, 2019.

(Loss)/Profit Before Income Tax

As a result of the foregoing, we had a loss before income tax of RMB650.1 million for the year ended December 31, 2020, compared with a profit before income tax of RMB242.4 million for the year ended December 31, 2019.

Income Tax Expenses

Our income tax expenses increased by 69.2% from RMB10.7 million for the year ended December 31, 2019 to RMB18.1 million for the year ended December 31, 2020, primarily due to the increase in profits of certain entities subject to income tax.

(Loss)/Profit for the Year

As a result of the foregoing, we reported a loss of approximately RMB668.2 million for the year ended December 31, 2020, representing a decrease of approximately RMB899.8 million, or 388.5%, compared to the profit of approximately RMB231.6 million for the year ended December 31, 2019.

For our SaaS products, we reported a profit of RMB18.7 million for the year ended December 31, 2020, representing an increase of approximately RMB60.5 million, or 144.7%, compared to the loss of approximately RMB41.8 million for the year ended December 31, 2019.

For our ERP solutions, we reported a profit of RMB306.8 million for the year ended December 31, 2020, representing an increase of approximately RMB33.9 million, or 12.4%, compared to the profit of approximately RMB272.9 million for the year ended December 31, 2019.

Non-IFRS Measures

To supplement our consolidated annual results that are presented in accordance with IFRSs, we also use EBITDA (as defined below), adjusted EBITDA and adjusted net income as additional financial measures, which are not required by, or presented in accordance with, IFRSs. We believe that these non-IFRS measures facilitate comparisons of operating performance from year to year and company to company by eliminating potential impacts of items that our management does not consider indicative of our operating performance. We believe that these measures provide useful information to investors and others in understanding and evaluating our consolidated results of operations in the same manner as they help our management. However, our presentation of the EBITDA, adjusted EBITDA and adjusted net income may not be comparable to similarly titled measures presented by other companies. The use of these non-IFRS measures has limitations as an analytical tool, and you should not consider them in isolation from, or as substitute for analysis of, our results of operations or financial condition as reported under IFRSs.

EBITDA and adjusted EBITDA

We define EBITDA as operating income for the year and adjusted for depreciation and amortization expenses. We add back share-based compensation expenses and listing expenses to EBITDA to derive adjusted EBITDA.

The following table sets out EBITDA and adjusted EBITDA and a reconciliation from operating income for the year to EBITDA and adjusted EBITDA for the years indicated.

	Year ended December 31,		
	2020	2019	Change
	RMB'000	*RMB'000*	*%*
Reconciliation of operating income and adjusted EBITDA			
Operating income for the year	**326,456**	244,091	33.7
Add:			
Depreciation of right-of-use assets	**22,754**	21,427	6.2
Depreciation of property, plant and equipment	**9,525**	6,333	50.4
Amortization of intangible assets	**1,528**	552	176.8
EBITDA	**360,263**	272,403	32.3
Add:			
Share-based compensation expenses	**18,054**	–	
Listing expenses	**43,961**	4,271	929.3
Adjusted EBITDA	**422,278**	276,674	52.6

Adjusted net income

We define adjusted net income as net income for the year adjusted by adding back net losses upon financial liabilities at fair value through profit or loss transferred to equity, share-based compensation expenses and listing expenses.

The following table reconciles our adjusted net income for the years presented to the most directly comparable financial measure calculated and presented in accordance with IFRSs, which are net loss or income for the years.

	Year ended December 31,		
	2020	2019	Change
	RMB'000	*RMB'000*	*%*
Reconciliation of net (loss)/income and adjusted net income			
Net (loss)/income for the year	**(668,200)**	231,649	-388.5
Net losses upon financial liabilities at fair value through profit or loss transferred to equity	**988,875**	–	
Share-based compensation expenses	**18,054**	–	
Listing expenses	**43,961**	4,271	929.3
Adjusted net income	**382,690**	235,920	62.2

LIQUIDITY AND CAPITAL RESOURCES

We have historically funded our cash requirements principally from cash generated from our business operations, and shareholder equity contributions. To manage the liquidity risk, we monitor and maintain a level of cash and cash equivalents deemed adequate by our senior management to finance our operations and mitigate the effects of fluctuations in cash flows.

Cash and Cash Equivalents and Term Deposits

As at December 31, 2020, cash and cash equivalents and term deposits of the Group totaled approximately RMB6,572.1 million (December 31, 2019: RMB732.2 million). The increase was mainly due to the proceeds we received from our listing. Most of the cash and cash equivalents of the Group were denominated in USD and HKD. The term deposits of the Group were denominated in RMB.

Asset – Liability Ratio

As at December 31, 2020, net current assets of the Group were approximately RMB6,366.5 million (December 31, 2019: RMB73.8 million). As at December 31, 2020, the current ratio of current assets to current liabilities was approximately 8.55, improving from 1.08 as at December 31, 2019.

Borrowing

As at December 31, 2020, borrowings of the Group were nil (December 31, 2019: nil).

CAPITAL MANAGEMENT AND GEARING RATIO

In order to maintain or adjust the capital structure, we may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt. We monitor capital on basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as liquid liabilities, which are financial liabilities measured at Fair Value through Profit or Loss ("**FVPL**") (including convertible redeemable preferred shares), and lease liabilities, less cash and cash equivalents, restricted cash, and short-term investments which are investments in wealth management products included in financial assets at FVPL. Total capital is calculated as "equity" as shown in the consolidated statement of financial position plus net debts. Our gearing ratio as at December 31, 2020 was nil as we did not have long-term borrowing.

CAPITAL COMMITMENT

As at December 31, 2020, we had capital commitments with respect to assets under construction of approximately RMB13.5 million.

CONTINGENT LIABILITIES

As at December 31, 2020, we did not have any material contingent liabilities.

FOREIGN EXCHANGE RISK MANAGEMENT

We mainly carry out our operations in the PRC with most transactions settled in Renminbi, and we are exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollars and the HK dollars in exchange of Renminbi. Therefore, foreign exchange risk primarily arose from our recognized assets and liabilities when receiving or to receive foreign currencies from, or paying or to pay foreign currencies to, overseas business partners. During the Reporting Period, we did not adopt any long-term contracts, currency borrowings or other means to hedge our foreign currency exposure. Management of our Group will monitor foreign exchange risks and hedge the major foreign currency risks when necessary.

CREDIT RISK

Credit risk arises from cash and cash equivalents, contractual cash flows of debt instruments carried at amortised cost, at FVPL and deposits with banks and other financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables.

The management manages the credit risk of cash and cash equivalents, pledged and short-term bank deposits and wealth management products (classified as financial assets at FVPL) by transacting with state-owned financial institutions in the PRC and reputable commercial banks which are all high-credit-quality financial institutions in the Mainland China and Hong Kong.

In relation to trade receivables and contract assets, the Group has two kinds of distribution channels, one is sales to distributors and the other is sales to end customers.

For sales to distributors, the Group has assessed the credit quality of the distributors, taking into account their financial position, credit history and other factors. Individual credit limits are set based on credit quality assessed by the Group. The compliance with credit limits by distributors is also regularly monitored by the management.

For sales to end customers, the Group has no significant concentration of credit risk in trade receivables since the balance of trade receivables is composed of numerous individual small items and the exposure spreads over a large number of customers.

For other receivables, the management of the Group makes periodic collective assessment as well as individual assessment on the recoverability of the receivables based on historical settlement record and past experience. The Directors believe that there is no material credit risk inherent in the Group's outstanding balances of other receivables.

FUND AND WORKING CAPITAL MANAGEMENT

Our funds and liquidity management are centrally carried out by our finance department. Our finance department is generally responsible for overall management and implementation of funds, including formulating the capital management policy for our Group, guiding, coordinating and standardizing the fund management of regional companies, making annual funding plans, reviewing and summarizing annual capital budget, overseeing and assessing fund management of each regional company. We have also adopted sophisticated fund management policies and implemented a set of rules and guidelines on fund management to enhance the effectiveness and efficiency of fund management, thereby ensuring our financial security and reducing cost of capital.

To manage our idle cash on hand, we purchase and redeem wealth management products using them as our "cash pool" from which we could readily access cash as needed and generate higher yield than bank deposits. The underlying financial assets of the wealth management products in which we invested primarily consist of the low-risk wealth management products issued by financial institutions. The amount of the purchase will be determined based on our surplus funds. We consistently comply with our treasury policy during the procedures of purchasing the wealth management products and managing the relevant departments, as well as in conducting business, accounting and filing.

We are committed to safeguarding overall financial security and maintaining strong cash position and a healthy debt profile with strong repayment ability. By adopting a full, reasonable and professional assessment mechanism, preparing annual and monthly funding plans, we have established disciplined fund management principal, which allows us to efficiently manage market risks.

For budget management, we have established a monthly, quarterly and annual budget management system, and then seek approval from our chief financial officer. The capital budget plans should be made based on the objective basis of the Group's business plans, project schedules, and contractual payment terms to ensure that the plan accurately matches the actual business needs.

PLEDGE OF ASSETS

As at December 31, 2020, we did not pledge any of our assets.

IMPACT OF THE COVID-19 OUTBREAK

Since the outbreak of COVID-19 in early 2020, the Company has immediately taken measures to maintain effective and high-quality operation. During the outbreak, employees of the Group stuck to their mission, actively responding to the demand of customers through remote work, and tided over the difficulty with customers.

Through digitalization and cloud, our SaaS products can minimize or avoid direct contact between people, thus ensuring and promoting the business operation of our end customers free from the impact of the outbreak, helping our end customers more effectively respond to the challenges arising out of the outbreak. In 2020, there was an increasing acceptability of our SaaS products in the market, which brought about a rapid increase in our revenues from SaaS products during the Reporting Period.

We also noticed that, due to the impact of the outbreak, the decision-making cycle of end customers for the purchase and upgrade of ERP solutions and the demand for value-added services was postponed, which resulted in a slowdown in the growth of revenues of the Company from product sales and value-added services of ERP solutions for the year. Meanwhile, our revenue from implementation, operation and maintenance of ERP solutions continued to grow rapidly in 2020, as we took active measures to ensure the product implementation, daily operation and maintenance services for end customers who purchased products via online service.

We have not experienced and do not expect any significant long-term impact of the COVID-19 outbreak on our operation or deviation from our overall business plan. There is no material impact of the COVID-19 outbreak on our production progress and operation activities.

MATERIAL ACQUISITIONS, DISPOSALS AND SIGNIFICANT INVESTMENTS

As at December 31, 2020, we did not hold any significant investments. For the year ended December 31, 2020, we did not have material acquisitions or disposals of subsidiaries, associates and joint ventures.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

As at December 31, 2020, we did not have plans for material investments and capital assets.

EMPLOYEES

As at December 31, 2020, we had 3,170 (December 31, 2019: 2,505) employees in total.

Our success depends on our ability to attract, retain and incentivize qualified personnel. We provide various incentives and benefits for our employees. We offer competitive salaries, bonuses and share-based compensation to our employees, especially key employees.

As required under PRC regulations, we participate in various employee social security plans that are organized by applicable local municipal and provincial governments, including housing, pension, medical, work-related injury, maternity, and unemployment benefit plans.

To maintain the quality, knowledge and skill levels of our employees, we provide continuing education and training programs, including internal and external training, for our employees to improve their technical, professional or management skills. We also provide trainings programs to our employees from time to time to ensure their awareness and compliance with our policies and procedures in various aspects.

SUBSEQUENT EVENT

The Group did not have any significant events after December 31, 2020 and up to the date of this report.

DIRECTORS

Executive Directors

Mr. Gao Yu (高宇) ("**Mr. Gao**"), aged 51, was appointed as our Director on July 3, 2019, and re-designated as our executive Director on June 12, 2020. Mr. Gao was also appointed as the Chairman of our Board on June 12, 2020. Mr. Gao co-founded our Group in November 2003. He is responsible for the overall strategic planning and business direction of our Group and management of our Company.

Mr. Gao received a bachelor's degree in trade economy from Renmin University of China (中國人民大學) in July 1991.

Mr. Gao currently holds directorships in the following principal subsidiaries of our Group: Ming Yuan Cloud Technology, Ming Yuan Cloud Procurement, Ming Yuan Cloud Client and Ming Yuan Cloud Space.

Mr. Jiang Haiyang (姜海洋) ("**Mr. Jiang**"), aged 50, was appointed as our Director on March 31, 2020, and re-designated as our executive Director on June 12, 2020. Mr. Jiang was also appointed as our Chief Executive Officer on June 12, 2020. Mr. Jiang co-founded our Group in November 2003. He is responsible for the Board's work related to the operation and management of our Company.

Mr. Jiang received a bachelor's degree in management operating system from Tianjin University of Business (天津商學院) in July 1993.

Mr. Jiang currently holds directorships in the following principal subsidiaries of our Group: Ming Yuan Cloud Technology, Ming Yuan Cloud Procurement, Ming Yuan Cloud Space and Shenzhen Mingyuan Cloud Chain Internet Technology Limited.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Chen Xiaohui (陳曉暉) ("**Mr. Chen**"), aged 50, was appointed as our Director on March 31, 2020, and re-designated as our executive Director on June 12, 2020. Mr. Chen was also appointed as our Vice President on June 12, 2020. Mr. Chen co-founded our Group in November 2003. He is responsible for the Board's work related to the operation and management of our Company and overseeing the research and development of our Group's products.

Mr. Chen received a bachelor's degree in radio communication from Xi'an Jiaotong University (西安交通大學) in July 1992 and a master's degree in business administration from China Europe International Business School (中歐國際工商學院) in August 2014.

Mr. Chen currently holds directorships in the following principal subsidiaries of our Group: Ming Yuan Cloud Technology, Ming Yuan Cloud Procurement and Ming Yuan Cloud Space.

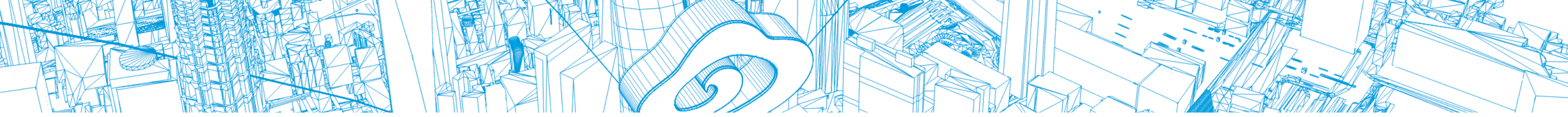
Mr. Jiang Keyang (蔣科陽), aged 42, was appointed as our Director on March 31, 2020, and re-designated as our executive Director on June 12, 2020. Mr. Jiang Keyang was also appointed as our Chief Financial Officer and one of our joint company secretaries on June 12, 2020. Mr. Jiang Keyang joined our Group in May 2008. He is responsible for overseeing the financial and accounting matters of our Group, investor relationships, and investments and acquisitions.

Prior to joining our Group, Mr. Jiang Keyang worked as a staff accountant from October 2000 to September 2003, and senior accountant from October 2003 to December 2005, in Shenzhen Ernst & Young Hua Ming Certified Public Accountants (深圳市安永華明會計師事務所). Mr. Jiang Keyang also worked as a director of finance in Shenzhen Shenxun Information Technology Co., Ltd. (深圳市深訊信息技術股份有限公司) from November 2005 to May 2008.

Mr. Jiang Keyang received a bachelor's degree in economics from Shenzhen University (深圳大學) in June 2000 and a master's degree in financial management from University of Alberta in June 2016.

Mr. Jiang Keyang received the Certificate of Qualification for CFO Enterprise Management Post (企業管理崗位財務總監資格證書) from the China Enterprise Federation (中國企業聯合會) in December 2006; the Corporate Finance Consultant Certificate from The International Capital Market Association and the ICMA Centre of University of Reading in January 2015; and the Senior International Financial Manager Qualification Certificate from the China Association of Chief Accountants (中國總會計師協會) and the International Financial Management Association in April 2019.

Mr. Jiang Keyang has also been admitted as an associate member by the Association of International Accountants since September 2019 and an international accountant by the Association of International Accountants and China Association of Chief Financial Officers (中國總會計師協會) since October 2019.



Non-executive Directors

Mr. Liang Guozhi (梁國智), aged 48, was appointed as our Director on March 31, 2020, and re-designated as our non-executive Director on June 12, 2020. Mr. Liang has acted as vice president in Shenzhen Dachen Caizhi Venture Capital Management Co., Ltd. (深圳市達晨財智創業投資管理有限公司) since November 2008. Mr. Liang has also served as a non-executive director in Guangdong Hybribio Biotech Co., Ltd. (廣東凱普生物科技股份有限公司), a company listed on the Shenzhen Stock Exchange (Stock Code: 300639), from November 2013 to September 2019.

Mr. Liang received a bachelor's degree in international finance and a master's degree in technical economy from School of Economics and Management, Tsinghua University (清華大學經濟管理學院) in July 1996 and June 1998, respectively.

Mr. Yi Feifan (易飛凡), aged 35, was appointed as our Director on October 25, 2019 and re-designated as our non-executive Director on June 12, 2020. Mr. Yi worked as a business analysis manager in Tencent Technology (Shenzhen) Co., Ltd. (騰訊科技(深圳)有限公司) from March 2010 to September 2011; assistant to the chief executive officer and director of the web games department in Beijing Aurora Interactive Network Technology Co., Ltd. (北京極光互動網絡技術有限公司) from October 2011 to May 2014; deputy investment director in Shenzhen Dachen Caizhi Venture Capital Management Co., Ltd. (深圳市達晨財智創業投資管理有限公司) from August 2014 to February 2018. Mr. Yi was also a director of Beijing Yuntu Teng Technology Co., Ltd. (北京雲途騰科技有限責任公司) from August 2016 to February 2018; director of Folangsi Co., Ltd. (廣州佛朗斯股份有限公司) from February 2017 to February 2018; and senior vice president and subsequently, executive director in Shenzhen Guangyuan Consulting Management Co., Ltd. (深圳市光遠諮詢管理有限公司) since February 2018.

Mr. Yi received a bachelor's degree in electronic science and technology from Beijing Jiaotong University (北京交通大學) in July 2007.

Independent Non-executive Directors

Mr. Li Hanhui (李漢輝), aged 44, was appointed as our independent non-executive Director on September 4, 2020. Mr. Li acted as marketing director in Guangdong Huanbohai Real Estate Development Co., Ltd. (廣東環渤海房地產開發有限公司) from July 2005 to February 2007; secretary of the board of directors, director and deputy general manager in Shenzhen Kete Technology Co., Ltd. (深圳市科特科技股份有限公司) from January 2008 to March 2015; secretary of the board of directors in AVIT Ltd. (深圳市佳創視訊技術股份有限公司), a company listed on the Shenzhen Stock Exchange (Stock code: 300264), from July 2015 to September 2018; fund manager in Shenzhen Linfeng Investment Management Co., Ltd. (深圳麟烽投資管理有限公司) from October 2018 to July 2019; and managing director in Shenzhen Yetai Investment Management Co., Ltd. (深圳亘泰投資管理有限公司) since August 2019.

Mr. Li received a bachelor's degree in law from South China University of Technology (華南理工大學) through the completion of the administration program for Upgrade of Junior College Students to Undergraduate Students (專升本) in September 2004.

Mr. Li has been admitted as a member of the Institute of Public Accountants Australia since December 2015. Mr. Li also received the Certification of Fund Practice Qualification (基金從業資格證書) from the Asset Management Association of China (中國證券投資基金業協會) in November 2018.

Mr. Zhao Liang (趙亮), aged 48, was appointed as our independent non-executive Director on September 4, 2020. Mr. Zhao acted as deputy general manager and secretary of the board of directors in Shenzhen Changfang Group Co., Ltd. (深圳市長方集團股份有限公司), a company listed on the Shenzhen Stock Exchange (Stock Code: 300301), from December 2010 to November 2012; an executive deputy general manager in charge of compliance risk for legal affairs in Ping An Caizhi Investment Management Co., Ltd. (平安財智投資管理有限公司) from April 2013 to January 2016; a partner and lead counsel in Shenzhen Greenpine Capital Management Co., Ltd. (深圳市松禾資本管理有限公司) since February 2016.

Mr. Zhao currently holds directorship in Shenzhen FRD Science & Technology Co., Ltd. (深圳市飛榮達科技股份有限公司), a company whose shares are listed on the Shenzhen Stock Exchange (stock code: 300602), as an independent non-executive director.

Mr. Zhao received a bachelor of arts degree in German language and literature from the Department of Western Languages of Peking University in July 1996; master of law degree in comparative legal theory from the Law School of Peking University in July 2000; and juris doctor in law degree from Humboldt University of Berlin in February 2004. Mr. Zhao has been recognized as a qualified PRC lawyer by the Chinese Ministry of Justice since May 7, 1999 and an arbitrator of the China International Economic and Trade Arbitration Commission (中國國際經濟貿易仲裁委員會) by the China International Economic and Trade Arbitration Commission since May 1, 2014.

Ms. Zeng Jing (曾靜), aged 43, was appointed as our independent non-executive Director on September 4, 2020. Ms. Zeng acted as a staff accountant in Ernst & Young Hua Ming LLP (安永華明會計師事務所) from October 2000 to May 2004. She was a finance manager in Puhui Information Technology (Shenzhen) Co., Ltd. (普惠信息科技(深圳)有限公司) from October 2005 to June 2008. She also acted as a finance manager of Puchenghua Information Technology Consulting (Shenzhen) Co., Ltd. (普誠華信息科技諮詢(深圳)有限公司) ("**Puchenghua**") from July 2008 to June 2014 and a business controller of Puchenghua from July 2014 to June 2016 and has been acting as the head of finance of Puchenghua in China since July 2016.

Ms. Zeng received a bachelor of economics degree in hotel management from Sun Yat-sen University in June 2000. Ms. Zeng is a Chinese certified public accountant recognized by the Chinese Institute of Certified Public Accountants since December 2009. She has also been a member of the Chartered Institute of Management Accountants and a chartered global management accountant recognized jointly by the Chartered Institute of Management Accountants since November 2018.

DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Mr. Gao Yu (高宇), aged 51, has been the Chairman of our Board since June 12, 2020. For further details, please refer to "Executive Directors" in this section.

Mr. Jiang Haiyang (姜海洋), aged 50, has been our Chief Executive Officer since June 12, 2020. For further details, please refer to "Executive Directors" in this section.

Mr. Chen Xiaohui (陳曉暉), aged 50, has been our Vice President since June 12, 2020. For further details, please refer to "Executive Directors" in this section.

Mr. Jiang Keyang (蔣科陽), aged 42, has been our Chief Financial Officer and one of our joint company secretaries since June 12, 2020. For further details, please refer to "Executive Directors" in this section.

Mr. Yao Wu (姚武), aged 49, is our Vice President and joined our Group in October 2006. Mr. Yao is primarily responsible for our SaaS product, CRM Cloud (雲客). He has acted as vice president of sales and marketing in Ming Yuan Cloud Technology from October 2006 to September 2009, where he was responsible for its brand management, as well as its sales and marketing management. Mr. Yao founded Ming Yuan Real Estate Research Institute in September 2009 and had been the president of the institute in charge of property development management trainings, management consulting services and brand marketing from September 2009 to July 2014. Since July 2014, he has been the chairman of the board and the chief executive officer of Ming Yuan Cloud Client.

Mr. Yao received a bachelor's degree in engineering from Shenzhen University (深圳大學) in June 1993 and a master's degree in business administration from the China Europe International Business School in October 2011.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Tong Jilong (童繼龍), aged 39, is our Vice President and Head of Strategic Development Centre and joined our Group in January 2010. Mr. Tong is responsible for the medium and long-term strategic planning of the Group; work in relation to ecological cooperation with enterprises related to the pan-real estate value chain; overall external strategic investment, mergers and acquisitions, and post-investment management work of Ming Yuan Cloud. Prior to joining our Group, he worked as IT director in Zhejiang Baoxiniao Group (浙江報喜鳥集團) from April 2002 to July 2004; manager of the information management center in Zhejiang Red Dragonfly Group (浙江紅蜻蜓集團) from July 2004 to February 2007; chief consultant of the marketing center in Shenzhen Daoxun Technology Development Co., Ltd. (深圳道訊科技開發有限公司) from March 2007 to August 2008; and product director in the apparel industry of the small business division in Yonyou Network Technology Co., Ltd. (用友網路科技股份有限公司) (then known as Yonyou Software Co., Ltd. (用友軟件股份有限公司)), a company listed on the Shanghai Stock Exchange (stock code: 600588), from September 2008 to January 2010.

Mr. Tong obtained a diploma of Higher Education for Adults in Administration from Nanchang Normal University (南昌師範學院) (formerly known as Jiangxi Institute of Education (江西教育學院)) in January 2007 and a postgraduate diploma in information strategy and business transformation from the University of Hong Kong in September 2013.

DIRECTORS' REPORT

PRINCIPAL ACTIVITIES

We provide SaaS products and enterprise-grade ERP solutions for property developers and other industry participants along the real estate value chain in China. There were no significant changes in the nature of the Group's principal activities since the Listing Date and up to the date of this report. Please refer to note 36 to the consolidated financial statements on pages 209 to 211 for details of the principal activities of the principal subsidiaries of the Company.

RESULTS

The results of the Group for the year ended December 31, 2020 are set out in the consolidated financial statements of the Group on pages 94 to 211 of this report.

FINAL DIVIDEND

Our Board has recommended the payment of a final dividend of RMB0.07 in form of cash per Share (equivalent to HK$0.083 per Share) for the year ended December 31, 2020. The proposed final dividend will be paid on or around July 30, 2021 after approval by the Shareholders at forthcoming annual general meeting ("**AGM**") of our Company. The Company will make further announcement as appropriate in relation to the record date and date of payment.

The proposed final dividend shall be declared in RMB and paid in HK dollars. The final dividend payable in HK dollars will be converted from RMB at the average central parity rate of RMB to HK dollars as announced by the People's Bank of China for the period from March 23, 2021 to March 29, 2021.

SHARE CAPITAL

Details of the issued Shares during the year ended December 31, 2020 are set out in note 24 to the consolidated financial statements.

RESERVES

Details of the movements in reserves of the Group during the year ended December 31, 2020 are set out on page 187 of this annual report.

DISTRIBUTABLE RESERVES

As at December 31, 2020, the Company's reserves available for distribution for share premium, calculated in accordance with the provisions of Companies Law of the Cayman Islands, amounted to approximately RMB6,303.5 million.

FINANCIAL SUMMARY

The Shares were listed on the Stock Exchange on September 25, 2020. A summary of the results and of the assets, liabilities and equity of the Group for the last four financial years, as extracted from the audited financial information and financial statements, is set out on page 4 of this annual report.

BANK LOANS AND OTHER BORROWINGS

As at December 31, 2020, the Company had no bank loans or other borrowings.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Company during the year ended December 31, 2020 are set out in note 15 to the consolidated financial statements.

SUFFICIENCY OF PUBLIC FLOAT

As at the date of this report and based on the information available to the Company and to the knowledge of the Directors, the Company's public float complies with the requirements of Rule 8.08 of the Listing Rules.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Articles of Association or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro-rata basis to existing Shareholders.

TAX RELIEF AND EXEMPTION

The Directors are not aware of any tax relief and exemption available to the Shareholders by reason of their holding of the Company's securities.

USE OF PROCEEDS FROM THE GLOBAL OFFERING

The Shares were listed on the Main Board of the Stock Exchange on September 25, 2020. Our Company received net proceeds (after deduction of underwriting commissions and related costs and expenses) from the Global Offering (including the proceeds from the full exercise of over-allotment option) of approximately HK$6,910.3 million. Our Company intends to apply such net proceeds in accordance with the purposes as set out in the Prospectus. The details of intended application of net proceeds from the Global Offering are set out as follows:

Item	Approximate % of total net proceeds	Net proceeds from the Global Offering *(HK$ million)*	Utilized as at December 31, 2020 *(HK$ million)*	Unutilized as at December 31, 2020 *(HK$ million)*	Expected timeline of full utilization of the unutilized net proceeds
Further upgrade and enhance the functionalities and features of our existing SaaS products					
(a) Hire and train more high-quality IT specialists, technology architects, software developers and examiners, as well as SaaS product managers	18.0%	1,243.86	**26.11**	**1,217.75**	Before December 31, 2023
(b) Purchase from qualified suppliers advanced equipment, infrastructure and applications	6.0%	414.62	**5.46**	**409.16**	Before December 31, 2023
(c) Invest in product development to introduce new SaaS products	6.0%	414.62	**–**	**414.62**	Before December 31, 2023
Enhance research and development efforts in cutting-edge technologies					
(a) Develop our proprietary key fundamental technologies that support product innovation	8.0%	552.82	**6.52**	**546.30**	Before December 31, 2023
(b) Develop our own technology infrastructure	12.0%	829.24	**9.78**	**819.46**	Before December 31, 2023
Further upgrade and enhance the functionalities and features of our cloud-based ERP solutions					
(a) Enhance our existing product support and value-added service capabilities	6.0%	414.62	**4.90**	**409.72**	Before December 31, 2023
(b) Expand our existing ERP modules and functions to cover more internal business and operational processes of property developers	4.0%	276.41	**–**	**276.41**	Before December 31, 2023

Item	Approximate % of total net proceeds	Net proceeds from the Global Offering *(HK$ million)*	Utilized as at December 31, 2020 *(HK$ million)*	Unutilized as at December 31, 2020 *(HK$ million)*	Expected timeline of full utilization of the unutilized net proceeds
Enhance our sales and marketing capabilities and strengthen our brand reputation					
(a) Expand, retain and train our direct sales force	3.0%	207.31	**11.24**	**196.07**	Before December 31, 2023
(b) Establish an interactive, knowledge-sharing platform with leading property developers	2.0%	138.21	**0.35**	**137.86**	Before December 31, 2023
(c) Enhance our branding and marketing activities to acquire new customers	3.0%	207.31	**5.10**	**202.21**	Before December 31, 2023
(d) Invest to strengthen and expand our regional channel partner network	2.0%	138.21	**1.06**	**137.15**	Before December 31, 2023
Selectively pursue strategic investments and acquisitions	20.0%	1,382.06	**–**	**1,382.06**	Before December 31, 2023
Working capital and general corporate purposes	10.0%	691.03	**–**	**691.03**	Before December 31, 2023
Total	100.0%	6,910.32	**70.52**	**6,839.80**	

The Company will use the remaining proceeds for the purpose as disclosed in the Prospectus and follow the expected implementation timetable as disclosed in the Prospectus.

BUSINESS REVIEW

Overview and Performance of the Year

A fair review of the business of the Group as required by Schedule 5 to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), including an analysis of the Group's financial performance and an indication of likely future developments in the Group's business is set out in the sections headed "Chairman's Statement" and "Management Discussion and Analysis" of this report. These discussions form part of this report. Events affecting the Company that have occurred since the end of the Reporting Period is set out in the section headed "Management Discussion and Analysis – Subsequent Event" in this report.

Key Relationship with Stakeholders

The Group recognizes that various stakeholders including employees, customers, suppliers and other business associates are key to the Group's success. The Group strives to achieve corporate sustainability through engaging, collaborating, and cultivating strong relationships with them.

The Group believes that it is vital to attract, recruit and retain quality employees. To maintain the quality, knowledge and skill levels of the Group's workforce, the Group provides the employees with periodic training, including introductory training for new employees, technical training, professional and management training and health and safety training. The Group believes that it maintains a good relationship with its employees and the Group did not experience any significant labor disputes or any difficulty in recruiting staff for its operations.

We value customer feedback as superior customer service is one of our key sales engines. We have designated customer service teams to timely and effectively address various after-sales customer requests in a customized way and drive overall customer satisfaction. Our large and growing customer base has also provided us with valuable insights into industry best practices that enable us to better understand customer needs to continuously refine our offerings and improve customer experience.

Details of an account of the Company's key relationships with its employees, customers, suppliers and other business associates that have a significant impact on the Company will be set out in the Environmental, Social and Governance Report of the Company to be published.

Social Responsibilities, Environmental Policies and Performance

The Group is committed to fulfilling social responsibilities, promoting employee benefits and development, protecting the environment and giving back to the community and achieving sustainable growth. The Group complies with national regulations on environmental protection, and carries out practices such as economical use of electricity, enhancement of daily maintenance and management of water equipment, promotion of paperless office, so as to reduce the environmental impact of its operation and harmonize with the environment, thus ensuring the sustainable development of the Group in the long term.

In the face of the sudden outbreak of COVID-19 pandemic in 2020, Mr. Gao, Mr. Chen and Mr. Jiang, the co-founders of the Group, immediately donated RMB1.0 million as a relief fund on behalf of the Group to support the pandemic relief, and purchased 236,000 disposable medical surgical masks and 8,900 goggles, which were successively delivered to over 20 hospitals and medical and health service institutions at the frontline of the outbreak, for pandemic prevention and treatment.

In order to promote the safe resumption of work and construction in the real estate industry, the Group completed the development of the "Pandemic Prevention on the Construction Site (工地防疫寶)" software within one week, and provided pandemic prevention management of construction sites for property developers without charge during the outbreak of COVID-19, so as to create a safe and healthy construction environment. During the outbreak of COVID-19, with the principle of "sticking to the duties despite work from home, caring despite quarantine", employees of the Group stuck to their mission, actively responding to the demand of customers through remote work, and tided over the difficulty with customers.

Compliance with Relevant Laws and Regulations

The Group has complied with the requirements under the Companies Ordinance, the Listing Rules, the SFO and the CG Code for, among other things, the disclosure of information and corporate governance. The Group has adopted the Model Code. For further details, please refer to the section headed "Compliance with the Corporate Governance Code" in this section. The Group has also complied with other relevant laws and regulations that have a significant impact on the operations of the Group. Please refer to the section headed "Regulations" in the Prospectus for details.

Key Risks and Uncertainties

There are certain key risks and uncertainties involved in our operations, some of which are beyond our control. Set out below are the material risks and uncertainties that we face:

- our ability to improve and enhance the functions, performance, reliability, design, security, and scalability of our software solutions to suit our customers' evolving needs;
- our ability to maintain and grow our customer base;
- our financial position;
- our ability to continue innovating and keep pace with technological developments;
- our ability to maintain stable relationships with our regional channel partners; and
- security breaches and attacks against our systems and network.

However, the above is not an exhaustive list. Investors are advised to make their own judgment or consult their own investment advisors before making any investment in the Shares.

PROSPECTS

A description of the future development in the Company's future business is provided in the sections headed "Chairman's Statement" and "Management Discussion and Analysis" of this report.

DIRECTORS

The Directors since the Listing Date and up to the date of this report are:

Executive Directors

Mr. Gao Yu *(Chairman)*
Mr. Jiang Haiyang *(Chief Executive Officer)*
Mr. Chen Xiaohui *(Vice President)*
Mr. Jiang Keyang *(Chief Financial Officer and Joint Company Secretary)*

Non-executive Directors

Mr. Liang Guozhi
Mr. Yi Feifan

Independent Non-executive Directors

Mr. Li Hanhui
Mr. Zhao Liang
Ms. Zeng Jing

In accordance with Article 83(2) of the Articles of Association, subject to the provisions of the Articles of Association and the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, the Company may by ordinary resolution elect any person to be a Director either to fill a casual vacancy on the Board or as an addition to the existing Board.

In accordance with Article 83(3) of the Articles of Association, the Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the Board or as an addition to the existing Board. Any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of members of the Company after his appointment and be subject to re-election at such meeting and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following AGM and shall then be eligible for re-election.

In accordance with Article 84(1) of the Articles of Association, at each AGM, one-third of the Directors for the time being (or, if their number is not 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 the AGM at least once every three years.

Accordingly, Mr. Jiang, Mr. Chen and Mr. Jiang Keyang shall retire from office by rotation and be eligible to offer themselves for re-election at the AGM.

Details of the Directors to be re-elected at the forthcoming AGM are set out in the circular to Shareholders to be dispatched in due course in the manner as required by the Listing Rules.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out on pages 33 to 39 of this report. Save as disclosed in this report and as at the Latest Practicable Date, there are no other changes to the Directors' information as required to be disclosed pursuant to Rules 13.51(2) and 13.51B(1) of the Listing Rules.

DIRECTORS' SERVICE CONTRACTS AND APPOINTMENT LETTERS

Each of the executive Directors has entered into a service contract with the Company for an initial term of three years commencing from the Listing Date, which may be terminated by not less than three months' notice in writing served by either party. Each of our non-executive Directors and our independent non-executive Directors has entered into an appointment letter with the Company for a term of one year with effect from the Listing Date.

None of the Directors proposed for re-election at the AGM has an unexpired service contract or appointment letter which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than statutory compensation.

CONFIRMATION OF INDEPENDENCE FROM THE INDEPENDENT NON-EXECUTIVE DIRECTORS

We have received from each of the independent non-executive Directors, namely Mr. Li Hanhui, Mr. Zhao Liang and Ms. Zeng Jing, the confirmation of their respective independence pursuant to Rule 3.13 of the Listing Rules. The Company has duly reviewed the confirmation of independence of each of these Directors. We consider that our independent non-executive Directors have been independent from the date of their appointments to December 31, 2020 and remain so as at the date of this report.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As far as the Company is aware, as at December 31, 2020, the interests and/or short positions (if applicable) of our Directors and the chief executive of our Company in the Shares, underlying Shares or debentures of our Company or any of the associated corporations of our Company (within the meaning of Part XV of the SFO), which were required (a) to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO); or (b) pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to our Company and the Stock Exchange pursuant to the Model Code, were as follows:

Long Positions in the Shares

Name of Director	Capacity/Nature of interest	Number of Shares interested	Approximate percentage of shareholding(4)
Mr. Gao(1)	Settlor of a trust	395,523,600	20.52%
Mr. Chen(2)	Settlor of a trust	296,644,800	15.39%
Mr. Jiang(3)	Settlor of a trust	186,826,600	9.69%

Notes:

(1) As at December 31, 2020, GHTongRui Investment Limited directly held 395,523,600 Shares in our Company. GHTongRui Investment Limited is 99% held by MYTongRui Holdings Limited, which is in turn wholly-owned by TMF (Cayman) Ltd., the trustee of the family trust established by Mr. Gao (as the settlor) with him and his family members being the beneficiaries. Accordingly, Mr. Gao is deemed to be interested in the total number of Shares held by GHTongRui Investment Limited.

(2) As at December 31, 2020, HengXinYuan Investment Limited directly held 296,644,800 Shares in our Company. HengXinYuan Investment Limited is 99% held by SunshineMorning Holdings Limited, which is in turn wholly-owned by TMF (Cayman) Ltd., the trustee of the family trust established by Mr. Chen (as the settlor) with him and his family members being the beneficiaries. Accordingly, Mr. Chen is deemed to be interested in the total number of Shares held by HengXinYuan Investment Limited.

(3) As at December 31, 2020, LINGFAN Investment Limited directly held 186,826,600 Shares in our Company. LINGFAN Investment Limited is 99% held by Mindfree Holdings Limited, which is in turn wholly-owned by TMF (Cayman) Ltd., the trustee of the family trust established by Mr. Jiang (as the settlor) with him and his family members being the beneficiaries. Accordingly, Mr. Jiang is deemed to be interested in the total number of Shares held by LINGFAN Investment Limited.

(4) As at December 31, 2020, there were 1,927,149,990 Shares in issue.

Interests in Associated Corporations

Name of Director	Name of associated corporation	Amount of registered capital held	Approximate percentage of interests
Mr. Gao	Ming Yuan Cloud Procurement	RMB4,000,000.05	36.0%
Mr. Chen	Ming Yuan Cloud Procurement	RMB3,022,222.26	27.2%
Mr. Jiang	Ming Yuan Cloud Procurement	RMB1,866,666.69	16.8%

Save as disclosed above and to the best knowledge of our Directors, none of the Directors or chief executive of our Company had or was deemed to have any interest or short positions in the Shares, underlying Shares or debentures of our Company or any of its associated corporations as at December 31, 2020.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSON'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at December 31, 2020, the persons, other than our Directors or the chief executive of our Company, who had interests or short positions in the Shares and underlying Shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by our Company pursuant to Section 336 of the SFO are as follows:

Long Position in the Shares

Name of Shareholder	Capacity/Nature of interest	Number of Shares interested	Approximate percentage of shareholding(6)
GHTongRui Investment Limited(1)	Beneficial interest	395,523,600	20.52%
MYTongRui Holdings Limited(1)	Interest in controlled corporation	395,523,600	20.52%
HengXinYuan Investment Limited(2)	Beneficial interest	296,644,800	15.39%
SunshineMorning Holdings Limited(2)	Interest in controlled corporation	296,644,800	15.39%
LINGFAN Investment Limited(3)	Beneficial interest	186,826,600	9.69%
Mindfree Holdings Limited(3)	Interest in controlled corporation	186,826,600	9.69%

Name of Shareholder	Capacity/Nature of interest	Number of Shares interested	Approximate percentage of shareholding[6]
TMF (Cayman) Ltd.[1][2][3][4]	Trustee of 4 trusts	927,316,000	48.12%
MYC United Power Investment Holdings Limited	Beneficial interest	128,562,800	6.67%
MYC Brilliant Alliance Investment Holdings Limited	Beneficial interest	105,523,200	5.48%
Beijing Chenchuang Management Consultation Center (Limited Partnership) (北京宸創管理諮詢中心(有限合夥)) ("**Beijing Chenchuang**")[5]	Beneficial interest	111,948,000	5.81%
Tianjin Dachen Chuangshi Equity Investment Fund Partnership (Limited Partnership) (天津達晨創世股權投資基金合夥企業(有限合夥))[5]	Interest in controlled corporation	111,948,000	5.81%
Tianjin Dachen Shengshi Equity Investment Fund Partnership (Limited Partnership) (天津達晨盛世股權投資基金合夥企業(有限合夥))[5]	Interest in controlled corporation	111,948,000	5.81%

Notes:

(1) GHTongRui Investment Limited is 99% held by MYTongRui Holdings Limited, which is in turn wholly-owned by TMF (Cayman) Ltd., the trustee of the family trust established by Mr. Gao (as the settlor) with him and his family members being the beneficiaries. Accordingly, MYTongRui Holdings Limited is deemed to be interested in the total number of Shares held by GHTongRui Investment Limited.

(2) HengXinYuan Investment Limited is 99% held by SunshineMorning Holdings Limited, which is in turn wholly-owned by TMF (Cayman) Ltd., the trustee of the family trust established by Mr. Chen (as the settlor) with him and his family members being the beneficiaries. Accordingly, SunshineMorning Holdings Limited is deemed to be interested in the total number of Shares held by HengXinYuan Investment Limited.

(3) LINGFAN Investment Limited is 99% held by Mindfree Holdings Limited, which is in turn wholly-owned by TMF (Cayman) Ltd., the trustee of the family trust established by Mr. Jiang (as the settlor) with him and his family members being the beneficiaries. Accordingly, Mindfree Holdings Limited is deemed to be interested in the total number of Shares held by LINGFAN Investment Limited.

(4) TMF (Cayman) Ltd. is deemed to be interested in the total number of Shares held by each of GHTongRui Investment Limited, HengXinYuan Investment Limited and LINGFAN Investment Limited as noted above, as well as JIABAOSZ Investment Limited. JIABAOSZ Investment Limited beneficially holds 48,321,000 of our issued Shares and is 99% held by JINBAOSZ Holdings Limited, which is in turn wholly-owned by TMF (Cayman) Ltd., the trustee of the family trust established by Mr. Yao Wu (as the settlor) with him and his family members being the beneficiaries.

(5) Beijing Chenchuang is held by Tianjin Dachen Chuangshi Equity Investment Fund Partnership (Limited Partnership) (天津達晨創世股權投資基金合夥企業 (有限合夥)) and Tianjin Dachen Shengshi Equity Investment Fund Partnership (Limited Partnership) (天津達晨盛世股權投資基金合夥企業 (有限合夥)) as to approximately 39.59% and 34.41%, respectively. Accordingly, both of them are deemed to be interested in the total number of Shares held by Beijing Chenchuang.

(6) As at December 31, 2020, there were 1,927,149,990 Shares in issue.

Save as disclosed above and to the best knowledge of our Directors, as at December 31, 2020, we were not aware of any other person (other than the Directors or the chief executive of our Company) who had an interest or short position in the Shares or underlying Shares which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred therein.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in this report, at no time during the year ended December 31, 2020 was the Company or any of its subsidiaries, a party to any arrangement that would enable the Directors to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors or any of their spouse or children under the age of 18 had any right to subscribe for the share capital or debt securities of the Company or any other body corporate or had exercised any such right.

DEED OF NON-COMPETITION

In order to ensure that direct competition does not develop between us and the activities of our Controlling Shareholders, Mr. Gao, Mr. Chen and Mr. Jiang entered into a deed of non-competition in favor of our Company on September 4, 2020, pursuant to which each of Mr. Gao, Mr. Chen and Mr. Jiang has undertaken to our Company (for itself and for the benefit of its subsidiaries and Consolidated Affiliated Entity) that he would not, and he would use his best endeavors to procure that his associates (except any members of our Group) shall not, whether directly or indirectly (including through any body corporate, partnership, joint venture or other contractual arrangement) or as principal or agent, and whether on their own account or with each other or in conjunction with or on behalf of any person, firm or company or through any entities (except in or through any member of our Group), carry on, engage, participate or hold any right or interest in or render any services to or otherwise be involved in any business which is in competition, directly or indirectly, with the business of any member of our Group.

The Company has received confirmations from Mr. Gao, Mr. Chen and Mr. Jiang confirming their compliance with the deed of non-competition from the Listing Date to December 31, 2020 for disclosure in this report. The independent non-executive Directors have also reviewed the compliance of Mr. Gao, Mr. Chen and Mr. Jiang with the deed of non-competition from the Listing Date to December 31, 2020.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Save as disclosed in this report, each of the Directors confirms that as at December 31, 2020, he/she did not have any interest in a business which competes or is likely to compete, directly or indirectly, with our business and requires disclosure under Rule 8.10 of the Listing Rules. From time to time our non-executive Directors may serve on the boards of both private and public companies within the broader information technology and software industries. However, as these non-executive Directors are not members of our executive management team, we do not believe that their interests in such companies as directors would render us incapable of carrying on our business independently from the other companies in which these Directors may hold directorships from time to time.

CONNECTED AND CONTINUING CONNECTED TRANSACTIONS

Among the related party transactions disclosed in note 34 to the consolidated financial statements, the following transactions constitute continuing connected transactions for the Company under Rule 14A.31 of the Listing Rules and are required to be disclosed in this report in accordance with Rule 14A.71 of the Listing Rules. The Company confirmed that the related party transactions fall under the definition of "connected transaction" or "continuing connected transaction" (as the case may be) in Chapter 14A of the Listing Rules, and it had complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules. Please see below the information required to be disclosed in compliance with Chapter 14A of the Listing Rules.

Contractual Arrangements

Reasons for using the Contractual Arrangements

The operation of a procurement and supply chain management platform by Ming Yuan Cloud Procurement, our Consolidated Affiliated Entity, involves the provision of procurement information for property developers and suppliers for fees (the "**Relevant Business**"), which is subject to restrictions under PRC regulations relating to value-added telecommunication services.

In order to comply with PRC laws and regulations and the Listing Rules, we determined that it was not viable for our Company to hold our Consolidated Affiliated Entity directly through equity ownership. Instead, we decided that, in line with common practice in industries subject to foreign investment restrictions in the PRC, we would gain effective control over, and receive 80% of all the economic benefits generated by the businesses currently operated by our Consolidated Affiliated Entity through the Contractual Arrangements between Ming Yuan Cloud Technology, on one hand, and our Consolidated Affiliated Entity and the Relevant Shareholders, on the other hand.

Summary of the Material Terms of the Contractual Arrangements

A description of each of the specific agreements that comprise the Contractual Arrangements entered into by Ming Yuan Cloud Technology and Ming Yuan Cloud Procurement is set out below.

(a) Exclusive Business Cooperation Agreement

Under the exclusive business cooperation agreement dated December 16, 2019 entered into between Ming Yuan Cloud Technology and Ming Yuan Cloud Procurement (the "**Exclusive Business Cooperation Agreement**"), in exchange for an annual service fee, Ming Yuan Cloud Procurement agreed to engage Ming Yuan Cloud Technology as its exclusive provider of technical support, consultation and other services, including the following services:

(1) the use of any relevant software legally owned by Ming Yuan Cloud Technology;

(2) the use of any intellectual property rights of Ming Yuan Cloud Technology;

(3) development, maintenance and update of the software in respect of Ming Yuan Cloud Procurement's business;

(4) design, installation, daily management, maintenance and update of computer network systems, hardware and database design;

(5) providing technical support and professional training services for relevant employees of Ming Yuan Cloud Procurement;

(6) providing assistance in consultation, collection and research of relevant technology and market information (excluding market research business that Sino-foreign joint venture companies are prohibited from conducting under PRC laws);

(7) providing business management consultation;

(8) providing business strategic development and planning consultation;

(9) providing business finance consultation and management services;

(10) provide business operation related information consultation;

(11) providing marketing and promotional services;

(12) providing customer order management and customer services;

(13) transfer, leasing and disposal of equipment or properties; and

(14) other relevant services requested by Ming Yuan Cloud Procurement from time to time to the extent permitted under PRC laws.

Under the Exclusive Business Cooperation Agreement, the service fees shall be 80% of the total consolidated profit of Ming Yuan Cloud Procurement before tax, after the deduction of any accumulated deficit of Ming Yuan Cloud Procurement in respect of the preceding financial year(s) (if any), operating costs, expenses, taxes and other statutory contributions in respect of any financial year. Notwithstanding the foregoing, Ming Yuan Cloud Technology may adjust the scope and amount of service fees according to PRC tax law and tax practices, with reference to the operational capital needs of Ming Yuan Cloud Procurement, and Ming Yuan Cloud Procurement will accept such adjustments. Ming Yuan Cloud Technology shall have sole discretion to decide on the scope of service and amount of service fee.

(b) Exclusive Option Agreement

Under the exclusive option agreement dated December 16, 2019 among Ming Yuan Cloud Technology, the Relevant Shareholders, Ming Yuan Cloud Procurement and Ming Yuan Cloud Tai Qi (the "**Exclusive Option Agreement**"), the Relevant Shareholders and/or Ming Yuan Cloud Procurement agreed to grant Ming Yuan Cloud Technology an irrevocable and exclusive right to require, without additional conditions, each of the Relevant Shareholders to transfer any or all their equity interests in Ming Yuan Cloud Procurement, and/or Ming Yuan Cloud Procurement to transfer any or all of the assets it held, to

Ming Yuan Cloud Technology and/or a third party designated by it, at any time and from time to time, for a nominal price or at the lowest purchase price that is permitted by the PRC laws. The Relevant Shareholders and Ming Yuan Cloud Procurement agreed to accept the grant of such exclusive right.

(c) Equity Pledge Agreement

Under the equity pledge agreement dated December 16, 2019 entered into between Ming Yuan Cloud Technology which became effective retroactively on April 16, 2019, the Relevant Shareholders and Ming Yuan Cloud Procurement (the "**Equity Pledge Agreement**"), the Relevant Shareholders agreed to pledge all their respective equity interests in Ming Yuan Cloud Procurement that they own, including any interest or dividend paid for the shares, to Ming Yuan Cloud Technology as first charge to guarantee the performance of contractual obligations and the payment of guaranteed debts as defined in the Equity Pledge Agreement.

(d) Powers of Attorney

The Relevant Shareholders have executed Powers of Attorney dated December 16, 2019. Under the Powers of Attorney, the Relevant Shareholders irrevocably appointed Ming Yuan Cloud Technology, its successors and any of its liquidators (if any), or any of its designated person(s) (including Directors and their successors and liquidators replacing the Directors), as their attorneys-in-fact to exercise on their behalf, certain powers concerning Ming Yuan Cloud Procurement and to exercise its rights as the registered shareholder of Consolidated Affiliated Entity.

(e) Confirmations from the Relevant Shareholders

Each of the Relevant Shareholders, namely, Mr. Gao, Mr. Chen and Mr. Jiang has confirmed to the effect that (i) his spouse does not own and does not have the right to claim any interests in the equity interest of Ming Yuan Cloud Procurement (together with any other interests therein) or exert influence on the day-to-day management by Ming Yuan Cloud Procurement; and (ii) in the event of his death, incapacity, bankruptcy (if applicable), divorce or any other event which causes his inability to exercise his rights as a shareholder of Ming Yuan Cloud Procurement, he will take actions deemed necessary by Ming Yuan Cloud Technology to safeguard the performance of the Exclusive Business Cooperation Agreement, the Exclusive Option Agreement, the Equity Pledge Agreement and the Powers of Attorney, and his successors, guardians, managers, liquidators, creditors, spouse or any other person that has a claim on his equity interest in Ming Yuan Cloud Procurement or related rights will not, under any circumstance and in any way, take any action, when such action may affect or hinder the respective Relevant Shareholder and/or Ming Yuan Cloud Procurement in performing their obligations under the Exclusive Business Cooperation Agreement, the Exclusive Option Agreement, the Equity Pledge Agreement and the Powers of Attorney.

(f) Spouse undertakings

The spouse of each of the Relevant Shareholders, where applicable, has signed undertakings to the effect that (i) the respective Relevant Shareholder's interests in Ming Yuan Cloud Procurement (together with any other interests therein) do not fall within the scope of communal properties; and (ii) she has no right to such interests of the respective Relevant Shareholder and will not have any claim on such interests.

For details of the major terms of the Contractual Arrangements, please refer to the sub-section headed "Contractual Arrangements – Summary of material terms of the Contractual Arrangements" in the Prospectus.

During the year ended December 31, 2020, save as disclosed herein, there was no material change in the Contractual Arrangements and/or the circumstances under which they were adopted, and none of the Contractual Arrangements has been unwound as none of the restrictions that led to the adoption of Contractual Arrangements has been removed.

Qualification Requirements under the FITE Regulations

On December 11, 2001, the State Council promulgated the Regulations for the Administration of Foreign-Invested Telecommunications Enterprises (《外商投資電信企業管理規定》) ("**FITE Regulations**"), which were amended on September 10, 2008 and February 6, 2016. According to the FITE Regulations, foreign investors are not allowed to hold more than 50% of the equity interests in a company providing value-added telecommunications services, including internet content provision services. In addition, a foreign investor who invests in a value-added telecommunications business in the PRC must possess prior experience in operating value-added telecommunications businesses and a proven track record of business operations overseas (the "**Qualification Requirements**"). The Ministry of Industry and Information Technology of the PRC (中華人民共和國工業和信息化部) ("**MIIT**") issued a Guidance Memorandum on the Application Requirement for Establishing Foreign-invested Value-added Telecommunications Enterprises (外商投資經營電信業務審批服務指南) (the "**Guidance Memorandum**") in the PRC. According to the Guidance Memorandum, an applicant is required to provide, among other things, satisfactory proof of the Qualification Requirements and business development plan. The Guidance Memorandum does not provide any further guidance on the proof, record or document required to support the proof satisfying the Qualification Requirements. Further, the Guidance Memorandum does not purport to provide an exhaustive list on the application requirement. Our PRC Legal Advisor has advised us that, (i) no applicable PRC laws, regulations or rules provided clear guidance or interpretation on the Qualification Requirements; and (ii) foreign investor's fulfillment of the Qualification Requirements remains ultimately subject to substantive examination of the MIIT.

Notwithstanding that clear procedures or guidance from the PRC approving regulatory authorities is not available, we are nevertheless committed to using our best endeavors to gradually build up our track record of overseas telecommunications business operations for the purposes of being qualified, as early as possible, to acquire the maximum equity interest in Ming Yuan Cloud Procurement when the relevant PRC laws allow foreign investors to invest and to hold any equity interests in enterprises which engage in the value-added telecommunications services. For the purposes of meeting the Qualification Requirements, we are in the process of establishing and accumulating overseas operation experience, including:

- our Company has registered trademarks outside of the PRC for the promotion of our Relevant Business overseas, we also plan to register domain names outside of the PRC;
- our Company has established a subsidiary in Hong Kong for the purpose of registering and holding offshore intellectual properties, promoting our Company's business, entering into business contracts with offshore counterparties; and
- through our subsidiaries established outside of the PRC, our Company has been exploring the business opportunities of the Relevant Business in overseas markets, particularly provision of services to real estate development companies outside of the PRC.

Based on the foregoing, our PRC Legal Advisor is of the view that, subject to the discretion of the competent PRC governmental authorities in determining whether our Group has fulfilled the Qualification Requirements, the above steps taken by us are reasonable, appropriate and sufficient in relation to the Qualification Requirements.

Particulars of the Consolidated Affiliated Entity

Our Consolidated Affiliated Entity, namely, Ming Yuan Cloud Procurement, is a limited liability company established in Shenzhen, the PRC on April 22, 2014, which is principally engaged in operation of a procurement and supply chain management platform, Procurement Cloud (雲採購), which involves the provision of procurement information for property developers, construction materials suppliers and other service vendors.

As at December 31, 2020, the equity interest of Ming Yuan Cloud Procurement was held as to 36.0% by Mr. Gao, 27.2% by Mr. Chen, 16.8% by Mr. Jiang and 20.0% by Shenzhen Mingyuan Cloud Tai Qi Investment Partnership (Limited Partnership) (深圳市明源雲泰啟投資合夥企業 (有限合夥)), a shareholding platform held by 12 employees of our Group.

For the purposes of Chapter 14A of the Listing Rules, and in particular the definition of "connected person", the Consolidated Affiliated Entity will be treated as our Company's 80% owned subsidiary, and the directors, chief executives or substantial shareholders (as defined in the Listing Rules) of the Consolidated Affiliated Entity and their respective associates will be treated as our Company's "connected persons". As such, transactions between these connected persons and our Group (including for this purpose the Consolidated Affiliated Entity) other than those under the Contractual Arrangements shall comply with Chapter 14A of the Listing Rules.

The transactions contemplated under the Contractual Arrangements constitute continuing connected transactions of the Company.

Revenue and Assets subject to the Contractual Arrangements

For the year ended December 31, 2020, the revenue of Ming Yuan Cloud Procurement, subject to the Contractual Arrangements, was RMB36.42 million, accounting for approximately 2.14% of the consolidated revenue of the Group.

As at December 31, 2020, the total assets of Ming Yuan Cloud Procurement, subject to the Contractual Arrangements, was RMB23.82 million, accounting for approximately 0.32% of the total assets of the Group.

Review of the Transactions Carried Out under the Contractual Arrangements during the Reporting Period

Our independent non-executive Directors have reviewed the Contractual Arrangements and confirmed that: (i) the transactions carried out during the Reporting Period have been entered into in accordance with the relevant provisions of the Contractual Arrangements, have been operated so that the revenue generated by the Consolidated Affiliated Entity has been substantially retained by Ming Yuan Cloud Technology, (ii) no dividends or other distributions have been made by the Consolidated Affiliated Entity to the holders of its equity interests which are not otherwise subsequently assigned or transferred to our Group; and (iii) any new contracts entered into, renewed or reproduced between our Group and the Consolidated Affiliated Entity during the Reporting Period are fair and reasonable, or advantageous, so far as our Group is concerned and in the interests of our Company and the Shareholders as a whole.

The Board had reviewed the overall performance of and compliance with the Contractual Arrangements for the year ended December 31, 2020.

The Group's auditor has carried out procedures in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants on the transactions carried out pursuant to the Contractual Arrangements and have provided a letter to our Directors with a copy to the Stock Exchange stating that (a) nothing has come to the auditor's attention that causes the auditor to believe that the transactions carried out under the Contractual Arrangements have not been approved by the Board; (b) nothing has come to the auditor's attention that causes the auditor to believe that the transactions carried out under the Contractual Arrangements were not entered into, in all material respects, in accordance with the relevant Contractual Arrangements; and (c) nothing has come to the auditor's attention that causes the auditor to believe that there were dividends or other distributions declared and/or distributed by Consolidated Affiliated Entity to the holders of its equity interests which are not otherwise subsequently assigned or transferred to the Group.

Risks associated with the Contractual Arrangements and Actions taken by the Company to Mitigate the Risks

We believe the following risks are associated with the Contractual Arrangements. Further details of these risks are set out on pages 63 to 68 in the Prospectus.

- If the PRC government finds that the agreements that establish the structure for operating our businesses in China do not comply with applicable PRC laws and regulations, or if these regulations or their interpretations change in the future, we could be subject to severe consequences, including the nullification of the contractual arrangements and the relinquishment of our interest in our Consolidated Affiliated Entity.

- Our Contractual Arrangements may not be as effective in providing operational control as direct ownership. Our Consolidated Affiliated Entity or their shareholders may fail to perform their obligations under our contractual arrangements.

- The shareholders of our Consolidated Affiliated Entity may have conflicts of interest with us, which may materially and adversely affect our business.

- If we exercise the option to acquire equity ownership and assets of our Consolidated Affiliated Entity, the ownership or asset transfer may subject us to certain limitations and substantial costs.

- We may lose the ability to use and enjoy assets held by our Consolidated Affiliated Entity that are material to our business operations if our Consolidated Affiliated Entity declare bankruptcy or become subject to a dissolution or liquidation proceeding.

- Substantial uncertainties exist with respect to the interpretation and implementation of the Foreign Investment Law and how it may impact the viability of our current corporate structure, corporate governance and business operations.

- Our contractual arrangements may be subject to scrutiny by the PRC tax authorities, and a finding that we owe additional taxes could substantially reduce our combined profit and the value of our Shareholders' investment.

Our Group has adopted measures to ensure the effective operation of our Group's businesses with the implementation of the Contractual Arrangements and our compliance with the Contractual Arrangements, including:

- major issues arising from the implementation and compliance with the Contractual Arrangements or any regulatory enquiries from government authorities will be submitted to our Board, if necessary, for review and discussion on an occurrence basis;

- our Board will review the overall performance of and compliance with the Contractual Arrangements at least once a year;

- our Company will disclose the overall performance and compliance with the Contractual Arrangements in our annual reports; and

- our Company will engage external legal advisors or other professional advisors, if necessary, to assist the Board to review the implementation of the Contractual Arrangements, review the legal compliance of Ming Yuan Cloud Technology and our Consolidated Affiliated Entity to deal with specific issues or matters arising from the Contractual Arrangements.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENT AND CONTRACT OF SIGNIFICANCE

Save as disclosed in this report, no Director or an entity connected with a Director was materially interested, either directly or indirectly, in any transaction, arrangement or contract which is significant in relation to the business of the Group to which the Company, or any of its subsidiaries or fellow subsidiaries was a party subsisting since the Listing Date and up to the date of this report.

CONTRACT OF SIGNIFICANCE

Save as disclosed in this report, no contract of significance was entered into between the Company, or one of its subsidiary companies since the Listing Date and up to the date of this report.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed since the Listing Date and up to the date of this report between the Company and a person other than a Director or any person engaged in the full-time employment of the Company.

DIRECTORS' PERMITTED INDEMNITY PROVISION

Pursuant to the Articles of Association, the Company shall indemnify out of the assets of the Company, any Director against all losses or liabilities incurred or sustained by him as a Director of the Company in defending any proceeding, whether civil or criminal, in which judgment is given in his/her favor, or in which he is acquitted. The Company has arranged appropriate directors' liability insurance coverage for the Directors since the Listing Date.

STAFF, REMUNERATION POLICY AND DIRECTORS' REMUNERATION

As at December 31, 2020, we had 3,170 employees (as at December 31, 2019: 2,505 employees). For the year ended December 31, 2020, the Group's total staff costs amounted to approximately RMB838,402,000, including salaries, wages, bonuses, pension costs, other social security costs, housing benefits and other employee benefits and share-based compensation. The Group continued to optimize the incentive-based system in line with business development needs and implemented remuneration policies with competitiveness.

Our Directors receive compensation in the form of fees, salaries, bonuses, other allowances, benefits in kind, contribution to the pension scheme and other share-based compensation. We determine the compensation of our Directors based on each Director's responsibilities, qualification, position and seniority. The emolument of executive Directors and senior management of the Group is determined by the Remuneration Committee and the emolument of non-executive Directors and independent non-executive Directors is recommended by the Remuneration Committee. Details of the Directors' remuneration during the Reporting Period are set out in note 10 to the consolidated financial statements. No amount was paid to any Director or any of the five highest paid individual disclosed in note 10 to the consolidated financial statements as an inducement to join or upon joining the Company or as a compensation for loss of office. In addition, there was no arrangement under which a Director waived or agreed to waive any remuneration.

SHARE INCENTIVE PLAN

A share incentive plan (the "**Share Incentive Plan**") was adopted and approved by resolutions in writing by the Board on March 29, 2020. The terms of the Share Incentive Plan are not subject to the provisions of Chapter 17 of the Listing Rules.

Purpose

The purpose of the Share Incentive Plan is to enable our Group to grant awards to selected participants as incentives or rewards for their contribution to our Group, in particular, (i) to motivate them to optimize their performance and efficiency for the benefit of our Group; (ii) to attract and retain them whose contributions are or will be beneficial to our Group; and (iii) to encourage them to enhance cooperation and communication amongst team members for the growth of our Group.

Types of Awards

The Share Incentive Plan provides for awards of options to subscribe for Shares ("**Options**"), restricted share units ("**RSUs**"), Shares issued subject to forfeiture or repurchase by our Company until vested ("**Restricted Shares**"), and other share-based awards or rights (collectively, the "**Awards**").

Who may join

The Board, in the context of the Share Incentive Plan, including any committee or person(s) duly authorized by the Board, may at its discretion, invite any person belonging to any of the following classes of eligible participants ("**Eligible Participants**"), to take up an Award to subscribe for Shares:

(1) any full-time executives, officers, managers or employees of our Company or any of its subsidiaries or controlled affiliates, or any entities designated by them, who had attained the requisite seniority and performance grade and/or targets as may be determined by the Board from time to time;

(2) any Directors and supervisors (including non-executive Directors and independent non-executive Directors) of our Company or any of its subsidiaries or controlled affiliates, or any entities designated by them; and

(3) any advisor, consultant, distributor, contractor, customer, supplier, agent, business partner, joint venture business partner, strategic partner, service provider or other third parties who the Board considers, in its sole discretion, has contributed or will contribute to our Group.

Maximum Number of Shares

Unless otherwise duly approved by the Board, the total number of Shares underlying the Share Incentive Plan shall not exceed 74,840,800 Shares.

Performance Target

The participant may be required to achieve any performance targets as the Board may specify before the relevant Options, RSUs and/or Restricted Shares can be vested, exercised or settled upon the grant of an Award to an Eligible Participant.

Exercise price, Consideration for RSU and Restricted Share purchase price

The exercise price in respect of any Option, the price to be paid for the granting of RSUs, and the purchase price of Restricted Shares shall, subject to any adjustments made pursuant to the Share Incentive Plan, be such amount in such form as may be determined by the Board from time to time and set out in the offer for the grant of an Award.

Conditions of Issuance of Shares

The Eligible Participant who accepts the offer for the grant of an Award (the "**Grantee**") must not have committed any breach of the Share Incentive Plan and any ancillary documents that he has entered into with our Company in respect of the Award.

The Grantee must not have violated any provision of the articles of association or constitutional documents of the relevant member of our Group, or otherwise impaired the interests of our Group.

The Board may, at its absolute discretion, fix any other performance targets that must be achieved and any other conditions that must be fulfilled before any Options, RSUs and/or Restricted Shares can be vested or settled.

If the conditions set out above in this clause are not satisfied, the Options, RSUs and/or Restricted Shares shall automatically lapse on the date on which such conditions are not satisfied, as determined by the Board in its absolute discretion.

Vesting Schedule

Subject to the terms of the Share Incentive Plan, the Options shall be vested and exercisable, the RSUs shall be vested and settled, and the Restricted Shares shall be vested and no longer subject to forfeiture, as set out in the offer for the grant of an Award.

If a change of control shall occur, such Grantee's Options shall be immediately vested and exercisable, RSUs shall be vested and settled, and Restricted Shares shall be vested and no longer subject to forfeiture (as applicable).

Vesting of Awards

(1) *Exercise of Option*

Subject to the terms of the Share Incentive Plan, the Options may be exercised by delivering to our Company an executed stock option exercise notice in such form as may be approved by the Board from time to time (the "**Exercise Notice**"), which shall set forth, among others, the number of Shares being purchased and the aggregate exercise price of the Shares being purchased.

The Awards may not be exercised or settled unless such exercise or settlement is in compliance with all applicable securities law, as they are in effect on the date of exercise.

Payment of the aggregate exercise price for the Shares being purchased and any applicable withholding taxes shall be paid to our Company in full within such period after the delivery of the Exercise Notice as may be set out in the offer for the grant of an Award and such payment may be made in cash or by cheque or as determined by our Company, in its sole discretion, (a) by means of any cashless exercise procedure approved by our Company; (b) by any other form of consideration approved by our Company and permitted by applicable law; or (c) any combination of the foregoing.

(2) *Settlement of RSU*

Subject to the terms of the Share Incentive Plan, RSUs will be settled upon vesting, subject to the terms of the applicable Award, either by delivery to the Grantee of the number of Shares that equals the number of RSUs that then become vested or by the payment to the holder of cash equal to the then fair market value of that number of Shares (less any costs, expenses, fees or taxes payable in connection with the RSUs). If RSUs are settled in Shares, one or more of the Directors of our Company will, on behalf of our Company, cause and direct the share registrar of our Company to update our Company's register of members with the name of the Grantee entered therein as the record holder of the Shares.

(3) *Release of Restricted Share*

Subject to the terms of the Share Incentive Plan, Restricted Shares shall, subject to the terms of the applicable Award, be released from escrow as soon as practicable after the applicable vesting date. After the Restricted Shares are released, the Shares shall be freely transferable by the Grantee, subject to applicable restrictions in the Award and any legal restrictions.

Non-transferability of the Awards

Save and except for the provisions in the paragraph below and except under the applicable laws or as otherwise provided by the Share Incentive Plan, the Awards shall be personal to the Grantee and the Grantee shall not sell, transfer, pledge or assign the Awards and the Share Incentive Plan or any interest or benefits herein.

The Grantee shall be permitted to transfer the Awards to his wholly owned entity or any trust arrangement whereby the Grantee is the sole beneficiary. The terms of the Share Incentive Plan shall be binding upon the personal representatives, executors, administrators, heirs, successors and assignees of the Grantee. Unless transferred pursuant to the foregoing, the Awards shall be exercisable, during the Grantee's lifetime, only by the Grantee.

Without limiting the generality of the foregoing, except as otherwise provided by the Share Incentive Plan, the Awards may not be assigned, transferred, pledged or hypothecated in any way, shall not be assignable by operation of law, and shall not be subject to execution, attachment or similar process. Any attempted assignment, transfer, pledge, hypothecation or other disposition of the Awards contrary to the provisions hereof, and the levy of any execution, attachment or similar process upon the Awards shall be null and void and without effect and such breach by an Grantee shall entitle our Company to cancel any outstanding Awards granted to such Grantee.

Lock-up Period

In connection with any underwritten public offering by our Company of its equity securities, the Grantee shall not, for a period of at least 180 days (or such longer period as may be provided in the offer for the grant of an Award) following the date of completion of the applicable offering, directly or indirectly, sell, make any short sale of, loan, hypothecate, pledge, offer, grant or sell any option or other contract for the purchase of, purchase any option or other contract for the sale of, or otherwise dispose of or transfer, or agree to engage in any of the foregoing transactions with respect to, any Shares acquired under the Share Incentive Plan without the prior written consent of our Company or its underwriters.

Termination of Employment

In the event of a Grantee, having been an employee or director of our Group at the time of the grant of the Award, subsequently ceases to be an employee or director thereof, any outstanding Options, RSUs and/or Restricted Shares (including any vested portion thereof) held by such Grantee shall terminate in accordance with provision set out in the relevant offer for the grant of an Award (if applicable).

Termination

Our Company may by resolution in general meeting or the Board may at any time terminate the operation of the Share Incentive Plan and in such event no further Award shall be offered but the provisions of the Share Incentive Plan shall remain in force to the extent necessary to give effect to any outstanding Awards granted prior thereto or otherwise as may be required in accordance with the provisions of the Share Incentive Plan. Outstanding Awards granted prior to such termination but not yet exercised, settled or released at the time of termination shall continue to be valid and exercisable or releasable in accordance with the Share Incentive Plan.

Outstanding options, share purchase rights and RSUs

As at the Latest Practicable Date, 39 of our employees, who are not Directors and members of the senior management of our Company, had been granted an aggregate of 20,600,000 RSUs under the Share Incentive Plan to subscribe for an aggregate of 20,600,000 Shares, representing approximately 1.07% of the issued share capital of our Company, among which, an aggregate of 3,600,000 RSUs to subscribe for an aggregate of 3,600,000 Shares had been vested, representing approximately 0.19% of the issued share capital of our Company.

Save as disclosed above, since the adoption of the Share Incentive Plan and to the date of this report, no Awards had been granted or agreed to be granted, vested, exercised, released or cancelled pursuant to the Share Incentive Plan.

For further details, please refer to the section headed "Appendix IV – Statutory and General Information – D. Share Incentive Plan" of the Prospectus, and note 27 to the consolidated financial statements.

EQUITY-LINKED AGREEMENT

Save as disclosed in this report, there was no equity-linked agreement entered into by the Company during the year ended December 31, 2020.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended December 31, 2020, the respective percentage of purchases attributable to the Group's largest supplier and five largest suppliers in aggregate was 15.96% and 55.55% and the respective percentage of the total sales attributable to the Group's largest customer and five largest customers in aggregate was 3.89% and 11.92%, respectively.

None of our Directors or any of their close associates or any Shareholder (which to the best knowledge of our Directors owned more than 5% of the Company's issued share capital) had any interest in any of our five largest suppliers or customers.

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

From the Listing Date and up to December 31, 2020, neither the Company, nor any of its subsidiaries, had purchased, sold or redeemed any of its listed securities.

CHARITABLE CONTRIBUTIONS

During the Reporting Period, the Group did not make any charitable contributions.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company is committed to maintaining high standards of corporate governance to safeguard the interests of the Shareholders and to enhance corporate value and accountability. The Company has adopted the CG Code as its own code of corporate governance. During the period from the Listing Date to December 31, 2020, the Board is of the opinion that the Company has complied with all the code provisions set out in the CG Code.

Details of the corporate governance practices adopted by the Company are set out in the Corporate Governance Report on pages 68 to 86 of this report.

AUDITOR

The consolidated financial statements of the Group for the year ended December 31, 2020 have been audited by PricewaterhouseCoopers.

PricewaterhouseCoopers shall retire and being eligible, offer itself for re-appointment, and a resolution to this effect shall be proposed at the forthcoming AGM.

By order of the Board of Directors
Ming Yuan Cloud Group Holdings Limited

Mr. Gao Yu
Chairman

Shenzhen, the PRC, March 30, 2021

CORPORATE GOVERNANCE PRACTICES

The Board is committed to achieving good corporate governance standards.

The Board believes that good corporate governance standards are essential in providing a framework for the Company to safeguard the interests of Shareholders, enhance corporate value, formulate our business strategies and policies, and enhance its transparency and accountability.

The Company has adopted the principles and code provisions of the CG Code contained in Appendix 14 to the Listing Rules as the basis of the Company's corporate governance practices.

In the opinion of the Directors, throughout the period from the Listing Date to the date of this report, the Company has complied with all the code provisions as set out in the CG Code.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions since the Listing Date. Having made specific enquiry with the Directors, all of the Directors confirmed that he/she has complied with the required standards as set out in the Model Code during the period from the Listing Date and up to December 31, 2020.

The Company's employees, who are likely to be in possession of unpublished inside information of the Company, are also subject to the Model Code. No incident of non-compliance of the Model Code by the employees was noted by the Company as at December 31, 2020.

BOARD OF DIRECTORS

The Company is headed by an effective Board which oversees the Group's businesses, strategic decisions and performance and makes decisions objectively in the best interests of the Company.

The Board should regularly review the contribution required from a Director to perform his/her responsibilities to the Company, and whether the Director is spending sufficient time performing such responsibilities.

Board Composition

The Board currently comprises nine Directors, consisting of four executive Directors, two non-executive Directors and three independent non-executive Directors.

Executive Directors

Mr. Gao Yu *(Chairman)*
Mr. Jiang Haiyang *(Chief Executive Officer)*
Mr. Chen Xiaohui *(Vice President)*
Mr. Jiang Keyang *(Chief Financial Officer and Joint Company Secretary)*

Non-executive Directors

Mr. Liang Guozhi
Mr. Yi Feifan

Independent non-executive Directors

Mr. Li Hanhui
Mr. Zhao Liang
Ms. Zeng Jing

The biographical information of the Directors is set out in the section headed "Biographies of Directors and Senior Management – Directors" on pages 33 to 37 of this report.

Save as disclosed in the Prospectus and in this report, to the best knowledge of the Board, there has been no other financial, business, family, or other material/relevant relationships among members of the Board.

Board Meetings and General Meetings

Code provision A.1.1 of the CG Code stipulates that the board should meet regularly and board meetings should be held at least four times a year at approximately quarterly intervals involving active participation, either in person or through electronic means of communication, of a majority of directors.

Code provision A.2.7 of the CG Code requires the chairman should at least annually hold meetings with independent non-executive Directors without the presence of other directors.

The Company adopts the practice of holding Board meetings regularly, at least four times a year, and at approximately quarterly intervals. Notices of no less than fourteen days are given for all regular Board meetings to provide all Directors with an opportunity to attend and include matters in the agenda for a regular meeting.

For other Board meetings and Board committee meetings, reasonable notice is generally given. The agenda and accompanying Board papers are dispatched to the Directors or Board committee members at least three days before the meetings to ensure that they have sufficient time to review the papers and are adequately prepared for the meetings. When Directors or Board committee members are unable to attend a meeting, they will be advised of the matters to be discussed and given an opportunity to make their views known to the Chairman prior to the meeting. Minutes of meetings shall be kept by the joint company secretaries of the Company with copies circulated to all Directors for information and records.

Minutes of the Board meetings and Board committee meetings are recorded in sufficient detail about the matters considered by the Board and the Board committees and the decisions reached, including any concerns raised by the Directors. Draft minutes of each Board meeting and Board committee meeting are sent to the Directors for comments within a reasonable time after the date on which the meeting is held. Minutes of the Board meetings are open for inspection by the Directors.

As the Company was listed on September 25, 2020, which was less than four months to December 31, 2020, the Board did not have any matters to discuss between September 25, 2020 and December 31, 2020, and no Board meeting or general meeting of the Company was held between September 25, 2020 and December 31, 2020. The Company will comply with A.1.1 of the CG Code to convene Board meetings at least four times a year at approximately quarterly intervals.

Chairman and Chief Executive Officer

The roles of the Chairman and Chief Executive Officer of the Company are held by Mr. Gao and Mr. Jiang, respectively, who are both co-founders of the Group. The Chairman provides overall strategic planning and business direction of the Group and management of the Company. The Chief Executive Officer focuses on the Board's work related to the operation and management of the Company. Their respective responsibilities are clearly defined and set out in writing.

Independent Non-executive Directors

From the Listing Date to the date of this report, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors representing at least one-third of the board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received written annual confirmation from each of the independent non-executive Directors in respect of his/her independence for the period from the Listing Date to December 31, 2020 in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors are independent.

Appointment and Re-election of Directors

Each of the executive Directors has entered into a service contract with the Company for an initial term of three years commencing from the Listing Date, which may be terminated by not less than three months' notice in writing served by either party. Each of the non-executive Directors and independent non-executive Directors has entered into an appointment letter with the Company for a term of one year with effect from the Listing Date. The appointments of Directors are subject to the provisions of retirement and rotation of Directors under the Articles of Association.

Under the Articles of Association, at each annual general meeting, one-third of the Directors for the time being (or if their number is not 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 shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire by rotation shall include any Director who wishes to retire and not offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot. The Articles of Association also provides that any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

Responsibilities, Accountabilities and Contributions of the Board and Management

The Board should assume responsibility for leadership and control of the Company and is collectively responsible for directing and supervising the Company's affairs.

The Board directly, and indirectly through its committees, leads and provides direction to the management by laying down strategies and overseeing their implementation, monitors the Group's operational and financial performance, and ensures that sound internal control and risk management systems are in place.

All Directors, including non-executive Directors and independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. The independent non-executive Directors are responsible for ensuring a high standard of regulatory reporting of the Company and providing a balance in the Board for bringing effective independent judgement on corporate actions and operations.

All Directors have full and timely access to all the information of the Company and may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company.

The Directors shall disclose to the Company details of other offices held by them.

The Board reserves for its decisions on all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and coordinating the daily operation and management of the Company are delegated to the management.

The Company has arranged appropriate insurance coverage on Directors' and officers' liabilities in respect of any legal action taken against them arising out of corporate activities. The insurance coverage would be reviewed on an annual basis.

Continuous Professional Development of Directors

The Directors shall keep abreast of regulatory developments and changes in order to effectively perform their responsibilities and to ensure that their contribution to the Board remains informed and relevant.

Every newly appointed Director has received a formal and comprehensive induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of a Director's responsibilities and obligations under the Listing Rules and relevant statutory requirements. Such induction shall be supplemented by regular meetings with senior management of the Group to understand the Group's businesses, governance policies and regulatory environment.

The Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills. Internally-facilitated briefings for Directors would be arranged and reading materials on relevant topics would be provided to Directors where appropriate. All Directors are encouraged to attend relevant training courses at the Company's expenses.

During the year ended December 31, 2020, all of the Directors participated in a training session conducted by the legal advisers of the Company. The training sessions covered a wide range of relevant topics including directors' duties and responsibilities, continuing connected transaction, disclosure of interests and regulatory updates. In addition, relevant reading materials including compliance manual, legal and regulatory updates and seminar handouts have been provided to the Directors for their reference and studying.

The training records of the Directors during the year ended December 31, 2020 are summarized as follows:

Directors	Participated in continuous professional development Note
Executive Directors	
Mr. Gao Yu	✓
Mr. Jiang Haiyang	✓
Mr. Chen Xiaohui	✓
Mr. Jiang Keyang	✓
Non-executive Directors	
Mr. Liang Guozhi	✓
Mr. Yi Feifan	✓
Independent Non-executive Directors	
Mr. Li Hanhui	✓
Mr. Zhao Liang	✓
Ms. Zeng Jing	✓

Note: Attended training/seminar/conference arranged by the Company or other external parties or read relevant materials

BOARD COMMITTEES

The Board has established three committees, namely, the Audit Committee, the Remuneration Committee and the Nomination Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with specific written terms of reference which deal clearly with their authorities and duties, and are provided with sufficient resources to discharge their duties. The terms of reference of the Audit Committee, the Remuneration Committee and the Nomination Committee are posted on the Company's website and the Stock Exchange's website and are available to Shareholders upon request.

The list of the chairman and members of each Board committee is set out under the section headed "Corporate Information" on page 2 of this annual report.

Audit Committee

The Audit Committee consists of three members, including three independent non-executive Directors, namely Ms. Zeng Jing, Mr. Li Hanhui and Mr. Zhao Liang. Ms. Zeng Jing, being the chairperson of the Audit Committee, holds the appropriate professional qualification as required under Rules 3.10(2) and 3.21 of the Listing Rules.

The terms of reference of the Audit Committee are of no less exacting terms than those set out in the CG Code. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal controls system of the Group, review and approve connected transactions and to advise the Board.

As the Company was listed on September 25, 2020, which was less than four months to December 31, 2020, the Audit Committee did not hold any meetings between September 25, 2020 and December 31, 2020. The Audit Committee will fully comply with its terms of reference.

Remuneration Committee

The Remuneration Committee consists of three members, including one executive Director, namely Mr. Gao, and two independent non-executive Directors, namely Mr. Li Hanhui and Mr. Zhao Liang. Mr. Li Hanhui is the chairperson of the Remuneration Committee.

The terms of reference of the Remuneration Committee are of no less exacting terms than those set out in the CG Code. The primary duties of the Remuneration Committee are to review and make recommendations to the Board regarding the terms of remuneration packages, bonuses and other compensation payable to our Directors and senior management.

As the Company was listed on September 25, 2020, which was less than four months to December 31, 2020, the Remuneration Committee did not hold any meetings between September 25, 2020 and December 31, 2020. The Remuneration Committee will fully comply with its terms of reference.

The remuneration payable to the Directors and senior management of the Group for the year ended December 31, 2020 is shown in the following table by band:

	Number of individual(s)
Annual Remuneration	
RMB0 to RMB500,000	5
RMB500,001 to RMB1,000,000	3
RMB1,000,001 to RMB1,500,000	1
RMB1,500,001 to RMB2,000,000	1
RMB2,000,001 to RMB2,500,000	1
Total	11

Further details of the remuneration payable to the Directors and the five highest paid individuals for the year ended December 31, 2020 are set out in note 10, to the consolidated financial statements in this report.

Nomination Committee

The Nomination Committee consists of three members, including one executive Director namely Mr. Gao, and two independent non-executive Directors, namely Mr. Zhao Liang and Ms. Zeng Jing. Mr. Gao is the chairperson of the Nomination Committee.

The terms of reference of the Nomination Committee are of no less exacting terms than those set out in the CG Code. The primary duties of the Nomination Committee are to make recommendations to the Board regarding the appointment of Directors and Board succession.

In assessing the Board composition, the Nomination Committee would take into account various aspects as well as factors concerning board diversity as set out in the Company's board diversity policy (the "**Board Diversity Policy**"). The Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption.

In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider the candidate's relevant criteria as set out in the Company's director nomination policy (the "**Director Nomination Policy**") that are necessary to complement the corporate strategy and achieve board diversity, where appropriate, before making recommendation to the Board.

As the Company was listed on September 25, 2020, which was less than four months to December 31, 2020, the Nomination Committee did not hold any meetings between September 25, 2020 and December 31, 2020. The Nomination Committee will fully comply with its terms of reference.

Board Diversity Policy

The Company has the Board Diversity Policy which sets out the objective and approach to enhance the effectiveness of our Board and to maintain high standard of corporate governance. Pursuant to the Board Diversity Policy, the Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service.

The Board currently consists of one female Director and eight male Directors with a balanced mix of knowledge and skills, including but not limited to overall management and strategic development, finance and accounting and risk management, as well as professional experiences in financial leasing and banking. The Board is of the view that our Board satisfies the Board Diversity Policy.

The Company is also committed to adopting a similar approach to promote diversity within management (including but not limited to the senior management) of the Group to enhance the effectiveness of corporate governance of the Company as a whole.

The Nomination Committee is responsible for reviewing the diversity of the Board. After the Listing, the Nomination Committee has been monitoring and evaluating the implementation of the Board Diversity Policy from time to time to ensure its continued effectiveness.

At present, the Nomination Committee considered that the Board is sufficiently diverse and the Board has not set any measurable objective.

Director Nomination Policy

The Board has delegated its responsibilities and authority for selection and appointment of Directors to the Nomination Committee.

The Company has the Director Nomination Policy which sets out the selection criteria and process and the Board succession planning considerations in relation to nomination and appointment of Directors and aims to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the Company and the continuity of the Board and appropriate leadership at Board level.

The Director Nomination Policy sets out the factors for assessing the suitability and the potential contribution to the Board of a proposed candidate, including but not limited to the following:

- integrity and reputation;
- commitment in respect of available time and relevant interest; and
- diversity in all its aspects, including but not limited to gender, age (18 years or above), cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service.

The Director Nomination Policy also sets out the procedures for the selection and appointment of new Directors and re-election of Directors at general meetings of the Company. From the Listing Date to the date of this report, there was no change in the composition of the Board.

The Nomination Committee will review the Director Nomination Policy, from time to time and as appropriate, to ensure its effectiveness.

Corporate Governance Functions

The Board is responsible for performing the functions set out in code provision D.3.1 of the CG Code.

From the Listing Date to the date of this report, the Board had reviewed the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management of the Group, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code, and the Company's compliance with the CG Code and the disclosure in this Corporate Governance Report.

RISK MANAGEMENT AND INTERNAL CONTROLS

Governance Structure of Risk Management and Internal Control

The Board acknowledges its responsibilities to make sure the Group maintain a solid, complete and effective internal control system and monitor the effective implementation of such system. The Group has designed and implemented an internal control and risk management framework. The internal control system of the Group is to manage rather than eliminate the risks that hinder the achievement of the Group's business goals, and can only provide reasonable but not absolute assurance against material misstatement or loss.

The business operation department of the Group identifies, evaluates and handles the risks in their charge according to their duties and carry out risk management procedures and internal control measures within their respective business and functional operation scope. At the same time, the management has established a risk control compliance management department, which is responsible for independent supervision and auditing of the Group's governance, risk management, internal control systems and business operations.

The Board has the overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, and establishing and maintaining appropriate and effective risk management and internal control systems. The Company recognizes that risk management is critical to the success of its business operation. Key operational risks faced by the Company include changes in general market conditions and the regulatory environment of the Chinese and global markets, the Company's ability to improve and enhance our software solutions to suit our customers' evolving needs and the Company's ability to continue innovating and keep pace with technological developments.

Risk Management

The Group has established a risk management system to deal with various risks related to its operations. The Group's risk management objectives include (1) identifying internal and external risks that may affect the achievement of the Group's business objectives; (2) analyzing and assessing the priorities of the identified risks; (3) formulating risk mitigation plans and action plans to make the Group allocate appropriate resources to handle such risks; and (4) supervising the implementation of risk mitigation plans.

During the year of 2020, the management assessed the Group's key risks according to the enterprise's risk management framework and finalized measures for major risk response and control to prevent or appease the possibility of occurrence of any major risk to the Group.

On behalf of the Board, the Audit Committee has supervised the overall risk status of the Group, and assessed changes in the nature and gravity of the Group's major risks. The Audit Committee is of view that the management has adopted appropriate measures against significant risks to control them at a level acceptable to the Board.

The following summarizes the major risks currently faced by the Group and the risk response measures it has implemented.

Macro political and economic risks and business environment risks

The Group's operations and financial performance are affected by external environment. Many unfavorable factors are beyond the Group's control, including China's macroeconomy and related regulatory measures, real estate supply and demand, which may reduce the demand for software solutions and weaken the profitability of the Group.

The Group has established a real estate research institute responsible for collecting industry and policy information and paying close attention to policy trends. At the same time, the real estate research institute conducts industry research, which closely keeps up with industry trends to broaden business channels and intensifies research on new business innovations and business models and maintains continuous output for small and medium-sized real estate companies. The management pays attention to the Group's performance, industry trend and competitors' information through monthly business meetings, and adjusts its business direction in a timely manner.

Information security risk

The Group attaches great importance to the protection of customer data. It is also aware that once the Group suffers a security breach involving trade secrets, the trade secrets, customer information and user data may be lost or stolen, which will cause great damage to the Group, customers, and users, bringing significant reputational risks to the Group.

The Group has the responsibility to protect sensitive customer information. The Group has put information security into the 2021 information security strategic plan, strengthened the construction of information security structure, benchmarked the level III of national information system security standard and ISO27001 certification on information security management system, and continued to improve and optimize weaknesses. The Group has established data storage, backup, emergency drills, protection control, etc., to ensure the security of data storage, and regularly conduct penetration tests, disaster preparedness drills, and external suppliers' drills.

Intellectual property management risk

As the Group grows its brand influence, its intellectual property rights, including patents, trademarks, and trade secrets, may be illegally possessed or lost in the process of R&D, production and operation, and there is a risk of restricted use and infringement, which may bring certain economic losses to the Group.

The Group has formulated policies regarding intellectual property management, clarified the classification and management of intellectual property rights, various patent management regulations and application approval procedures, and established the Group's trademark management regulations and copyright management regulations, as well as bonus rules for intellectual property rights and early warning and emergency response plan for intellectual property rights. Focusing on its core business and key products, the Group has established an intellectual property database to conduct management, including software copyrights, trademarks, and cooperated with professional intellectual property protection agencies to create an early warning system for intellectual property protection to reduce Group-level infringement or the Group's exposure to infringement.

Market competition risk

The Group's business operations have achieved steady development in the past year. As the software solutions market for real estate developers in China has entered a stage of rapid development, the Group's market competition in key customers and cloud businesses will continue to intensify.

The Group continues to pay attention to the changing trends of the real estate industry and customer needs, constantly innovates its own technology by tracking the development of new technologies, and actively promotes the incubation of new businesses and exploration of new business opportunities, and concentrates resources on continuously strengthening product and technical capabilities and improving the technology innovation environment, and continuously develop products that meet customers' expectations. The Group also attaches great importance to the long-term growth and training of talents. By recruiting more excellent talents internally and externally, we will continue to optimize the organizational structure, improve the quality of talents and the Group's innovation capabilities, to improve our market competitiveness.

Public event response risk

The operations of the Group may be affected by public events such as natural disasters, social security incidents or epidemic diseases. For example, the outbreak of the COVID-19 pandemic in January 2020 may threaten the health of the employees of the Group and its partners, the safety of the workplace and the stability of the equipment, and affect the normal operation of the Group.

The Group has established a business continuity management mechanism to create a post-disaster recovery process for how to resume production after emergencies and the business continuity of the product R&D chain, to provide stable support for business development. The Group has also established a special team to set up emergency response mechanisms for business continuity and conduct regular drills. All business units will also actively participate in the emergency response procedures to ensure the smooth operation of the business. During the COVID-19 pandemic in 2020, the Group established an emergency response team, led by Group's executives, business leaders in Wuhan and various regions, and HR leaders to initiate emergency plans, timely adjust and implement the deployment of resources, including mobile office and provide various support functions, such as comprehensive upgrade of servers and cloud services to provide guarantee for the normal development of remote office during the pandemic, to ensure the normal operation of various businesses.

Internal Control

The Group has designed an internal control system based on business characteristics. The internal control system clearly defines the responsibilities, authorizations and approvals of all parties for key controls, and formulates clear policies and procedures for key business processes. The Group conducts risk-oriented internal control evaluation on key business processes, and follows up the completion of any rectification discovered in internal control on a regular basis.

The Board is responsible for establishing and ensuring effective internal controls to safeguard the Shareholder's investment at all times. The Company's internal control policies set out a framework to identify, assess, evaluate and monitor key risks associated with its strategic objectives on an ongoing basis.

The management has reviewed and assessed the effectiveness of the Group's system of risk management and internal control, and such review includes finance, operation, and other major monitoring and risk management functions. In addition, the risk control and compliance management department conducts independent review of the Group's key risk management and internal control procedures, supervises the business departments to implement management measures, and reports the general situation of risk management and internal control of the Group to the Audit Committee on a quarterly basis.

The Company has adopted various measures and procedures regarding each aspect of its business operation, such as protection of intellectual property, environmental protection, and occupational health and safety. The Company provides periodic training on these measures and procedures to its employees as part of its employee training program.

The Directors (who are responsible for monitoring the corporate governance of the Group), with help from the Company's legal advisors, will also periodically review its compliance status with all relevant laws and regulations. The Audit Committee will (i) make recommendations to the Directors on the appointment and removal of external auditors; and (ii) review the financial statements and render advice in respect of financial reporting as well as oversee internal control procedures of the Group.

The Company has engaged Maxa Capital Limited as its compliance advisor to provide advice to the Directors and management team until the date on which the Company announces our financial results and distributes our annual report for the first full financial year after the Listing Date regarding matters relating to the Listing Rules. The Company's compliance advisor is expected to ensure the Company's use of funding complies with the section headed "Future Plans and Use of Proceeds" in the Prospectus, as well as to provide support and advice regarding requirements of relevant regulatory authorities in a timely fashion.

The Company has engaged a PRC law firm to advise it on and keep it abreast of PRC laws and regulations. The Company will continue to arrange various trainings sessions to be provided by external legal advisors from time to time when necessary, and/or any appropriate accredited institution to update the Directors, senior management and relevant employees of the Group on the latest PRC laws and regulations.

During the Reporting Period, the Company has regularly reviewed and enhanced it internal control system.

Effectiveness of Risk Management and Internal Control

On behalf of the Board, the Audit Committee has conducted an annual review on the effectiveness of the Group's internal control and risk management systems for the year ended December 31, 2020. After evaluating the implementation of the Group's internal control system, the Board considered the Group's internal control and risk management systems as adequate and effective and that the Group has complied with the code provisions on risk management and internal control of the CG Code.

Investment Risk Management

To monitor and control the investment risks associated with our wealth management product portfolio, we have adopted a comprehensive set of internal policies and guidelines to manage our investment in wealth management products. Supervised by Mr. Gao, the Chairman of the Board who has been supervising our investment activities since the inception of our Group and was highly involved in our historical investments, our finance and legal departments will propose, analyze and evaluate potential investment in wealth management products based on recommendations of our relationship and account managers at reputable banks in China. Prior to making any material investments in wealth management products or modifying our existing investment portfolio, the proposal shall be approved by Mr. Gao and his designated senior member of our management. Our investment strategy related to wealth management products focuses on minimizing the financial risks by reasonably and conservatively matching the maturities of the portfolio to anticipated operating cash needs, while generating desirable investment returns for the benefits of our Shareholders. We primarily invest in wealth management products issued by major commercial banks in China with relatively low risks and a short- to mid-term of no more than one year. We make investment decisions related to wealth management products on a case-by-case basis after thoroughly considering a number of factors, including but not limited to macro-economic environment, general market conditions, risk control and credit of issuing banks, our own working capital conditions, and the expected profit or potential loss of the investment.

Our strategic development centre is responsible for identifying, reviewing and pursuing strategic investments that are complementary to our growth strategies. Steered by Mr. Gao, the Chairman of the Board, and Mr. Jiang Keyang, our executive Director and Chief Financial Officer, our strategic development centre is led by Mr. Tong Jilong, head of our Strategic Development Centre. Prior to making any investment decision, our strategic development centre will thoroughly assess any potential investments based on various criteria, including but not limited to (i) the target's geographic locations; (ii) size and growth potential; (iii) size and quality of the target's existing customer base; (iv) operating history and track record of growth; (v) technological capabilities; and (vi) quality of senior management and leadership, before the proposal is provided to our Directors or Shareholders for approval. We closely monitor the operational and financial performance of our acquired business and investees. From time to time, we may also decide to dispose of certain or all of our equity interests in our investee companies to achieve financial returns or to align with our business focus. Our internal procedures for exit decisions are substantially similar to the procedures for investment decisions.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended December 31, 2020 which give a true and fair view of the affairs of the Company and the Group and of the Group's results and cash flows.

The management has provided to the Board such explanation and information as are necessary to enable the Board to carry out an informed assessment of the Company's consolidated financial statements, which are put to the Board for approval.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement of the independent auditor of the Company about their reporting responsibilities on the consolidated financial statements of the Group is set out in the Independent Auditor's Report on pages 87 to 93.

AUDITOR'S REMUNERATION

The remuneration paid to the independent auditor of the Company, PricewaterhouseCoopers, in respect of audit services and non-audit services for the year ended December 31, 2020 is set out below:

Service Category	Fees Paid/Payable *RMB' 000*
Audit services	4,380
Non-audit services	550
Total	4,930

JOINT COMPANY SECRETARIES

Mr. Jiang Keyang, our executive Director and Chief Financial Officer, is one of our joint company secretaries of the Company and is responsible for advising the Board on corporate governance matters and ensuring that Board policy and procedures, and applicable laws, rules and regulations are followed.

In order to uphold good corporate governance and ensure compliance with the Listing Rules and applicable Hong Kong laws, the Company also engages Ms. Szeto Kar Yee Cynthia ("**Ms. Szeto**"), an assistant manager of TMF Hong Kong Limited (a global corporate services provider), as another joint company secretary of the Company to assist Mr. Jiang Keyang to discharge his duties as company secretary of the Company. Mr. Jiang Keyang is her primary contact person in the Company.

For the year ended December 31, 2020, each of Mr. Jiang Keyang and Ms. Szeto has undertaken not less than 15 hours of relevant professional training in compliance with Rule 3.29 of the Listing Rules.

SHAREHOLDERS' RIGHTS

The Company engages with the Shareholders through various communication channels.

To safeguard Shareholders' interests and rights, separate resolution should be proposed for each substantially separate issue at general meetings of the Company, including the election of individual Directors. All resolutions put forward at general meetings of the Company will be voted on by poll pursuant to the Listing Rules and poll results announcement will be posted on the websites of the Company and of the Stock Exchange after each general meeting.

Convening an Extraordinary General Meeting

Pursuant to Article 58 of the Articles of Association, the Board may whenever it thinks fit call extraordinary general meetings. Any one or more members of the Company holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) 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/herself (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.

Putting Forward Proposals at Annual General Meetings

The Company must hold an annual general meeting of the Company every year other than the year of the Company's adoption of the Articles of Association within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of not more than eighteen (18) months from the date of adoption of the Articles of Association, unless a longer period would not infringe the Listing Rules. A meeting of members or any class thereof may be held by means of such telephone, electronic or other communication facilities and participation in such a meeting shall constitute presence at such meeting.

Putting Forward Enquiries to the Board

For putting forward any enquiry to the Board, Shareholders may send written enquiries to the Company. The Company will not normally deal with verbal or anonymous enquiries.

Contact Details

The Shareholders may send their enquiries or requests as mentioned above to the following:

Address: 501-509, East Block, Skyworth Semiconductor Design Building, 18 Gaoxin South 4th Road, Gaoxin Community, Yuehai Subdistrict, Nanshan District, Shenzhen, PRC

Email: ir@mingyuanyun.com

For the avoidance of doubt, Shareholders must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and investors' understanding of the Group's business performance and strategies. The Company endeavors to maintain an on-going dialogue with Shareholders and in particular, through AGMs and other general meetings. At the AGMs, Directors (or their delegates as appropriate) are available to meet Shareholders and answer their enquiries.

Since the Listing Date and up to the date of this report, the Company has not held any general meeting.

CHANGE IN CONSTITUTIONAL DOCUMENTS

The Company's amended and restated memorandum and articles of association were adopted on September 4, 2020 and were effective on the Listing Date. The said amended and restated memorandum and articles of association is available on the Company's website and the Stock Exchange's website. From the Listing Date to December 31, 2020, the said amended and restated memorandum and articles of association did not have any change.

DIVIDEND POLICY

The Company does not have any pre-determined dividend payout ratio. Depending on the financial conditions of the Company and the Group and the conditions and factors, among others, financial results, cash flow situation, business conditions and strategies and future operations and earnings, as set out in the dividend policy, dividends may be proposed and/or declared by the Board during a financial year and any final dividend for a financial year will be subject to Shareholders' approval.

To the Shareholders of Ming Yuan Cloud Group Holdings Limited

(incorporated in the Cayman Islands with limited liability)

OPINION

What we have audited

The consolidated financial statements of Ming Yuan Cloud Group Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 94 to 211, which comprise:

- the consolidated statement of financial position as at December 31, 2020;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") 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 International Standards on Auditing ("ISAs"). 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, 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.

Key audit matter identified in our audit is related to revenue recognition.

Key Audit Matter	How our audit addressed the Key Audit Matter
Revenue recognition	
Refer to Notes 2.22, 4(b), 4(c) and 6 to the consolidated financial statements. The Group's revenue represented income primarily from two main streams, which were provision of SaaS products of RMB871 million and ERP solutions (including ERP implementation and value-added services) of RMB834 million, totalled RMB1,705 million for the year ended December 31, 2020. Revenue is recognised when the Group satisfies a performance obligation by transferring the control of promised goods or services to a customer in an amount that reflects the consideration to which the Group expects to be entitled in exchange for that goods or services at either a point in time or over time.	Our audit procedures to assess the recognition of revenue included the following: • We performed risk assessment such as the complexity and subjectivity over the accounting estimate adopted in revenue recognition including measurement of progress towards complete satisfaction of a performance obligation and estimate on value of services performed to date as a proportion of the value of total services to be performed for ERP implementation and value-added services made by the management. We evaluated the outcome of prior period assessment of such judgement and estimate to assess the effectiveness of management's estimation process.

Key Audit Matter	How our audit addressed the Key Audit Matter
We identified revenue recognition as a key audit matter because of the following: 1) Revenue from ERP implementation and value-added services is recognised over the period of the contract by reference to the progress towards complete satisfaction of a performance obligation and acknowledgement by the customers, in which management's judgement on the progress and management's estimate on value of services performed to date as a proportion of the value of total services to be performed are required. The judgement and estimate involved give rise to a higher risk of material misstatement in revenue recognition. 2) The revenue from SaaS products and ERP solutions generated through regional channel partners was significant and accounted for approximately 47% of total revenue for the year ended December 31, 2020. The Group acts as the principal to end customers for sales of SaaS products through regional channel partners. In respect of the revenue from ERP solutions, the Group acts as the principal to regional channel partners in the model of sales through them. The Group's management assesses the Group's role as a principal or an agent based on the Group's principal-agent assessment on whether (a) the Group is primarily responsible for fulfilling the promise to provide the services, (b) the Group bears certain inventory risk, and (c) the Group has discretion in establishing the price. This assessment involves judgements and the results could impact the presentation of revenue and related costs in the consolidated financial statements.	• We understood, evaluated and tested the key controls in place over management's assessment of revenue recognition, including management's approval of progress reports and review of revenue contracts for determining whether the Group is principal or agent in the contracts for sales through regional channel partners; • We inspected the Group's contracts with customers, on a sample basis, to understand the terms of service provision and assessed revenue recognised against the Group's accounting policy with reference to the requirements of the prevailing accounting standards, including revenue recognition criteria over ERP implementation and value added services and principal-agent assessment for sales through regional channel partners for SaaS products and ERP solutions; • For ERP implementation and value-added services, we, on a sample basis, agreed the progress towards complete satisfaction of the performance obligation to the progress reports acknowledged by the customers, and we obtained confirmations from selected customers in respect of the performance obligations covered in contracts and progress towards complete satisfaction of the performance obligation as at the reporting date. We compared such information to the progress reports used by the management in estimating the progress;

Key Audit Matter	How our audit addressed the Key Audit Matter
	• For presentation of revenue and related costs generated from SaaS products and ERP solutions through regional channel partners, we inspected, on a sample basis, (1) contracts signed by the Group with the regional channel partners for the cost of sales made through regional channel partners to end customers, and (2) contracts signed by the regional channel partners with end customers for the amount of gross revenue, and recalculated the gross up amount, to ensure that the gross revenue and the related costs were being recognised and presented appropriately. Based on the procedures above, we considered the judgements and estimates applied on revenue recognition were supported by the evidence we obtained.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of 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 DIRECTORS AND THE AUDIT COMMITTEE 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 IFRSs 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 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 either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible 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. We report our opinion 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 ISAs 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.

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

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

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

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

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

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

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

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

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 Tong Yu Keung.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, March 30, 2021

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended December 31, 2020 RMB'000	2019 RMB'000
Revenues	6	**1,705,276**	1,263,969
Cost of sales	7	**(365,554)**	(269,400)
Gross profit		**1,339,722**	994,569
Selling and marketing expenses	7	**(590,428)**	(441,124)
General and administrative expenses	7	**(207,656)**	(108,391)
Research and development expenses	7	**(355,945)**	(286,326)
Net impairment losses on financial assets and contract assets	3.1(b)	**(4,358)**	(2,139)
Other income	8	**94,642**	82,953
Other gains, net	9	**50,479**	4,549
Operating profit		**326,456**	244,091
Finance income	11	**14,391**	184
Finance costs	11	**(2,058)**	(1,897)
Finance income/(costs), net		**12,333**	(1,713)
Net losses upon financial liabilities at FVPL transferred to equity	31	**(988,875)**	–
(Loss)/profit before income tax		**(650,086)**	242,378
Income tax expense	12	**(18,114)**	(10,729)
(Loss)/profit for the year		**(668,200)**	231,649
(Loss) /profit attributable to:			
Owners of the Company		**(704,482)**	216,421
Non-controlling interests		**36,282**	15,228
		(668,200)	231,649
(Losses)/earnings per share for (loss)/profit attributable to owners of the Company (expressed in RMB per share)			
Basic	13	**(0.4800)**	0.1625
Diluted	13	**(0.4800)**	0.1605

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	2020 RMB'000	2019 RMB'000
		Year ended December 31,	
(Loss)/profit for the year		**(668,200)**	231,649
Other comprehensive (loss)/income, net of tax			
Items that will not be reclassified to profit or loss			
Currency translation differences		**(252,084)**	510
Changes in fair value of financial assets at fair value through other comprehensive (loss)/income, net of tax	25	**(18,165)**	5,066
Total comprehensive (loss)/income for the year		**(938,449)**	237,225
Total comprehensive (loss)/income attributable to:			
Owners of the Company		**(974,731)**	221,997
Non-controlling interests		**36,282**	15,228
		(938,449)	237,225

The notes on pages 102 to 211 are integral parts of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at December 31, 2020 RMB'000	2019 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	15	**150,067**	118,283
Right-of-use assets	16	**62,665**	50,864
Intangible assets	17	**3,464**	2,077
Financial assets at fair value through profit or loss	19	**25,730**	36,163
Financial assets at fair value through other comprehensive income	20	**12,000**	32,183
Contract acquisition costs	6	**490**	731
Prepayments and other receivables	21	**6,705**	5,034
Deferred income tax assets	28	**659**	865
Restricted cash	23	**550**	–
Total non-current assets		**262,330**	246,200
Current assets			
Inventories		**418**	281
Contract assets	6	**48,034**	25,090
Contract acquisition costs	6	**191,449**	103,182
Trade receivables	21	**29,850**	20,962
Prepayments and other receivables	21	**51,431**	15,710
Income tax recoverable		**15,820**	308
Financial assets at fair value through profit or loss	19	**300,700**	90,000
Term deposits	22	**1,812,750**	–
Restricted cash	23	**–**	748
Cash and cash equivalents	23	**4,759,384**	732,207
Total current assets		**7,209,836**	988,488
Total assets		**7,472,166**	1,234,688
EQUITY			
Share capital	24	**170**	107
Treasury shares	24	**(6)**	–
Reserves	25	**7,001,418**	12,694
(Accumulated losses)/retained earnings	26	**(462,789)**	253,684
		6,538,793	266,485
Non-controlling interests		**30,743**	4,467
Total equity		**6,569,536**	270,952

	Note	As at December 31, 2020 RMB'000	2019 RMB'000
LIABILITIES			
Non-current liabilities			
Contract liabilities	6	**25,338**	18,396
Lease liabilities	16	**33,872**	29,175
Deferred income tax liabilities	28	**66**	1,514
Total non-current liabilities		**59,276**	49,085
Current liabilities			
Trade payables	29	**42,837**	23,921
Other payables and accruals	30	**224,004**	178,675
Contract liabilities	6	**548,938**	377,692
Current income tax liabilities		**–**	382
Lease liabilities	16	**27,575**	20,052
Convertible redeemable preferred shares	31	**–**	313,929
Total current liabilities		**843,354**	914,651
Total liabilities		**902,630**	963,736
Total equity and liabilities		**7,472,166**	1,234,688

The notes on pages 102 to 211 are integral parts of these consolidated financial statements.

The consolidated financial statements on pages 94 to 211 were approved for issue by the Board of Directors on March 30, 2021 and were signed on its behalf.

Gao Yu
Director

Jiang Keyang
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Attributable to owners of the Company						
	Note	Share capital RMB'000	Treasury shares RMB'000	Reserves RMB'000	Retained earnings/ (Accumulated losses) RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
As at January 1, 2020		107	–	12,694	253,684	266,485	4,467	270,952
(Loss)/profit for the year		–	–	–	(704,482)	(704,482)	36,282	(668,200)
Changes in fair value of financial assets at fair value through other comprehensive loss, net of tax	25	–	–	(18,165)	–	(18,165)	–	(18,165)
Currency translation differences		–	–	(252,084)	–	(252,084)	–	(252,084)
Total comprehensive (losses)/ income for the year		–	–	(270,249)	(704,482)	(974,731)	36,282	(938,449)
Transactions with owners:								
Issuance of ordinary shares	24(d)	17	–	–	–	17	–	17
Treasury shares	24(d)	–	(7)	–	–	(7)	–	(7)
Transactions with non-controlling interests	25(a)	–	–	(45,242)	–	(45,242)	(4,758)	(50,000)
Appropriation for statutory surplus reserve	25(b)	–	–	11,991	(11,991)	–	–	–
Issuance of new shares upon listing, net of share issuance costs	24(f)	38	–	5,986,239	–	5,986,277	–	5,986,277
Conversion of convertible redeemable preferred shares into ordinary shares	24(g)	8	–	1,307,063	–	1,307,071	–	1,307,071
Share-based compensation reserve	27	–	–	18,054	–	18,054	–	18,054
Transfer of vested restricted share units from treasury shares	27	–	1	(19,132)	–	(19,131)	–	(19,131)
Dividend distribution to non-controlling interests	14	–	–	–	–	–	(5,248)	(5,248)
Total transactions with owners of the Company		63	(6)	7,258,973	(11,991)	7,247,039	(10,006)	7,237,033
As at December 31, 2020		170	(6)	7,001,418	(462,789)	6,538,793	30,743	6,569,536

	Note	Attributable to owners of the Company Share capital RMB'000	Reserves RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
As at January 1, 2019		–	242,148	60,408	302,556	(4,559)	297,997
Profit for the year		–	–	216,421	216,421	15,228	231,649
Changes in fair value of financial assets at fair value through other comprehensive income, net of tax	25	–	5,066	–	5,066	–	5,066
Currency translation differences		–	510	–	510	–	510
Total comprehensive income for the year		–	5,576	216,421	221,997	15,228	237,225
Transactions with owners:							
Shares issued pursuant to the reorganisation	24	107	(107)	–	–	–	–
Transactions with non-controlling interests	25(a)	–	8,302	–	8,302	(6,302)	2,000
Appropriation for statutory surplus reserve	25(b)	–	23,145	(23,145)	–	–	–
Capital injection by non-controlling shareholders		–	–	–	–	100	100
Deemed distributions to the shareholders of the Company	25(c)	–	(266,370)	–	(266,370)	–	(266,370)
Total transactions with owners of the Company		107	(235,030)	(23,145)	(258,068)	(6,202)	(264,270)
As at December 31, 2019		107	12,694	253,684	266,485	4,467	270,952

The notes on pages 102 to 211 are integral parts of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Year ended December 31, 2020 RMB'000	2019 RMB'000
Cash flows from operating activities			
Cash generated from operations	32	**429,357**	350,197
Interest received		**9,816**	184
Income taxes paid		**(33,231)**	(11,509)
Net cash generated from operating activities		**405,942**	338,872
Cash flows from investing activities			
Payments for purchase of property, plant and equipment		**(43,827)**	(16,043)
Proceeds from disposal of property, plant and equipment		**1,549**	–
Payments for purchase of intangible assets		**(3,294)**	(1,481)
Payments for purchase of financial assets at fair value through profit or loss – wealth management products		**(3,023,490)**	(2,550,640)
Payments for purchase of financial assets at fair value through profit or loss – unlisted equity securities and redeemable preferred shares		**(5,000)**	(19,800)
Proceeds from disposal of financial assets at fair value through profit or loss – wealth management products		**2,812,790**	2,460,640
Proceeds from disposal of financial assets at fair value through profit or loss – unlisted equity securities and redeemable preferred shares		**–**	29,262
Proceeds from income of financial assets at fair value through profit or loss		**22,919**	15,395
Placement of term deposits with initial terms under three months		**(1,812,750)**	–
Net cash used in investing activities		**(2,051,103)**	(82,667)

	Note	Year ended December 31, 2020 RMB'000	2019 RMB'000
Cash flows from financing activities			
Proceeds from issuance of new shares	24(f)	**6,225,071**	–
Listing expenses paid as financing activities		**(237,757)**	(75)
Capital injection from shareholders of the Company	24(d)	**10**	–
Shares withheld for restricted share units		**(19,132)**	–
Transactions with non-controlling interests		**46**	2,733
Capital injection by non-controlling shareholders		**–**	100
Payment for acquisition of non-controlling interests in a subsidiary	25(a)	**(50,000)**	–
Dividend paid to the non-controlling interests in a subsidiary	14	**(5,248)**	–
Deemed distributions paid to the shareholders of the Company	25(c)	**–**	(266,370)
Proceeds from convertible redeemable preferred shares	31	**–**	313,929
Principal elements of lease payments		**(22,336)**	(18,920)
Interest paid		**(2,058)**	(1,897)
Net cash generated from financing activities		**5,888,596**	29,500
Net increase in cash and cash equivalents		**4,243,435**	285,705
Cash and cash equivalents at beginning of the year		**732,207**	447,922
Effects of exchange rate changes on cash and cash equivalents		**(216,258)**	(1,420)
Cash and cash equivalents at the end of the year	23	**4,759,384**	732,207

The notes on pages 102 to 211 are integral parts of these consolidated financial statements.

1 GENERAL INFORMATION, REORGANISATION AND BASIS OF PRESENTATION

1.1 General information

Ming Yuan Cloud Group Holdings Limited (the "Company") was incorporated in the Cayman Islands on July 3, 2019 as an exempted company with limited liability under the Companies Law (Cap. 22, Law 3 of 1961 as consolidated and revised) of the Cayman Islands. The address of the Company's registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The Company's shares have been listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Listing") on September 25, 2020 (the "Listing Date").

The Company is an investment holding company. The Company and its subsidiaries (collectively, the "Group") are principally engaged in the provision of enterprise-grade Software as a service ("SaaS") products and Enterprise resource planning ("ERP") solutions for property developers and other industry participants along the real estate value chain in the People's Republic of China (the "PRC"), which enable property developers and other real estate industry participants to streamline and digitalise their business operations (collectively, the "Business").

The financial statements are presented in Renminbi ("RMB"), unless otherwise stated, and have been approved for issue by the Company's board of directors (the "Board") on March 30, 2021.

1.2 Reorganisation

Prior to the incorporation of the Company and the completion of the reorganisation as described below (the "Reorganisation"), the Business was mainly carried out by Shenzhen Mingyuan Cloud Technology Co., Ltd. (深圳市明源雲科技有限公司, "Ming Yuan Cloud Technology"), previously known as "Shenzhen Ming Yuan Software Limited" (深圳市明源軟件股份有限公司), a limited liability company established in Shenzhen, the PRC, and its subsidiaries (the ''PRC Operating Entities'').

In preparation for the Listing, the Group underwent the Reorganisation to incorporate the Company as the holding company of the companies which now comprise the Group to conduct the Business.

Pursuant to the Reorganisation, the then equity owners of Ming Yuan Cloud Technology immediately before the Reorganisation subscribed for the equity interests of the Company at Hong Kong dollars ("HKD") 0.001 per share (either in the form of ordinary shares or warrants mentioned below) based on their respective equity interests percentage in Ming Yuan Cloud Technology, and then the Company purchased the 100% equity interests of Ming Yuan Cloud Technology through its wholly owned subsidiary established in the PRC.

1 GENERAL INFORMATION, REORGANISATION AND BASIS OF PRESENTATION *(CONTINUED)*

1.2 Reorganisation *(Continued)*

Certain financing transactions between the Company and new institutional investors were also conducted in the same timeframe as the Reorganisation. However, these new financing transactions did not cause a change in control of the Company and the PRC Operating Entities before and after the Reorganisation and therefore the Reorganisation was accounted for as a recapitalisation of the Business with the assets and liabilities of the Group recognised and measured at the carrying amounts of the Business for all periods presented.

The Reorganisation involved the following steps:

(1) Incorporation of the Company and offshore subsidiaries

On July 3, 2019, the Company was incorporated in the Cayman Islands as an exempted company with limited liability and with an authorised share capital of HKD380,000 divided into 380,000,000 ordinary shares of HKD0.001 each. On the same day, 39,552,360, 29,664,480, 18,682,660, 4,832,100, 12,856,280, 10,552,320, 1,980,000 and 3,870,000 ordinary shares were allotted and issued to GHTongRui Investment Limited (ultimately and wholly owned by Mr. Gao Yu), HengXinYuan Investment Limited (ultimately and wholly owned by Mr. Chen Xiaohui), LINGFAN Investment Limited (ultimately and wholly owned by Mr. Jiang Haiyang), JIABAOSZ Investment Limited (ultimately and wholly owned by Mr. Yao Wu), MYC United Power Investment Holdings Limited, MYC Brilliant Alliance Investment Holdings Limited, MYC Prosperity Investment Holdings Limited and MYC Blooming Success Investment Holdings Limited, respectively, which all were the then equity owners of Ming Yuan Cloud Technology before the Reorganisation.

On July 10, 2019, Ming Yuan Cloud Investment Limited ("Ming Yuan Cloud Investment") was incorporated in the British Virgin Islands (the "BVI") as a limited liability company. On the same day, 1 ordinary share was allotted and issued to the Company. Upon completion of the share allotment and issuance, Ming Yuan Cloud Investment became a direct wholly-owned subsidiary of the Company.

On July 22, 2019, Polaris Cloud Technology Limited (北極星雲科技有限公司, "Polaris Cloud") was incorporated in Hong Kong as a limited liability company. On the same day, 10,000 ordinary shares were allotted and issued to Ming Yuan Cloud Investment. Upon completion of the shares allotment and issuance, Polaris Cloud became a direct wholly-owned subsidiary of Ming Yuan Cloud Investment.

1 GENERAL INFORMATION, REORGANISATION AND BASIS OF PRESENTATION *(CONTINUED)*

1.2 Reorganisation *(Continued)*

(2) Establishment of Shenzhen Northern Lights Cloud Technology Co., Ltd

On September 6, 2019, Polaris Cloud established Shenzhen Northern Lights Cloud Technology Co., Ltd. (深圳市北極光雲科技有限公司, "Northern Lights Cloud") under the laws of the PRC as its wholly-foreign-owned enterprise in the PRC. Polaris Cloud contributed capital of United States dollars ("USD") 26,800,000 (equivalent to RMB188,028,000) to Northern Lights Cloud.

(3) Acquisition of Ming Yuan Cloud Technology and transactions with certain institutional investors (PROFITECH INVESTMENTS LIMITED ("Profitech Investments") and Glodon (Hongkong) Software Limited ("Glodon"))

(a) On July 11, 2019, Ming Yuan Cloud Technology increased its registered capital from RMB133,185,000 to RMB140,195,000. The increment represented 5% equity interests in Ming Yuan Cloud Technology and was subscribed by Viscount Dazzle Limited ("Viscount Dazzle") at a cash consideration of USD2,121,000 (equivalent to approximately RMB14,797,000) which was settled on September 23, 2019. Viscount Dazzle was a company incorporated in Hong Kong which was wholly owned by EARL DAZZLE LIMITED ("Earl Dazzle"). Earl Dazzle was a direct wholly-owned subsidiary of PROFITECH INVESTMENTS LIMITED.

(b) On October 9, 2019, Northern Lights Cloud acquired 95% equity interests in Ming Yuan Cloud Technology from the then equity owners except Viscount Dazzle at a cash consideration of RMB266,370,000. The consideration was settled on December 2, 2019. This transaction was accounted for as a deemed distribution to the then shareholders of Ming Yuan Cloud Technology.

At the same time and as part of the aforesaid acquisition of 95% equity interests in Ming Yuan Cloud Technology, the Company granted 11,194,800 warrants to Tianjin Dachen Chuangshi Equity Investment Foundation Partnership (Limited Partnership) (天津達晨創世股權投資基金合夥企業(有限合夥)), Tianjin Dachen Shengshi Equity Investment Foundation Partnership (Limited Partnership) (天津達晨盛世股權投資基金合夥企業(有限合夥)) and Shenzhen Dachen Caizhi Venture Capital Investment Management Limited (深圳市達晨財智創業投資管理有限公司) ("Dachen Entities"), which were then equity owners of Ming Yuan Cloud Technology before Reorganisation but yet to subscribe the relevant shares of the Company, at nil consideration. The warrants entitled Dachen Entities or their designated affiliate to subscribe for 11,194,800 ordinary shares of the Company at a consideration of HKD0.001 per share.

1 GENERAL INFORMATION, REORGANISATION AND BASIS OF PRESENTATION *(CONTINUED)*

1.2 Reorganisation *(Continued)*

(3) Acquisition of Ming Yuan Cloud Technology and transactions with certain institutional investors (PROFITECH INVESTMENTS LIMITED ("Profitech Investments") and Glodon (Hongkong) Software Limited ("Glodon")) (Continued)

On March 30, 2020, upon exercise of the warrants, the Company allotted and issued 11,194,800 ordinary shares to Beijing Chenchuang Management Consultation Center (Limited Partnership) (北京宸創管理諮詢中心(有限合夥), "Beijing Chenchuang"), which was the affiliate of the Dachen Entities and was designated by them to subscribe for their relevant interests in the Company. Immediately after the issuance, Beijing Chenchuang held approximately 7.87% of the share capital of the Company.

(c) On October 25, 2019, the Company issued 7,009,737 Series A convertible redeemable preferred shares (the "Series A Preferred Shares") to Profitech Investments at a consideration of USD35,000,000 (equivalent to approximately RMB244,167,000), which were accounted for as financial liabilities at fair value through profit or loss. Further details of the Series A Preferred Shares are set out in Note 31.

(d) On October 30, 2019, the Company acquired the entire equity interest in Earl Dazzle from Profitech Investments at a consideration of USD2,121,000, which was offset against the consideration payable by Profitech Investments for the Series A Preferred Shares. The remaining balance of USD32,879,000 (equivalent to approximately RMB229,370,000) was settled in cash by Profitech Investments on November 19, 2019.

Transactions (a) to (d) above were considered multiple steps of one transaction which formed a part of the Reorganisation. Therefore Viscount Dazzle was not considered as a non-controlling shareholder of the Group during the transition period from July 19, 2019 to October 30, 2019.

After the completion of (3)(d), the entire equity interest in Ming Yuan Cloud Technology was acquired and the Business was injected into the Company.

On October 25, 2019, the Company also issued 2,002,782 Series A Preferred Shares to Glodon at a consideration of USD10,000,000 (equivalent to approximately RMB69,762,000), which were accounted for as financial liabilities at fair value through profit or loss. The consideration was settled in December 20, 2019. Further details of the Series A Preferred Shares are set out in Note 31.

1 GENERAL INFORMATION, REORGANISATION AND BASIS OF PRESENTATION *(CONTINUED)*

1.2 Reorganisation *(Continued)*

(4) Entering into contractual arrangements

On April 16, 2019, Ming Yuan Cloud Technology transferred 36%, 27.2% and 16.8% of its equity interests in Shenzhen Mingyuan Cloud Procurement Technology Limited (深圳市明源雲採購科技有限公司, "Ming Yuan Cloud Procurement") to Mr. Gao Yu, Mr. Chen Xiaohui and Mr. Jiang Haiyang, respectively. On December 16, 2019, Ming Yuan Cloud Technology entered into various agreements (the ''Contractual Arrangements''), which was effective on April 16, 2019 with Ming Yuan Cloud Procurement and its equity holders, under which 80% of the economic benefits arising from the business and operations of Ming Yuan Cloud Procurement were retained by Ming Yuan Cloud Technology. Through the Contractual Arrangements, the Company is able to effectively control the operation and recognise and receive 80% of the economic benefits of Ming Yuan Cloud Procurement. For further details of the Contractual Arrangements, please refer to Note 2.2.1(a).

Upon completion of the Reorganisation, the Company became the holding company of the companies now comprising the Group.

1.3 Basis of presentation

Immediately prior to and after the Reorganisation, the Business has been conducted through the PRC Operating Entities. Pursuant to the Reorganisation, the Business is effectively controlled by Ming Yuan Cloud Technology and ultimately controlled by the Company. The Company and those companies newly incorporated during the Reorganisation have not been involved in any other business prior to the Reorganisation and do not meet the definition of a business. The Reorganisation is merely a recapitalisation of the Business and does not result in any changes in business substance, nor in any management of the Business. Accordingly, the Group resulting from the Reorganisation is regarded as a continuation of the Business conducted through the Company, with the assets and liabilities of the Group recognised and measured at the carrying amounts of the Business for all years presented.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and the requirements of the Hong Kong Companies Ordinance Cap. 622.

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through other comprehensive income, financial assets at fair value through profit or loss and convertible redeemable preferred shares, which are carried at fair values.

The preparation of the consolidated financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4 to the consolidated financial statements.

(a) New and amended standards adopted by the Group

The following standards and amendments have been adopted by the Group:

- Definition of Material – amendments to IAS 1 and IAS 8
- Definition of a Business – amendments to IFRS 3
- Interest Rate Benchmark Reform – amendments to IFRS 9, IAS 39 and IFRS 7
- Revised Conceptual Framework for Financial Reporting
- Covid-19-Related Rent Concessions – Amendments to IFRS 16

The amendments listed above did not have any material impact on the amounts recognised during the current period.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.1 Basis of preparation *(Continued)*

(b) New standards and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning on or after January 1, 2021 and have not been early adopted in preparing the consolidated financial statements for the year ended December 31, 2020.

		Effective for annual periods beginning on or after
IFRS 17	Insurance Contracts	January 1, 2023
Amendments to IAS 1	Classification of liabilities as current or non-current	January 1, 2023
Amendments to IFRS 3	Update reference to the conceptual framework	January 1, 2022
Amendments to IAS 16	Property, plant and equipment – Proceeds before intended use	January 1, 2022
Amendments to IAS 37	Onerous contracts – cost of fulfilling a contract	January 1, 2022
Annual improvements	Annual Improvements to IFRS Standards 2018-2020 Cycle	January 1, 2022
Amendments to IFRS 9, IAS 39, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase two	January 1, 2021
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associates or joint ventures	To be determined

Management's preliminary assessment is that the application of the above standards, amendments and interpretations will not have a material impact on the Group.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.2 Subsidiaries

2.2.1 Consolidation

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. When necessary, amounts reported by subsidiaries have been adjusted to conform to the Group's accounting policies.

(a) Subsidiaries controlled through Contractual Arrangements

Ming Yuan Cloud Technology has entered into a series of contractual agreements dated April 16, 2019 (Collectively, the "Contractual Arrangements") with Ming Yuan Cloud Procurement and its registered shareholders who collectively hold 80% equity interests of Ming Yuan Cloud Procurement, which enable Ming Yuan Cloud Technology and the Group to:

- Exercise effective control over Ming Yuan Cloud Procurement;
- Exercise equity holders' voting rights of Ming Yuan Cloud Procurement;
- Receive substantially 80% of the economic interests and returns generated by Ming Yuan Cloud Procurement in consideration for the technical support, consulting and other services provided exclusively by Ming Yuan Cloud Technology;

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.2 Subsidiaries *(Continued)*

2.2.1 Consolidation (Continued)

(a) Subsidiaries controlled through Contractual Arrangements (Continued)

- Obtain an irrevocable and exclusive right to purchase 80% of the equity interests in Ming Yuan Cloud Procurement from its registered shareholders at a nominal consideration unless the relevant government authorities request that another amount be used as the purchase consideration and in which case the purchase consideration shall be such amount. Where the purchase consideration is required by the relevant government authorities to be an amount other than a nominal amount, the registered shareholders of Ming Yuan Cloud Procurement shall return the amount of purchase consideration they have received to Ming Yuan Cloud Technology. At Ming Yuan Cloud Technology's request, the registered shareholders of Ming Yuan Cloud Procurement will promptly and unconditionally transfer their respective equity interests of Ming Yuan Cloud Procurement to Ming Yuan Cloud Technology (or its designee within the Group) after Ming Yuan Cloud Technology exercises its purchase right.

- Obtain pledges over 80% of the entire equity interests in Ming Yuan Cloud Procurement from its registered shareholders to secure, among others, performance of their obligations under the Contractual Arrangements.

The Group does not have any equity interest in Ming Yuan Cloud Procurement. However, as a result of the Contractual Arrangements, the Group has rights to variable returns from its involvement with Ming Yuan Cloud Procurement and has the ability to affect those returns through its power over Ming Yuan Cloud Procurement and is considered to control Ming Yuan Cloud Procurement. Consequently, the Company regards Ming Yuan Cloud Procurement as a controlled structure entity and consolidated the financial position and result of operations of Ming Yuan Cloud Procurement in the consolidated financial statements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.2 Subsidiaries *(Continued)*

2.2.1 Consolidation (Continued)

(b) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, a joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income ("OCI") in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. It means that amounts previously recognised in OCI are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs.

(c) Business Combination

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the Group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.2 Subsidiaries *(Continued)*

2.2.1 Consolidation (Continued)

(c) Business Combination (Continued)

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.2 Subsidiaries *(Continued)*

2.2.1 Consolidation (Continued)

(d) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

2.2.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividends exceed the total comprehensive income of the subsidiaries in the period the dividends are declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee’s net assets including goodwill.

2.3 Associates

An associate is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. The Group has some investments in redeemable preferred shares of associates and the investments are classified as financial assets at fair value through profit or loss as defined in Note 2.9.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.3 Associates *(Continued)*

Investments in associates

Investments in associates are accounted for using the equity method of accounting in accordance with IAS 28. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of profit or loss of the investee and the share of OCI of the investee after the date of acquisition. Dividends received or receivable from associates are recognised as a reduction in the carrying amount of the investment. The Group's investments in these associates include goodwill identified on acquisition, net of any accumulated impairment loss. Upon the acquisition of the ownership interest in an associate, any difference between the cost of the associate and the Group's share of the net fair value of the associate's identifiable assets and liabilities is accounted for as goodwill.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income or loss is reclassified to consolidated statements of comprehensive income or loss where appropriate.

The Group's share of the associates' post-acquisition profit or loss is recognised in the consolidated statements of comprehensive income or loss, and its share of post-acquisition movements in other comprehensive income or loss is recognised in other comprehensive income or loss. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investments in the associate are impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to "share of profit/(loss) of associates" in the consolidated statements of comprehensive income.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's consolidated financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.3 Associates *(Continued)*

Investments in associates (Continued)

Gain or losses on dilution of equity interest in associates are recognised in the consolidated statements of comprehensive income.

2.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker ("CODM"). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors of the Company that make strategic decisions.

2.5 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "Functional Currency"). The Functional Currency of the Company is HKD. The Company's primary subsidiaries were incorporated in the PRC and these subsidiaries considered RMB as their functional currency. As the major operations of the Group are within the PRC, the Group has determined RMB as its presentation currency and presented its consolidated financial statement in RMB (unless otherwise stated).

(b) Transactions and balances

Foreign currency transactions are translated into the Functional Currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates are generally recognised in profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.5 Foreign currency translation *(Continued)*

(b) Transactions and balances (Continued)

Foreign exchange gains and losses that relate to borrowings are presented in the consolidated statements of comprehensive income, within finance costs. All other foreign exchange gains and losses impacting profit or loss are presented in the consolidated statements of comprehensive income within "other gains, net".

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss ("FVPL"), are recognised in the consolidated statements of financial position as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as financial assets at fair value through OCI ("FVOCI"), are included in OCI.

(c) Group companies

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

- income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

- all resulting currency translation differences are recognised in OCI.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities are recognised in OCI.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.6 Property, plant and equipment

Property, plant and equipment are stated at historical costs less depreciation. Historical costs include expenditure that are directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives or, in the case of leasehold improvements, the shorter lease term as follows:

• Buildings	30-50 years
• Computer equipment	3-5 years
• Furniture and office equipment	3-5 years
• Motor vehicles	5 years
• Leasehold improvements	Shorter of estimated useful lives and remaining lease terms

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.8).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in "other gains, net" in the consolidated statements of comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.7 Intangible assets

(a) *Software*

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Costs associated with maintaining software are recognised as expenses as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software controlled by the Group are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software or database so that it will be available for use;
- management intends to complete the software or database, and use or sell it;
- there is an ability to use or sell the software or database;
- it can be demonstrated how the software or database will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software or database are available, and
- the expenditure attributable to the software or database during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software or database include employee costs and an appropriate portion of relevant overheads.

Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use. There were no development costs meeting these criteria and capitalised as intangible assets for the years ended December 31, 2020 and 2019.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.7 Intangible assets *(Continued)*

(b) Research and development expenditures

Research and development expenditures that do not meet the criteria in (a) above are recognised as expenses as incurred. Development costs previously recognised as expenses are not recognised as assets in subsequent period.

(c) Amortisation method and period

The Group amortises software licenses using the straight-line method over 5 years which is the best estimation under current business needs.

2.8 Impairment of non-financial assets

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use.

For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows, which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets (other than goodwill) that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.9 Financial assets

(a) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortised cost.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.9 Financial assets *(Continued)*

(a) Classification (Continued)

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI.

See Note 18 for details of each type of financial assets.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(c) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.9 Financial assets *(Continued)*

(c) Measurement (Continued)

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in "other gains/(losses), net" together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated statements of comprehensive income.

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in "other gains/(losses), net". Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in "other gains/(losses), net" and impairment expenses are presented as separate line item in the consolidated statements of comprehensive income.

- FVPL: Assets that do not meet the criteria for amortised cost or financial assets at FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within "other gains/(losses), net" in the period in which it arises, except for the unrealised changes in fair value and realised income arising from investments in wealth management products presented net within "other income".

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.9 Financial assets *(Continued)*

(c) Measurement (Continued)

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as "other income" when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in "other gains/(losses), net" in the consolidated statements of comprehensive income as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(d) Impairment

The Group has types of assets subject to IFRS 9's new expected credit loss model:

- Trade receivables and contract assets;
- Other receivables
- Restricted cash
- Cash and cash equivalents

The Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables and contract assets, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. See Note 21 for further details.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.9 Financial assets *(Continued)*

(d) Impairment (Continued)

Impairment on other receivables is measured as either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses. To manage risk arising from restricted cash and cash and cash equivalents, the Group only transacts with state-owned or reputable financial institutions. There has been no recent history of default in relation to these financial institutions.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss. Impairment testing of trade receivables and contract assets is described in Note 3.1(b).

(e) Derecognition

Financial assets

The Group derecognises a financial asset, if the part being considered for derecognition meets one of the following conditions: (i) the contractual rights to receive the cash flows from the financial asset expire; or (ii) the contractual rights to receive the cash flows of the financial asset have been transferred, the Group transfers substantially all the risks and rewards of ownership of the financial asset; or (iii) the Group retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to the eventual recipient in an agreement that meets all the conditions of de-recognition of transfer of cash flows ("pass through" requirements) and transfers substantially all the risks and rewards of ownership of the financial asset.

Where a transfer of a financial asset in its entirety meets the criteria for derecognition, the difference between the two amounts below is recognised in profit or loss:

- the carrying amount of the financial asset transferred; and
- the sum of the consideration received from the transfer and any cumulative gain or loss that has been recognised directly in equity.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.9 Financial assets *(Continued)*

(e) Derecognition (Continued)

Financial assets (Continued)

If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability.

Other financial liabilities

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

(f) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the consolidated statements of financial position when the Group currently has a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.10 Inventories

Inventories consist primarily of software dongles, and are stated at the lower of cost, using the weighted average method, or net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less applicable variable selling expenses.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.11 Trade and other receivables

Trade receivables are amounts due from customers for software licensing or services performed in the ordinary course of business. They are generally due for settlement within one year and therefore all classified as current.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. Other receivables are recognised initially at fair value. The Group holds the trade and other receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. See Note 21 for further information about the Group's accounting for trade and other receivables and Note 3.1(b)(ii) for a description of the Group's impairment policies.

2.12 Cash and cash equivalents

For the purpose of presentation in the statements of cash flows, cash and cash equivalents include cash on hand, deposits held at call with financial institutions and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2.13 Share capital

Ordinary shares are classified as equity (Note 24). Mandatorily redeemable preferred shares are classified as liabilities.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any group company purchases the Company's equity instruments, for example as the result of a share buy-back or a share-based payment plan, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the owners of the Company as treasury shares (up to the nominal value of each shares) until the shares are cancelled or reissued and other reserve (for consideration paid beyond the nominal value of each share). Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the owners of the Company.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.14 Trade and other payables

These amounts represent liabilities for products and services provided to the Group prior to the end of each reporting period which are unpaid. The amounts are unsecured and are usually paid within 90 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

2.15 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

2.16 Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. Other borrowing costs are expensed in the period in which they are incurred.

2.17 Series A Preferred Shares

Holders of the Series A Preferred Shares issued by the Company are redeemable upon occurrence of certain future events. The Group designated the Series A Preferred Shares as financial liabilities at FVPL. They are initially recognised at fair value. Any directly attributable transaction costs are recognised as finance costs in profit or loss. The component of fair value changes relating to the Company's own credit risk is recognised in OCI. Amounts recorded in OCI related to credit risk are not subject to recycling in profit or loss, but are transferred to retained earnings when realised. Fair value changes relating to market risk are recognised in profit or loss. Upon listing, all the fully-paid instrument had been automatically converted into fully ordinary shares at par.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.18 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred income tax assets and liabilities attributable to temporary differences and to unused tax losses.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of each reporting period in the countries where the Company and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of each reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred income tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.18 Current and deferred income tax *(Continued)*

(b) Deferred income tax (Continued)

Deferred income tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred income tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred income tax is recognised in profit or loss, except to the extent that it relates to items recognised in OCI or directly in equity. In this case, the tax is also recognised in OCI or directly in equity, respectively.

2.19 Employee benefits

(a) Pension obligations

The Group contributes on a monthly basis to various defined contribution plans organised by the relevant governmental authorities. The Group's liability in respect of these plans is limited to the contributions payable in each period. Contributions to these plans are expensed as incurred and not reduced by contributions forfeited by those employees who leave the plan prior to vesting fully in the contributions. Assets of the plans are held and managed by government authorities and are separated from those of the Group.

(b) Housing funds, medical insurances and other social insurances

Employees of the Group in the PRC are entitled to participate in various government-supervised housing funds, medical insurances and other social insurance plan. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees, subject to certain ceiling. The Group's liability in respect of these funds is limited to the contributions payable in each year. Contributions to the housing funds, medical insurances and other social insurances are expensed as incurred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.19 Employee benefits *(Continued)*

(c) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

2.20 Share-based benefits

As disclosed in Note 27, the Group operates an equity-settled share-based compensation plan, under which the Group receives service from its employees in exchange for the equity instruments of the Company.

The fair value of the employee service received in exchange for the grant of equity instruments is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the equity instruments granted:

- Including any market performance conditions (e.g., the entity's share price);
- Excluding the impact of any service and non-market performance vesting conditions (e.g., profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- Including the impact of any non-vesting conditions (e.g., the requirement for employees to save or hold shares for a specific period of time).

Non-market performance and service conditions are included in assumptions about the number of equity instruments that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement period and grant date.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.20 Share-based benefits *(Continued)*

The grant by the Company of its equity instruments to the employees of its subsidiaries is treated as a capital contribution in the separate financial statements of the Company. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investments in subsidiaries, with a corresponding credit to equity in the parent entity accounts.

Where there is any modification of terms and conditions which increases the fair value of the equity instruments granted, the Group includes the incremental fair value granted in the measurement of the amount recognised for the services received over the remainder of the vesting period. The incremental fair value is the difference between the fair value of the modified equity instrument and that of the original equity instrument, both estimated as at the date of the modification. An expense based on the incremental fair value is recognised over the period from the modification date to the date when the modified equity instruments vest in addition to any amount in respect of the original instrument, which should continue to be recognised over the remainder of the original vesting period. Furthermore, if the entity modifies the terms or conditions of the equity instruments granted in a manner that reduces the total fair value of the share-based payment arrangement, or is not otherwise beneficial to the employee, the entity shall nevertheless continue to account for the services received as consideration for the equity instruments granted as if that modification had not occurred (other than a cancellation of some or all the equity instruments granted).

At the end of each reporting period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

2.21 Provisions

Provisions for legal claims, service warranties and make good obligations are recognised when: the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.21 Provisions *(Continued)*

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

2.22 Revenue recognition

Revenue is measured when or as the control of the goods or services is transferred to a customer. Depending on the terms of the contract and the laws that apply to the contract, control of the goods and services may be transferred over time or at a point in time. Control of the goods and services is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates and enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the goods and services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods and services.

Contracts with customers may include multiple performance obligations. For such arrangements, the Group allocates revenue to each performance obligation based on its relative standalone selling price. The Group generally determines standalone selling prices based on the prices charged to customers. If the standalone selling price is not directly observable, it is estimated using expected cost plus a margin or adjusted market assessment approach, depending on the availability of observable information. Assumptions and estimations have been made in estimating the relative selling price of each distinct performance obligation, and changes in judgements on these assumptions and estimates may impact the revenue recognition.

When either party to a contract has performed, the Group presents the contract in the consolidated statement of financial position as a contract assets or a contract liability, depending on the relationship between the entity's performance and the customer's payment.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.22 Revenue recognition *(Continued)*

A contract asset is the Group's right to consideration in exchange for goods and services that the Group has transferred to a customer. A receivable is recorded when the Group has an unconditional right to consideration. A right to consideration is unconditional if only the passage of time is required before payment of the consideration is due.

If a customer pays consideration or the Group has a right to an amount of consideration that is unconditional, before the Group transfers a good or service to the customer, the Group presents the contract liability when the payment is made or a receivable is recorded (whichever is earlier). A contract liability is the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due from the customer).

The accounting policy for the Group's revenue sources

The Group derives revenue separately or in combination, from SaaS products and ERP solutions that enable property developers and other real estate industry participants to digitalise and streamline their business operations over the Internet, and are sold either through regional channel partners or to the end customers directly.

SaaS products transform how property developers and other real estate players optimise their procurement, construction, sales, marketing, property asset management, and other property related operations. For ERP solutions, in addition to software licensing, the Group offer implementation services, product support services and value-added services to make customers' own business processes, databases and systems with enhanced performance and customisation.

The Group enters into contracts with end customers that can include combination of software licensing and services which are accounted for as separate performance obligations when they are capable of being distinct and do not have significant integration. For SaaS products sold through regional channel partners, end customers are recognised as direct customers of the Group as regional channel partners cannot control the products before transferring to end customers. For ERP solutions, the Group offers software licensing to regional channel partners or end customers directly, and regional channel partners and end customers are regarded as direct customers of the Group respectively, as regional channel partners can control the software license and further resell it to end customers at their discretion.

The transaction price is the price after discount and is a fixed amount upon signing the contract. The products cannot be returned unless significant problems found, which rarely happens.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.22 Revenue recognition *(Continued)*

(a) SaaS products

The Group sells SaaS products directly to end customers, i.e. the SaaS products users, or sells through its regional channel partners. The Group is responsible for delivering the SaaS products, paying server fees to external cloud server vendors to ensure the SaaS products is accessible and stable, and the Group has discretion in establishing the prices for SaaS products. The regional channel partners have the contractual obligation to follow the Group's pricing guidance and are not primarily obligated to the customers for the quality or performance of the SaaS. Therefore the Group is the principal to the end customers and recognises revenue at the gross amount billed to the end customers by the regional channel partners.

SaaS revenues primarily consist of fees that provide end customers access to one or more of the cloud applications. Revenue is recognised over time if the contract requires, or the customer reasonably expects, that the entity will undertake activities that significantly affect the intellectual property to which the customer has rights, and the rights granted by the license directly expose the customer to any positive or negative effects of the entity's activities. Otherwise revenue is recognised at a point in time.

The Group applies time-based methods to measure the progress towards complete satisfaction of the performance obligation when the Group has a stand-ready obligation to perform that over a period time.

(b) ERP software licensing

Software licensing is a right to use license. The software has standalone functionality and the customer can use the software as it is available at a point in time. Licenses are typically delivered by providing the customer a software dongle with access to download the software. The Group recognises revenue for such licenses at a point in time when the customer has received licenses and software dongles, and thus has control over the software and the Group has a present right to payment.

(c) ERP implementation and value-added services

By providing ERP implementation services, the Group assists customers to streamline and expedite the implementation process, and offer customers pre-configured extensions that meet the specific needs of various types of customers.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.22 Revenue recognition *(Continued)*

(c) ERP implementation and value-added services (Continued)

ERP value-added services include customised configuration and development of specific applications. The Group also provides customers with tailored professional advice to better address each customer's distinct pain points and challenges.

Revenue of ERP implementation and value-added services is recognised over the period of the contract by reference to the progress towards complete satisfaction of the performance obligation, which is measured based on the direct measurements of the value transferred by the Group to the customers that best depict the Group's performance in satisfying the performance obligation:

The Group recognises receivables for performance obligations satisfied over time gradually as the performance obligation is satisfied. When the performance obligation satisfied over time while a right to consideration is conditional, contract asset is recognised. When the Group determines that a right to consideration is unconditional, receivable is recognised. Contract liabilities primarily reflect invoices due or payments received in advance of revenue recognition. They are recognised as revenue upon transfer of control to the customers of the promised products and services.

(d) ERP product support services

Product support services are provided mainly in the form of fixed-price contracts. Revenue related to these services is recognised ratably over the service contract period.

(e) Financing components

The promised amount of consideration for the effects of a significant financing component is not adjusted if the entity expects, at contract inception, that the period between when the entity transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or less.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.22 Revenue recognition *(Continued)*

(f) Incremental costs of obtaining customer contract

Incremental costs of obtaining customer contract primarily consist of sales commissions capitalised as an asset. Assets recognised from capitalising costs to obtain a contract are amortised to profit or loss on a systematic basis, consistent with the pattern of revenue recognition to which the assets relate. For SaaS products, the differences between the gross amount billed to the end customers by the regional channel partners and the amount billed to regional channel partners by the Group are recognised as contract acquisition costs. The contract acquisition costs are charged into selling and marketing expenses on a ratable basis which is in line with the revenue recognition.

2.23 Dividend income

Dividends are received from financial assets measured at FVPL and at FVOCI. Dividends are recognised as other income in profit or loss when the right to receive payment is established. This applies even if they are paid out of pre-acquisition profits, unless the dividend clearly represents a recovery of part of the cost of an investment. In this case, the dividend is recognised in OCI if it relates to an investment measured at FVOCI. However, the investment may need to be tested for impairment as a consequence.

2.24 Leases

The Group leases certain offices and land. Lease terms are negotiated on an individual basis and contain various terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each reporting period.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.24 Leases *(Continued)*

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the Group under residual value guarantees
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the lessee's incremental borrowing rate is used.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of less than 12 months. Low-value assets comprise machinery with value below RMB35,000.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful lives and the lease terms on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.25 Dividend distribution

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of each reporting period.

2.26 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

2.27 Interest income

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes. Any other interest income is included in other income.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management procedures focus on the unpredictability of financial markets and seek to minimise potential adverse effects on the Group's financial performance.

3 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.1 Financial risk factors *(Continued)*

(a) Market risk

(i) Foreign exchange risk

The Group's businesses are principally conducted in RMB, which is exposed to foreign currency risk with respect to transactions denominated in currencies other than RMB. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the functional currency of the relevant group entity. The Group has not entered into any derivative instruments to hedge its foreign exchange exposures.

The functional currency of the Company is HKD, which is exposed to foreign currency risk with respect to the Company's monetary assets and liabilities denominated in RMB. For balances denominated in USD are reasonably stable with the Hong Kong dollars under the Linked Exchange Rate System, the directors are of the opinion that the Company does not have significant foreign exchange risk, the exposure to fluctuation in exchange rates will only arise from the translation to the presentation currency of the Group.

The following table shows the Group's foreign currency denominated monetary assets (in RMB equivalent).

		As at December 31,	
	Currency denomination	**2020 RMB'000**	2019 RMB'000
Cash and cash equivalents	USD	**76,346**	14,798
		76,346	14,798

As at December 31, 2020, if USD had strengthened/weakened by 5% against RMB with all other variables held constant, the loss for the year ended December 31, 2020 would have been approximately RMB2,863,000 lower/higher (the profit for the year ended December 31, 2019: RMB666,000 higher/lower).

3 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.1 Financial risk factors *(Continued)*

(a) Market risk (Continued)

(i) Foreign exchange risk (Continued)

Whereas the functional currency of the Company is HKD (Note 2.5(a)), the following table shows the Company's monetary assets denominated in RMB (in RMB equivalent).

		As at December 31,	
	Currency denomination	2020 RMB'000	2019 RMB'000
Cash and cash equivalents	RMB	**64,307**	–
Term deposits	RMB	**1,812,750**	–
		1,877,057	–

As at December 31, 2020, if RMB had strengthened by 5% against HKD with all other variables held constant, the loss for the year ended December 31, 2020 would have been approximately RMB96,967,000 lower, and if RMB had weakened by 5% against HKD with all other variables held constant, the loss for the year ended December 31, 2020 would have been approximately RMB96,783,000 higher. The impact of exchange fluctuations of HKD is not significant as at December 31, 2019.

(ii) Fair value interest rate risk

The Group has no significant variable interest-bearing assets or liabilities except for the term deposits, restricted cash and cash and cash equivalents, of which the interest rates are not expected to change significantly.

3 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.1 Financial risk factors *(Continued)*

(b) Credit risk

The Group is exposed to credit risk primarily in relation to its cash and cash equivalents, restricted cash, term deposits, contractual cash flows of debt instruments carried at FVPL, as well as trade and other receivables and contract assets.

(i) Risk management

For cash and cash equivalents and restricted cash, management manages the credit risk by placing deposits in state-owned financial institutions in the PRC or reputable banks and financial institutions having high-credit-quality in the PRC and Hong Kong.

For term deposits, management places the deposits in a state-owned bank through a reputable financial institution with acceptable credit rating.

For trade receivables and contract assets, the Group has policies in place to ensure that sale of product and service are made to customers with an appropriate credit history. It also has other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group's management divides customers into different categories and reviews regularly the recoverable amount of each individual receivable to ensure that adequate impairment losses are made for irrecoverable amounts.

For other receivables, the Group assesses the nature of the financial assets and the financial condition of the counterparties. Management has closely monitored the credit qualities and the collectability of these financial assets.

The carrying amounts of cash and cash equivalents, restricted cash, term deposits, trade and other receivables and contract assets represent the Group's maximum exposure to credit risk in relation to the assets.

3 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.1 Financial risk factors *(Continued)*

(b) Credit risk (Continued)

(i) Risk management (Continued)

The Group's investments in debt instruments are considered to be low risk investments. The credit ratings of the investments are monitored for credit deterioration.

(ii) Impairment of financial assets and contract assets

The Group has four types of assets that are subject to the expected credit loss model:

- Cash and cash equivalents and restricted cash;
- Term deposits;
- Trade receivables and contract assets, and;
- Other receivables.

Cash and cash equivalents, restricted cash and term deposits

While cash and cash equivalents, restricted cash and term deposits are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

Trade receivables and contract assets

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics.

3 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.1 Financial risk factors *(Continued)*

(b) Credit risk (Continued)

Trade receivables and contract assets (Continued)

The loss allowances as at December 31, 2020 and 2019 were determined as follows for both trade receivables and contract assets:

December 31, 2020	**Up to 3 months**	**3 to 6 months**	**6 to 12 months**	**1 to 2 years**	**Over 2 years**	**Total**
Expected loss rate	**4%**	**11%**	**20%**	**43%**	**100%**	
Gross carrying amount (RMB'000) – trade receivables	**23,030**	**3,316**	**3,618**	**3,432**	**2,032**	**35,428**
Gross carrying amount (RMB'000) – contract assets	**41,228**	**5,623**	**2,687**	**2,521**	**24**	**52,083**
Loss allowance (RMB'000)	**2,843**	**952**	**1,242**	**2,534**	**2,056**	**9,627**

December 31, 2019	Up to 3 months	3 to 6 months	6 to 12 months	1 to 2 years	Over 2 years	Total
Expected loss rate	5%	11%	19%	37%	100%	
Gross carrying amount (RMB'000) – trade receivables	17,489	1,043	926	4,217	562	24,237
Gross carrying amount (RMB'000) – contract assets	24,473	902	835	545	50	26,805
Loss allowance (RMB'000)	2,064	216	338	1,760	612	4,990

3 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.1 Financial risk factors *(Continued)*

(b) Credit risk (Continued)

Trade receivables and contract assets (Continued)

The reconciliations of loss allowances for trade receivables and contract assets as at December 31, 2020 and 2019 to the opening loss allowances are as follows:

	Contract assets		**Trade receivables**	
	Year ended December 31,		**Year ended December 31,**	
	2020 RMB'000	2019 RMB'000	**2020 RMB'000**	2019 RMB'000
At the beginning of the year	**1,715**	915	**3,275**	1,603
Increase in loss allowance recognised in profit or loss during the year	**2,334**	800	**2,303**	1,672
At the end of the year	**4,049**	1,715	**5,578**	3,275

Impairment losses on trade receivables and contract assets are presented as net impairment losses within operating profit.

The expected loss rates are determined based on historical observed default rates over the expected life of the trade receivables and contract assets which are adjusted to reflect current market condition and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the Gross Domestic Product of the PRC and Consumer Price Index of the PRC as the most relevant factor and adjusts the historical loss rates based on the expected changes of such factors.

3 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.1 Financial risk factors *(Continued)*

(b) Credit risk (Continued)

Other receivables

For other receivables, management makes periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experience. Impairment on other receivables is measured as 12-month expected credit losses. The 12-month expected credit loss is the portion of lifetime expected credit loss that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the loss allowance will be based on the lifetime expected credit loss. The management has performed assessment on the recoverability of these balances and do not identify events leading to significant increase in credit risk since origination. Management considers that the expected credit loss is immaterial as at each year end date.

Financial assets and contract assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. Where financial assets and contract assets have been written off, the Group continues to engage in activities to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

(c) Liquidity risk

To manage the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the senior management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

3 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.1 Financial risk factors *(Continued)*

(c) Liquidity risk (Continued)

The table below analyses the Group's financial liabilities into relevant maturity grouping based on the remaining period at the end of each reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Total contractual cash flows RMB'000	Carrying amount RMB'000
At December 31, 2020					
Trade payable	**42,837**	**–**	**–**	**42,837**	**42,837**
Other payables and accruals (excluding salary and staff welfare payables and tax payable)	**24,809**	**–**	**–**	**24,809**	**24,809**
Lease liabilities	**29,515**	**26,660**	**8,267**	**64,442**	**61,447**
	97,161	**26,660**	**8,267**	**132,088**	**129,093**
At December 31, 2019					
Trade payable	23,921	–	–	23,921	23,921
Other payables and accruals (excluding salary and staff welfare payables and taxes payable)	21,667	–	–	21,667	21,667
Lease liabilities	21,762	16,585	14,207	52,554	49,227
Convertible redeemable preferred shares	313,929	–	–	313,929	313,929
	381,279	16,585	14,207	412,071	408,744

3 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.2 Capital management

The Group's objectives on managing capital are to safeguard the Group's ability to continue as a going concern and support the sustainable growth of the Group in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to enhance equity holders' value in the long term.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt. The Group monitors capital on basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as liquid liabilities, which are financial liabilities at FVPL(including Convertible redeemable preferred shares),and lease liabilities, less cash and cash equivalents, restricted cash, term deposits and liquid investments which are investments in wealth management products included in financial assets at FVPL. Total capital is calculated as "equity" as shown in the consolidated statement of financial position plus net debts. As at December 31, 2020 and 2019, the Group has a net cash position.

3.3 Fair value estimation

3.3.1 Fair value hierarchy

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the three levels prescribed under the accounting standards.

The tables below analyse the Group's financial instruments carried at fair value as at December 31, 2020 and 2019 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2); and
- Inputs for the asset or liability that are not based on observable market data (that is unobservable inputs) (level 3).

3 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.3 Fair value estimation *(Continued)*

3.3.1 Fair value hierarchy (Continued)

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
As at December 31, 2020				
Financial assets at FVPL				
Investments in wealth management products (Note 19(a))	**–**	**–**	**300,700**	**300,700**
Investments in unlisted equity securities (Note 19(b))	–	**–**	**6,740**	**6,740**
Investments in redeemable preferred shares (Note 19(c))	**–**	**–**	**18,990**	**18,990**
	–	**–**	**326,430**	**326,430**
Financial assets at FVOCI				
Investments in unlisted equity securities (Note 20)	**–**	**–**	**12,000**	**12,000**

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
As at December 31, 2019				
Financial assets at FVPL				
Investments in wealth management products (Note 19(a))	–	–	90,000	90,000
Investments in unlisted equity securities (Note 19(b))	–	–	1,723	1,723
Investments in redeemable preferred shares (Note 19(c))	–	–	34,440	34,440
	–	–	126,163	126,163
Financial assets at FVOCI				
Investments in unlisted equity securities (Note 20)	–	–	32,183	32,183
Financial liabilities at FVPL				
Convertible redeemable preferred shares (Note 31)	–	–	313,929	313,929

3 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.3 Fair value estimation *(Continued)*

3.3.2 Valuation techniques used to determine fair values

Specific valuation techniques used to value financial instruments include:

- The use of quoted market prices or dealer quotes for similar instruments;
- The discounted cash flow model and unobservable inputs mainly including assumptions of expected future cash flows and discount rate;
- The latest round financing, i.e. the prior transaction price or the third-party pricing information; and
- A combination of observable and unobservable inputs, including risk-free rate, expected volatility, discount rate for lack of marketability, market multiples, etc.

There were no changes to valuation techniques during the years ended December 31, 2020 and 2019.

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the year.

All of the resulting fair value estimates are included in level 3, where the fair values have been determined based on various applicable valuation techniques.

3.3.3 Fair value measurements using significant unobservable inputs (level 3)

The following table presents the changes in level 3 items including investments in wealth management products, investments in unlisted equity securities and investments in redeemable preferred shares for the years ended December 31, 2020 and 2019.

The change in level 3 instruments of the financial liabilities at FVPL are presented in Note 31.

3 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.3 Fair value estimation *(Continued)*

3.3.3 Fair value measurements using significant unobservable inputs (level 3) (Continued)

	Financial assets at FVPL			Financial assets at FVOCI
	Investments in wealth management products RMB'000	Investments in unlisted equity securities RMB'000	Investments in redeemable preferred shares RMB'000	Investments in unlisted equity securities RMB'000
As at January 1, 2020	**90,000**	**1,723**	**34,440**	**32,183**
Acquisitions	**3,023,490**	**5,000**	**–**	**–**
Disposals	**(2,835,709)**	**–**	**(19,800)**	**–**
Unrealised changes in fair value	**–**	**17**	**4,350**	**(20,183)**
Realised income or gains	**22,919**	**–**	**–**	**–**
As at December 31, 2020	**300,700**	**6,740**	**18,990**	**12,000**
As January 1, 2019	–	29,350	12,000	26,554
Acquisitions	2,550,640	–	19,800	–
Disposals	(2,476,035)	(29,262)	–	–
Unrealised changes in fair value	–	(7,827)	2,640	5,629
Realised income or gains	15,395	9,462	–	–
As at December 31, 2019	90,000	1,723	34,440	32,183

3 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.3 Fair value estimation *(Continued)*

3.3.4 Valuation process, inputs and relationships to fair value

A team in the finance department of the Group performs the valuations of financial instruments required for financial reporting purposes, including the Level 3 fair values. This team reports directly to the Chief Financial Officer ("CFO"). Discussions of valuation processes and results are held between the CFO and the valuation team at least once year. External valuation experts will be involved when necessary.

At each financial year end the finance department:

- verifies all major inputs to the valuation report;
- assesses property valuation movements when compared to the prior year valuation report; and
- holds discussions with the independent valuer.

Changes in Level 3 fair values are analysed at each reporting date during the yearly valuation discussions between the CFO and the valuation team. As part of this discussion, the team presents a report that explains the reasons for the fair value movements.

The valuation of the level 3 instruments mainly included Series A Preferred Shares (Note 31), investments in wealth management products (Note 19(a)), investments in unlisted equity securities (Note 19(b), Note 20) and investments in redeemable preferred shares (Note 19(c)). As these instruments are not traded in an active market, their fair values have been determined by using various applicable valuation techniques, including option pricing and equity allocation model, discounted cash flow model and market approach etc. Major assumptions used in the valuation for financial liabilities at FVPL are presented in Note 31.

3 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.3 Fair value estimation *(Continued)*

3.3.4 Valuation process, inputs and relationships to fair value (Continued)

The following table summarises the quantitative information about the significant unobservable inputs used in recurring level 3 fair value measurements:

Description	Fair value at December 31, 2020 RMB'000	Fair value at December 31, 2019 RMB'000	Unobservable inputs	Range of inputs at December 31, 2020	Range of inputs at December 31, 2019	Relationship of unobservable inputs to fair value
Investment in wealth management products	**300,700**	90,000	Expected rate of return	**2.02%-3.73%**	3.70%	The higher the expected rate of return, the higher the fair value
Investments in unlisted equity securities included in financial assets at FVPL(*)	**6,740**	1,723	N/A	**N/A**	N/A	N/A
Investments in unlisted equity securities included in financial assets at FVOCI	**12,000**	32,183	Expected volatility	**36.00%**	41.00%	Increasing the expected volatility by 5% would increase the fair value by RMB88,000 approximately; and decreasing the expected volatility by 5% would decrease the fair value by RMB87,000 approximately
			Risk-free rate	**2.81%**	2.76%	The higher the risk-free rate, the higher the fair value
			P/S ratio	**3.8-13.65**	8.75-21.43	Increasing the P/S ratio by 10% would increase the fair value by RMB1,780,000 approximately; and decreasing the P/S ratio by 10% would decrease the fair value by RMB1,734,000 approximately
			Discounts for lack of marketability	**20.00%**	30.00%	The higher the DLOM, the lower the fair value

3 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.3 Fair value estimation *(Continued)*

3.3.4 Valuation process, inputs and relationships to fair value (Continued)

Description	Fair value at December 31, 2020 RMB'000	Fair value at December 31, 2019 RMB'000	Unobservable inputs	Range of inputs at December 31, 2020	Range of inputs at December 31, 2019	Relationship of unobservable inputs to fair value
Investments in redeemable preferred shares	**18,990**	34,440	Expected volatility	**55.00%**	57%-64%	Increasing the expected volatility by 5% would increase the fair value by approximately RMB12,000; and decreasing the expected volatility by 5% would decrease the fair value by approximately RMB30,000
			Risk-free rate	**2.96%**	2.96%-3.11%	The higher the risk-free rate, the lower the fair value
			P/S ratio	**8.48**	6.10-7.90	Increasing the P/S ratio by 10% would increase the fair value by approximately RMB1,362,000; and decreasing the P/S ratio by 10% would decrease the fair value by approximately RMB1,359,000
			Discounts for lack of marketability	**28.00%**	26%-30%	The higher the DLOM, the lower the fair value

*: Investments in unlisted equity securities included in financial assets at FVPL were investments in partnerships and the fair values were valuated based on the net values declared in the partnerships' report or net asset values of the partnerships.

There were no significant inter-relationships between unobservable inputs that materially affect fair values.

If the fair values of financial assets at FVPL held by the Group had been 10% higher/lower, the loss before income tax for the year ended December 31, 2020 would have been approximately RMB32,643,000 lower/higher (the profit before income tax for the year ended December 31, 2019: RMB12,616,000 higher/lower).

3 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.3 Fair value estimation *(Continued)*

3.3.4 Valuation process, inputs and relationships to fair value (Continued)

If the fair values of financial assets at FVOCI held by the Group had been 10% higher/lower, the total comprehensive loss before income tax for the year ended December 31, 2020 would have been approximately RMB1,200,000 lower/higher (the total comprehensive income before income tax for the year ended December 31, 2019: RMB3,218,000 higher/lower).

There were no transfers between level 1, 2 and 3 of fair value hierarchy classifications during the years ended December 31, 2020 and 2019.

The carrying amount of the Group's other financial assets, including cash and cash equivalents, restricted cash, term deposits, trade receivables, other receivables, and the Group's financial liabilities, including trade payables, other payables and accruals and lease liabilities, approximate their fair values.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies.

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

(a) Estimation of the fair value of certain financial assets and financial liabilities

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. For details of the key assumptions used and the impact of changes to these assumptions see Note 3.3.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(CONTINUED)*

(b) Recognition of ERP implementation and value-added services revenue

Revenue from ERP implementation and value-added services is recognised over the period of the contract by reference to the progress of work performed and acknowledged by the customers. The Group has to estimate the value of services performed to date as a proportion of the value of total services to be performed.

(c) Gross vs. net assessment in revenue recognition

As disclosed in Note 2.22, the Group provides SaaS products and ERP solutions to its customers using different business models, which involves the assessment of revenue recognition on a gross or net basis, i.e. principal vs. agent assessment in different business models. The Group follows the accounting guidance for principal-agent considerations to assess whether the Group controls the specified service before it is transferred to the end customer, the indicators of which including but not limited to (i) whether the entity is primarily responsible for fulfilling the promise to provide the specified service; (ii) whether the entity has inventory risk before the specified service has been transferred to a customer; and (iii) whether the entity has discretion in establishing the prices for the specified goods or service. The management considers the above factors in totality, as none of the factors individually are considered presumptive or determinative, and applies judgment when assessing the indicators depending on each different circumstances.

(d) Allocation of selling price of each distinct performance obligation

As disclosed in Note 2.22, contracts with customers may include multiple performance obligations. When the performance obligations are assessed to be distinct, the Group allocates revenue to each performance obligation based on their relative standalone selling prices. The Group generally determines standalone selling prices based on the prices charged to customers. If the standalone selling price is not directly observable, it is estimated using expected cost plus a margin or adjusted market assessment approach, depending on the availability of observable information. Assumptions and estimations have been made in estimating whether the performance obligations are distinct and the relative selling price of each distinct performance obligation, and changes in judgements on these assumptions and estimates may impact the revenue recognition.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(CONTINUED)*

(e) Impairment for trade receivables and contract assets

The impairment provisions for trade receivables and contract assets are based on assumptions about the expected loss rates. The Group uses judgment in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Changes in these assumptions and estimates could materially affect the result of the assessment and it may be necessary to make additional impairment charge to profit or loss. Management reassesses the provision at each balance sheet date. Where the basis of judgments and estimates is different from the initial assessment, such differences will impact the provision for impairment and the carrying values of the trade receivables and contract assets.

(f) Current and deferred income taxes

The Group is subject to income taxes in the PRC and other jurisdictions. Judgment is required in determining the provision for income taxes in each of these jurisdictions. There are transactions and calculations during the ordinary course of business for which the ultimate tax determination is uncertain. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made.

The Group considers whether it is probable that the relevant authority will accept each tax treatment, or group of tax treatments, that it used or plans to use in its income tax filing, by assuming taxation authority will examine those amounts and will have full knowledge of all relevant information. When the Group concludes that it is probable that a particular tax treatment is accepted, the Group determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatment included in its income tax filings. If the Group concludes that it is not probable that a particular tax treatment is accepted, the Group uses the most likely amount or the expected value of the tax treatment when determining taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates. The Group assesses its judgements and estimates if facts and circumstances change.

Deferred income tax assets relating to certain temporary differences and tax losses are recognised when management considers it is probable that future taxable profits will be available against which the temporary differences or tax losses can be utilised. When the expectation is different from the original estimate, such differences will impact the recognition of deferred income tax assets and taxation charges in the period in which such estimate is changed.

5 SEGMENT INFORMATION

The CODM has been identified as executive directors of the Company. The executive directors review the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

The executive directors consider the business from product perspective. The Group has identified the following operating segments:

SaaS products	Software as a service, a cloud-based software licensing and delivery model in which software and associated data are centrally hosted
ERP solutions	Enterprise resource planning, a business process management software that allows an organization to use a system of integrated applications to manage the business and automate back-office functions relating to technology, services, and human resources

The CODM assesses the performance of the operating segments based on the profit or loss of each segment. There were no separate segment assets and segment liabilities information provided to the CODM, as CODM does not use this information to allocate resources or to evaluate the performance of the operating segments. Substantial businesses of the Group are carried out in the PRC.

The segment information for the year ended December 31, 2020 is as follows:

	SaaS products RMB'000	ERP solutions RMB'000	Unallocated items RMB'000	Total RMB'000
Revenues	871,199	834,077	–	1,705,276
Gross profit	758,446	581,276	–	1,339,722
Operating profit/(loss)	19,158	326,155	(18,857)	326,456
Finance income	115	244	14,032	14,391
Finance costs	(766)	(1,292)	–	(2,058)
Finance (costs)/income – net	(651)	(1,048)	14,032	12,333
Net losses upon financial liabilities at FVPL transferred to equity	–	–	(988,875)	(988,875)
Profit/(loss) before income tax	18,507	325,107	(993,700)	(650,086)
Income tax credit/(expense)	156	(18,270)	–	(18,114)
Segment results	18,663	306,837	(993,700)	(668,200)

5 SEGMENT INFORMATION *(CONTINUED)*

The segment information for the year ended December 31, 2019 is as follows:

	SaaS products RMB'000	ERP solutions RMB'000	Unallocated items RMB'000	Total RMB'000
Revenues	509,827	754,142	–	1,263,969
Gross profit	464,911	529,658	–	994,569
Operating (loss)/profit	(41,439)	284,932	598	244,091
Finance income	30	154	–	184
Finance costs	(632)	(1,265)	–	(1,897)
Finance costs – net	(602)	(1,111)	–	(1,713)
(Loss)/profit before income tax	(42,041)	283,821	598	242,378
Income tax credit/(expense)	206	(10,935)	–	(10,729)
Segment results	(41,835)	272,886	598	231,649

6 REVENUES

The Group's revenues include revenues from SaaS products and ERP solutions. The Group acts as the principal to end customers for sales of SaaS products. In respect of ERP business, the Group acts as the principal to end customers in the model of direct sales whereas the Group acts as the principal to regional channel partners in the model of sales through them. Revenues are stated net of value added tax ("VAT") in the PRC and comprise the following:

	Year ended December 31,	
	2020 RMB'000	2019 RMB'000
SaaS products	**871,199**	509,827
ERP solutions		
– Revenues from rendering of value-added services	**343,502**	319,962
– Revenues from software licensing	**249,691**	232,888
– Revenues from rendering of product support services	**137,814**	113,581
– Revenues from rendering of implementation services	**103,070**	87,711
	1,705,276	1,263,969

6 REVENUES *(CONTINUED)*

	Year ended December 31,	
	2020	2019
	RMB'000	RMB'000
SaaS products		
– Revenues over time	**784,875**	487,773
– Revenues at a point in time	**86,324**	22,054
ERP solutions		
– Revenues over time	**584,386**	521,254
– Revenues at a point in time	**249,691**	232,888
	1,705,276	1,263,969

(a) Assets and liabilities related to contracts with customers

The Group has recognised the following assets and liabilities related to contracts with customers:

	As at December 31,	
	2020	2019
	RMB'000	RMB'000
Contract assets	**52,083**	26,805
Less: Loss Allowance (Note 3.1)	**(4,049)**	(1,715)
Total contract assets	**48,034**	25,090
Contract acquisition costs	**191,939**	103,913
Less: non-current portion	**(490)**	(731)
	191,449	103,182
Contract liabilities	**574,276**	396,088
Less: non-current portion	**(25,338)**	(18,396)
	548,938	377,692

6 REVENUES *(CONTINUED)*

(a) Assets and liabilities related to contracts with customers *(Continued)*

(i) Significant changes in contract assets, contract acquisition costs and contract liabilities

Contract assets are the Group's right to consideration in exchange for goods and services that the Group has transferred to a customer. Such assets increased as a result of the growth of the Group's ERP value added services and implementation services.

Contract acquisition costs represent the differences between the gross amount billed to the end customers by the regional channel partners and the amount billed to regional channel partners by the Group, where the regional channel partners are the agents of the Group. Such assets increased as a result of the growth of the Group's SaaS product business.

Contract liabilities of the Group mainly arise from the non-refundable advance payments made by customers while the underlying services are yet to be provided. Such liabilities increased mainly as a result of the growth of the Group's SaaS product and ERP product support services.

(ii) Revenue recognised in relation to contract liabilities

The following table shows how much of the revenue is recognised in the current year related to carried-forward contract liabilities.

	Year ended December 31,	
	2020	2019
	RMB'000	RMB'000
Revenue recognised in relation to contract liabilities	**372,930**	251,699

6 REVENUES *(CONTINUED)*

(a) Assets and liabilities related to contracts with customers *(Continued)*

(iii) Unsatisfied long-term contracts

The following table shows unsatisfied performance obligations resulting from fixed-price long-term contracts:

	As at December 31,	
	2020	2019
	RMB'000	RMB'000
Unsatisfied long-term contracts		
– SaaS products	**622,295**	389,988
– ERP solutions	**274,795**	214,673
	897,090	604,661

Management expects that unsatisfied performance obligations of approximately RMB806,963,000 as at December 31, 2020 will be recognised as revenue within 1 year. The remaining unsatisfied performance obligations of approximately RMB90,127,000 will be recognised as revenue in 1 to 2 years.

All other contracts are for periods of one year or less. As permitted under IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

(iv) Assets recognised from incremental costs to obtain a contract

The Group has recognised an asset in relation to costs to acquire the SaaS products contracts. This is presented as contract acquisition costs in the consolidated statement of financial position.

Amortisation of contract acquisition costs recognised as selling and marketing expenses related to SaaS products during the years are as follows:

	Year ended December 31,	
	2020	2019
	RMB'000	RMB'000
Amortisation of contract acquisition costs recognised as selling and marketing expenses related to SaaS products during the year	**294,371**	202,068

6 REVENUES *(CONTINUED)*

(a) Assets and liabilities related to contracts with customers *(Continued)*

(iv) Assets recognised from incremental costs to obtain a contract (Continued)

The asset is amortised on a straight-line basis over the term of the specific contract it relates to, consistent with the pattern of recognition of the associated revenue. The management expects the capitalised costs to be completely recovered and no impairment loss should be recognised since no losses are expected to be incurred for the related customer contract when all the costs that relate to the fulfilment of the contract are taken into account.

7 EXPENSES BY NATURE

	Year ended December 31,	
	2020	2019
	RMB'000	RMB'000
Employee benefit expenses (Note 10)	**820,348**	675,556
Commission expenses	**294,371**	202,068
Outsourcing expenses	**92,353**	72,183
Costs of inventories sold	**70,470**	18,905
Listing expenses	**43,961**	4,271
Traveling and entertainment expenses	**32,675**	33,464
Professional and technical service fees	**31,387**	16,293
IT and communication charges	**24,039**	11,522
Depreciation of right-of-use assets (Note 16)	**22,754**	21,427
Share-based compensation (Note 10)	**18,054**	–
Exhibition and promotion charges	**17,944**	16,132
Office expenses	**14,028**	8,555
Taxes and surcharges	**11,565**	10,424
Depreciation of property, plant and equipment (Note 15)	**9,525**	6,333
Short-term rental and utilities expenses	**8,167**	6,539
Auditor's remuneration	**4,930**	377
– Audit services	**4,380**	377
– Non-audit services	**550**	–
Amortisation of intangible assets (Note 17)	**1,528**	552
Others	**1,484**	640
	1,519,583	1,105,241

No development expenses had been capitalised during the years ended December 31, 2020 and 2019.

8 OTHER INCOME

	Year ended December 31,	
	2020	2019
	RMB'000	RMB'000
Income generated from offline activities and others	**25,406**	20,240
Other government grants	**25,363**	16,312
Income from wealth management products (b), Note 19(a))	**22,919**	15,395
VAT refund (a)	**20,330**	30,412
Dividend income from investments in unlisted equity securities included in financial assets at FVPL	**624**	594
	94,642	82,953

(a) Before April 1, 2019, the applicable VAT rate for sales of computer software was 16%. From April 1, 2019 onwards, according to the circular "Announcement of Ministry of Finance, the General Administration of Taxation and the General Administration of Customs on deepening policies related to VAT reformation" (Announcement of Ministry of Finance, the General Administration of Taxation and the General Administration of Customs [2019] No.39財政部稅務總局海關總署公告2019年第39號), the application VAT rate for sales of computer software has been adjusted from 16% to 13%.

According to the circular Cai Shui [2011] No.100 (財稅[2011] 100號, "Circular 100"), software enterprises which engage in the sales of self-developed software in the PRC are entitled to VAT refund to the extent that the effective VAT rate of the sales of the software in the PRC exceeds 3%.

(b) It represented interest income and fair value changes from wealth management products that are measured at FVPL.

9 OTHER GAINS, NET

	Year ended December 31,	
	2020	2019
	RMB'000	RMB'000
Foreign exchange gains	**44,609**	300
Fair value gains on investments in redeemable preferred shares (Note 19(c))	**4,350**	2,640
Net gains/(losses) on disposal of property, plant and equipment	**1,497**	(26)
Fair value gains on investments in unlisted equity securities included in financial assets at FVPL (Note 19(b))	**17**	1,635
Others	**6**	–
	50,479	4,549

10 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	Year ended December 31,	
	2020	2019
	RMB'000	RMB'000
Salaries, wages, and bonuses	**706,706**	536,498
Pension costs – defined contribution plans (a)	**9,619**	53,523
Other social security costs, housing benefits and other employee benefits	**104,023**	85,535
Share-based compensation (Note 27)	**18,054**	–
	838,402	675,556

(a) Pension costs – defined contribution plans

Employees of the Group companies in the PRC are required to participate in a defined contribution retirement scheme administered and operated by the local municipal government. The Group contributes partnerships which are calculated on fixed percentage of the employees' salary (subject to a floor and cap) as set by local municipal governments to each scheme locally to fund the retirement benefits of the employees.

Pension costs were decreased during the year ended December 31, 2020 as the government has implemented a policy to reduce the impact of Coronavirus Disease 2019 (the "COVID-19") to companies.

10 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS) *(CONTINUED)*

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group include no director for the year ended December 31, 2020 (2019:nil), whose emoluments are reflected in the analysis shown in Note 10(c). The emoluments payable to the remaining 5 individuals during year ended December 31, 2020 (2019:5) are as follows:

	Year ended December 31,	
	2020	2019
	RMB'000	RMB'000
Salaries, wages, and bonuses	**9,122**	7,730
Pension costs – defined contribution plans	**15**	231
Other social security costs, housing benefits and other employee benefits	**221**	294
Share-based compensation	**3,982**	–
	13,340	8,255

The emoluments fell within the following bands:

	Number of individuals	
	Year ended December 31,	
	2020	2019
Emoluments bands:		
HKD1,500,001 to HKD2,000,000	**–**	5
HKD2,000,001 to HKD2,500,000	**1**	–
HKD2,500,001 to HKD3,000,000	**2**	–
HKD3,000,001 to HKD3,500,000	**1**	–
HKD3,500,001 to HKD4,000,000	**1**	–
	5	5

No incentive payment for joining the Group or compensation for loss of office was paid or payable to any of the five highest paid individuals for the years ended December 31, 2020 and 2019.

10 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS) *(CONTINUED)*

(c) Directors' and chief executive's emoluments

Remuneration of every director and the chief executive's is set out below:

	Director's fee RMB'000	Salaries, wages and bonus RMB'000	Pension cost-defined contribution plan RMB'000	Other social security costs, housing benefits and other employee benefits RMB'000	Total RMB'000
For the year ended December 31, 2020					
Chairman and executive director:					
Mr. Gao Yu(i)	–	750	25	43	818
Executive directors:					
Mr. Jiang Haiyang(ii)	–	1,273	25	43	1,341
Mr. Chen Xiaohui(ii)	–	750	25	43	818
Mr. Jiang Keyang(ii)	–	745	25	43	813
Non-executive directors:					
Mr. Liang Guozhi(iii)	–	–	–	–	–
Mr. Yi Feifan(iii)	–	–	–	–	–
Independent non-executive directors:					
Mr. Li Hanhui(iv)	22	–	–	–	22
Mr. Zhao Liang(iv)	22	–	–	–	22
Ms. Zeng Jing(iv)	22	–	–	–	22
	66	3,518	100	172	3,856

10 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS) *(CONTINUED)*

(c) Directors' and chief executive's emoluments *(Continued)*

	Director's fee RMB'000	Salaries, wages and bonus RMB'000	Pension cost-defined contribution plan RMB'000	Other social security costs, housing benefits and other employee benefits RMB'000	Total RMB'000
For the year ended December 31, 2019					
Chairman and executive director:					
Mr. Gao Yu(i)	–	432	35	42	509
Executive directors:					
Mr. Jiang Haiyang(ii)	–	480	35	42	557
Mr. Chen Xiaohui(ii)	–	432	35	42	509
Mr. Jiang Keyang(ii)	–	679	35	42	756
Non-executive directors:					
Mr. Liang Guozhi(iii)	–	–	–	–	–
Mr. Yi Feifan(iii)	–	–	–	–	–
Independent non-executive directors:					
Mr. Li Hanhui(iv)	53	–	–	–	53
Mr. Zhao Liang(iv)	–	–	–	–	–
Ms. Zeng Jing(iv)	–	–	–	–	–
	53	2,023	140	168	2,384

Notes:

(i) Mr. Gao Yu was appointed as the Company's executive director and chairman of the board of directors on June 12, 2020.

(ii) Mr. Chen Xiaohui, Mr. Jiang Haiyang and Mr. Jiang Keyang were appointed as the Company's executive directors on June 12, 2020.

(iii) Mr. Liang Guozhi and Mr. Yi Feifan were appointed as the Company's non-executive director on June 12, 2020.

(iv) Mr. Li Hanhui, Mr. Zhao Liang and Ms. Zeng Jing were appointed as the Company's independent non-executive directors on September 4, 2020.

10 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS) *(CONTINUED)*

(d) Directors' retirement and termination benefits

No retirement or termination benefits have been paid to the Company's directors during the years ended December 31, 2020 and 2019.

(e) Consideration provided to third parties for making available directors' services

No consideration provided to third parties for making available Directors' services subsisted at the end of each reporting period or at any time during the years ended December 31, 2020 and 2019.

(f) Information about loans, quasi-loans and other dealings in favor of directors, controlled bodies corporate by and connected entities with such directors

No loans, quasi-loans or other dealings are entered into in favor of directors, controlled bodies corporate by and connected entities with such directors during the years ended December 31, 2020 and 2019.

(g) Directors' material interests in transactions, arrangements or contract

No significant transactions, arrangements and contracts in relation to the Group's Business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted during the years ended December 31, 2020 and 2019.

11 FINANCE INCOME/(COSTS), NET

	Year ended December 31,	
	2020	2019
	RMB'000	RMB'000
Finance income		
– Interest income from bank deposits	**14,391**	184
Finance costs		
– Interest expenses on lease liabilities	**(2,058)**	(1,897)
Finance income/(costs) – net	**12,333**	(1,713)

12 INCOME TAX EXPENSE

	Year ended December 31,	
	2020	2019
	RMB'000	RMB'000
Current income tax	**17,338**	12,585
Deferred income tax (Note 28)	**776**	(1,856)
Income tax expense	**18,114**	10,729

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the tax rate of 25% for the years ended December 31, 2020 and 2019, being the standard income rate in the PRC. The differences are analysed as follows:

	Year ended December 31,	
	2020	2019
	RMB'000	RMB'000
(Loss)/profit before income tax expense	**(650,086)**	242,378
Tax calculated at the statutory PRC tax rate of 25%	**(162,521)**	60,595
Tax losses for which no deferred income tax asset was recognised	**24,269**	19,078
Super deduction for research and development expenses	**(49,414)**	(39,179)
Utilisation of tax losses previously not recognised	**(6,724)**	(8,697)
Effects of different tax rates in overseas jurisdictions	**244,156**	831
Expenses not deductible for tax purpose	**1,092**	702
Effects of preferential tax rates applicable to PRC subsidiaries of the Group	**(32,744)**	(22,601)
Income tax expense	**18,114**	10,729

(a) Cayman Islands

Under the current laws of the Cayman Islands, entities incorporated in the Cayman Islands are not subject to tax on income or capital gain. In addition, the Cayman Islands does not impose a withholding tax on payments of dividends to shareholders.

12 INCOME TAX EXPENSE *(CONTINUED)*

(b) British Virgin Islands

Under the current laws of the British Virgin Islands, entities incorporated in the British Virgin Islands are not subject to tax on income or capital gain. In addition, the British Virgin Islands does not impose a withholding tax on payments of dividends to shareholders.

(c) Hong Kong Profits Tax

No provision for Hong Kong profits tax was made as the Group did not have any assessable income subject to Hong Kong profits tax during the years ended December 31, 2020 and 2019.

(d) PRC corporate income tax ("CIT")

CIT provision was made on the estimated assessable profits of entities within the Group incorporated in the PRC and was calculated in accordance with the relevant regulations of the PRC after considering the available tax benefits from refunds and allowances. The general PRC CIT rate is 25% for the years ended December 31, 2020 and 2019.

According to Cai Shui [2012] No.27(財稅[2012] 27號, "Circular 27"), key software enterprises that have not benefited from the preferential treatment of tax exemption in the current year may be subjected to a lower CIT rate of 10%. In 2016, Cai Shui [2016] No.49 (財稅[2016] 49號, "Circular 49"), is released in order to further clarify the criteria for enterprises to qualify as key software enterprises. Based on management's assessment, Ming Yuan Cloud Technology will probably meet those requirements for the years ended December 31, 2020. Therefore, Ming Yuan Cloud Technology used a preferential CIT rate of 10% for the years ended December 31, 2020 and 2019.

Shenzhen Mingyuan Yunke Electronic Commerce Co., Ltd. (深圳市明源雲客電子商務有限公司, "Ming Yuan Cloud Client") had also applied to the relevant tax bureau and was granted the qualification as High and New Technology Enterprise ("HNTE") in 2016 and it has renewed the qualification of HNTE in 2019. Based on management's assessment, it is highly probable that Ming Yuan Cloud Client will meet the requirements for tax exemption of HNTE. In addition, according to Circular 27 and Circular 49, the newly established software enterprises was entitled to tax exemption for two years commencing from the first year of profitable operation and thereafter to a preferential rate at half of the corporate income tax rate for three years. Therefore, Ming Yuan Cloud Client had applied a preferential corporate income tax rate of 0% for the year ended December 31, 2020 since it was the first year of profitable operation. The application of preferential tax rate stated above is subject to critical estimates of the management of the Group.

Shenzhen Mingyuan Cloud Space Electronic Commerce Co., Ltd. (深圳市明源雲空間電子商務有限公司, "Ming Yuan Cloud Space") and Ming Yuan Cloud Procurement had qualified to apply the preferential CIT rate of 15% for HNTE beginning from January 1, 2019.

12 INCOME TAX EXPENSE *(CONTINUED)*

(e) Super deduction for research and development expenses

According to the CIT laws and Detailed Implementation Rules, an enterprise is allowed to claim an additional deduction of 50% of research and development expenses incurred for the development of new technologies, new products and new craftsmanship from 2008 onwards. From 2018 to 2020, according to Caishui [2018] No.99 (財税[2018] 99號, "Circular 99"), an extra 75% of the actual amount of research and development expenses can be deducted before tax.

For those companies which were granted the qualification as "Small and Medium-sized Sci-tech Enterprise" during the years ended 2020 and 2019, they could claim 175% of their research and development expenses so incurred as tax deductible expenses when determining their assessable profits during the years ended 2020 and 2019.

13 (LOSSES)/EARNINGS PER SHARE

(a) Basic (losses)/earnings per share

Basic (losses)/earnings per share is calculated by dividing the (loss)/profit attributable to owners of the Company by the weighted average number of ordinary shares in issue and outstanding during the years ended December 31, 2020 and 2019.

	Year ended December 31,	
	2020	2019
(Loss)/profit attributable to owners of the Company (RMB'000)	**(704,482)**	216,421
Weighted average number of ordinary shares in issue and outstanding (thousand) (Note)	**1,467,688**	1,331,850
Basic (losses)/earnings per share (in RMB)	**(0.4800)**	0.1625

Note: The weighted average number of ordinary shares in issue and outstanding has been retrospectively adjusted, after considering the effect of the issuance of shares in connection with the Reorganization completed on July 3, 2019 (Note 1.2(1)) and March 30, 2020 (Note 1.2(3)(b)), the share subdivision on March 31, 2020 whereby each ordinary share was subdivided into 10 ordinary shares (Note 24(e)). The effect of the vested RSU during the year had been considered in the calculation of basic losses per share.

13 (LOSSES)/EARNINGS PER SHARE *(CONTINUED)*

(b) Diluted (losses)/earnings per share

Diluted (losses)/earnings per share are calculated by adjusting the weighted average number of shares in issue and outstanding to assume conversion of all dilutive potential shares.

For the year ended December 31, 2020, as the Group incurred losses, the potential ordinary shares of restricted share units as mentioned in Note 27 were not included in the calculation of dilutive losses per share, as their inclusion would be anti-dilutive. Accordingly, diluted losses per share for the year ended December 31, 2020 are the same as basic losses per share.

For the year ended December 31, 2019, the convertible redeemable preferred shares were dilutive due to their conversion to ordinary shares would decrease the earnings per share.

	Year ended December 31,	
	2020	2019
(Loss)/profit attributable to owners of the Company (RMB'000)	**(704,482)**	216,421
Weighted average number of shares in issue and outstanding to assume conversion of all dilutive potential shares (thousand)	**1,467,688**	1,348,439
Diluted (losses)/earnings per share (in RMB)	**(0.4800)**	0.1605

14 DIVIDENDS

(a) Dividends of RMB5,248,000 were paid to the non-controlling interests in Shenzhen Mingyuan Yunke Electronic Commerce Co., Ltd. (深圳市明源雲客電子商務有限公司, "Ming Yuan Cloud Client") for the year ended December 31, 2020.

14 DIVIDENDS *(CONTINUED)*

(b) A final dividend of RMB0.07 (equivalent to HKD0.083) per ordinary share, totaling approximately RMB134,900,000 out of the share premium account of the Company, for the year ended December 31, 2020, is to be proposed at the forthcoming annual general meeting. This proposed dividend is not reflected as a dividend payable in the consolidated financial statements for the year ended December 31, 2020.

	As at December 31, 2020 RMB'000
Proposed final dividend	**134,900**

15 PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Computer equipment RMB'000	Furniture and office equipment RMB'000	Motor vehicles RMB'000	Leasehold improvements RMB'000	Assets under construction RMB'000	Total RMB'000
At January 1, 2019							
Cost	35,081	20,646	6,444	789	5,345	68,262	136,567
Accumulated depreciation	(4,854)	(13,906)	(4,648)	(676)	(2,411)	–	(26,495)
Net book amount	30,227	6,740	1,796	113	2,934	68,262	110,072
Year ended December 31, 2019							
Opening net book amount	30,227	6,740	1,796	113	2,934	68,262	110,072
Additions	–	3,875	2,315	–	3,793	4,587	14,570
Disposal	–	(26)	–	–	–	–	(26)
Depreciation charge	(695)	(2,428)	(850)	(74)	(2,286)	–	(6,333)
Closing net book amount	29,532	8,161	3,261	39	4,441	72,849	118,283
At December 31, 2019							
Cost	35,081	23,942	8,759	789	9,138	72,849	150,558
Accumulated depreciation	(5,549)	(15,781)	(5,498)	(750)	(4,697)	–	(32,275)
Net book amount	29,532	8,161	3,261	39	4,441	72,849	118,283

15 PROPERTY, PLANT AND EQUIPMENT *(CONTINUED)*

	Buildings RMB'000	Computer equipment RMB'000	Furniture and office equipment RMB'000	Motor vehicles RMB'000	Leasehold improvements RMB'000	Assets under construction RMB'000	Total RMB'000
At January 1, 2020							
Cost	35,081	23,942	8,759	789	9,138	72,849	150,558
Accumulated depreciation	(5,549)	(15,781)	(5,498)	(750)	(4,697)	–	(32,275)
Net book amount	29,532	8,161	3,261	39	4,441	72,849	118,283
Year ended December 31, 2020							
Opening net book amount	29,532	8,161	3,261	39	4,441	72,849	118,283
Additions	–	7,378	4,418	847	9,133	19,585	41,361
Disposal	–	(31)	–	(21)	–	–	(52)
Depreciation charge	(742)	(3,031)	(1,696)	–	(4,056)	–	(9,525)
Closing net book amount	28,790	12,477	5,983	865	9,518	92,434	150,067
At December 31, 2020							
Cost	35,081	30,569	13,177	1,214	18,271	92,434	190,746
Accumulated depreciation	(6,291)	(18,092)	(7,194)	(349)	(8,753)	–	(40,679)
Net book amount	28,790	12,477	5,983	865	9,518	92,434	150,067

Depreciation of the Group's property, plant and equipment has been recognised as follows:

	Year ended December 31,	
	2020 RMB'000	2019 RMB'000
General and administrative expenses	**6,760**	3,714
Research and development expenses	**2,765**	2,619
	9,525	6,333

16 LEASES

(a) Amounts recognised in the consolidated statement of financial position

The consolidated statement of financial position show the following amounts relating to leases:

	As at December 31,	
	2020	2019
	RMB'000	RMB'000
Right-of-use assets		
– Buildings	**55,629**	43,657
– Land use right	**7,036**	7,207
	62,665	50,864
Lease liabilities		
– Current	**27,575**	20,052
– Non-current	**33,872**	29,175
	61,447	49,227

Additions to the buildings in right-of-use assets for the years ended December 31, 2020 and 2019 were approximately RMB48,274,000 and RMB20,121,000, respectively. No additions to the land use right in right-of-use assets for the years ended December 31, 2020 and 2019.

(b) Amounts recognised in profit or loss

The consolidated statement of comprehensive income show the following amounts relating to leases:

	Year ended December 31,	
	2020	2019
	RMB'000	RMB'000
Depreciation charge of right-of-use assets		
– Buildings	**22,583**	21,256
– Land use right	**171**	171
	22,754	21,427
Interest expense (included in finance costs)	**2,058**	1,897

16 LEASES *(CONTINUED)*

(b) Amounts recognised in profit or loss *(Continued)*

The total cash outflow from financing activities for leases for the years ended December 31, 2020 and 2019 were approximately RMB24,394,000 and RMB20,817,000 respectively, and the total cash outflow from operating activities for leases for the years ended December 31, 2020 and 2019 were RMB1,881,000 and RMB63,000 respectively.

(c) The Group's leasing activities and how these are accounted for

The Group leases certain offices and land. Rental contracts for offices are typically made for fixed periods of 4 months to 49 months. Rental contracts for land are typically made for fixed periods of 45 years to 48 years.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

(d) Variable lease payments

No variable payment terms are contained in the leases.

(e) Extension and termination options

Lease payments to be made under reasonably certain extension options are included in the measurement. No termination options are included in building leases across the Group.

(f) Residual value guarantees

No residual value guarantees are provided in relation to leases.

17 INTANGIBLE ASSETS

	Software licenses RMB'000
At January 1, 2019	
Cost	4,806
Accumulated amortisation	(3,443)
Net book amount	1,363
Year ended December 31, 2019	
Opening net book amount	1,363
Additions	1,266
Amortisation charge	(552)
Closing net book amount	2,077
At December 31, 2019	
Cost	6,072
Accumulated amortisation	(3,995)
Net book amount	2,077
Year ended December 31, 2020	
Opening net book amount	**2,077**
Additions	**2,915**
Amortisation charge	**(1,528)**
Closing net book amount	**3,464**
At December 31, 2020	
Cost	**8,986**
Accumulated amortisation	**(5,522)**
Net book amount	**3,464**

17 INTANGIBLE ASSETS *(CONTINUED)*

Amortisation of the Group's intangible assets has been recognised as follows:

	Year ended December 31,	
	2020	2019
	RMB'000	RMB'000
General and administrative expenses	**852**	411
Research and development expenses	**676**	141
	1,528	552

18 FINANCIAL INSTRUMENTS BY CATEGORY

	As at December 31,	
	2020	2019
	RMB'000	RMB'000
Financial assets		
Financial assets at amortised cost		
Trade receivables (Note 21)	**29,850**	20,962
Other receivables (Note 21)	**34,609**	10,117
Term deposits (Note 22)	**1,812,750**	–
Restricted cash (Note 23)	**550**	748
Cash and cash equivalents (Note 23)	**4,759,384**	732,207
	6,637,143	764,034
Financial assets at FVPL (Note 19)	**326,430**	126,163
Financial assets at FVOCI (Note 20)	**12,000**	32,183
	6,975,573	922,380
Financial liabilities		
Financial liabilities at amortised cost		
Trade payables (Note 29)	**42,837**	23,921
Other payables and accruals(excluding accrued payroll and employee benefit expenses, VAT and surcharges payable) (Note 30)	**24,809**	21,667
Lease liabilities (Note 16)	**61,447**	49,227
	129,093	94,815
Financial liabilities at FVPL		
Convertible redeemable preferred shares (Note 31)	**–**	313,929
	129,093	408,744

18 FINANCIAL INSTRUMENTS BY CATEGORY *(CONTINUED)*

The Group's exposure to various risks associated with the financial instruments is discussed in Note 3. The maximum exposure to credit risk at the end of each reporting period is the carrying amount of each class of financial assets mentioned above.

19 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at December 31,	
	2020	2019
	RMB'000	RMB'000
Investments in wealth management products (a)	**300,700**	90,000
Investments in unlisted equity securities (b)	**6,740**	1,723
Investments in redeemable preferred shares (c)	**18,990**	34,440
	326,430	126,163
Less: non-current portion		
Investments in unlisted equity securities (b)	**(6,740)**	(1,723)
Investments in redeemable preferred shares (c)	**(18,990)**	(34,440)
	300,700	90,000

(a) Investments in wealth management products

Movements in investment in wealth management products were as follows:

	Year ended December 31,	
	2020	2019
	RMB'000	RMB'000
At the beginning of the year	**90,000**	–
Acquisitions	**3,023,490**	2,550,640
Disposals	**(2,835,709)**	(2,476,035)
Realised income (Note 8)	**22,919**	15,395
At the end of the year	**300,700**	90,000

19 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS *(CONTINUED)*

(a) Investments in wealth management products *(Continued)*

The returns on all of these wealth management products are not guaranteed, and therefore the Group designated them as financial assets at FVPL. Realised income of these financial assets are recognised in "other income" in the consolidated statement of comprehensive income. For the fair value estimation, please refer to Note 3.3 for details.

As at December 31, 2020 and 2019, all wealth management products are mature within 1 year.

(b) Investments in unlisted equity securities

The Group's investments in unlisted equity securities included in financial assets at FVPL represent the investment in certain privately owned companies. For the fair value estimation, please refer to Note 3.3 for details.

Movements of investments in unlisted equity securities included in financial assets at FVPL were as follows:

	Year ended December 31,	
	2020	2019
	RMB'000	RMB'000
At the beginning of the year	**1,723**	29,350
Acquisitions	**5,000**	–
Disposals	**–**	(29,262)
Unrealised changes in fair value (Note 9)	**17**	(7,827)
Realised gains (Note 9)	**–**	9,462
At the end of the year	**6,740**	1,723

19 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS *(CONTINUED)*

(c) Investments in redeemable preferred shares

The Group's investments in redeemable preferred shares represent the investment in certain privately owned companies with redeemable terms. For the fair value estimation, please refer to Note 3.3 for details.

Movements of investments in redeemable preferred shares were as follows:

	Year ended December 31,	
	2020	2019
	RMB'000	RMB'000
At the beginning of the year	**34,440**	12,000
Acquisitions	**–**	19,800
Disposals	**(19,800)**	–
Unrealised changes in fair value (Note 9)	**4,350**	2,640
At the end of the year	**18,990**	34,440

On October 30, 2018, Ming Yuan Cloud Technology acquired 19.9% redeemable preferred shares in Shenzhen Woxiang Technology Co., Ltd (深圳市沃享科技有限公司, "Woxiang") at a consideration of RMB12,000,000, and the Group's interests in Woxiang was not material. Pursuant to the agreement, the Group had significant influence in Woxiang and the redeemable preferred shares should be redeemed upon request of Ming Yuan Cloud Technology by Woxiang and its controlling owner at principal and interest of 10% annual interest rate of the initial consideration upon occurrence of certain future events. Therefore, these redeemable preferred shares are not regarded as a current ownership interest in Woxiang and should be accounted for as financial assets at FVPL using IFRS 9 instead of using the equity method.

19 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS *(CONTINUED)*

(c) Investments in redeemable preferred shares *(Continued)*

On May 12, 2019, Ming Yuan Cloud Technology acquired 6% redeemable preferred shares in Meiwu 365 (Tianjin) Technology Co., Ltd (美屋三六五(天津) 科技有限公司, "Meiwu") at a consideration of RMB19,800,000, and the Group's interests in Meiwu was not material. Pursuant to the agreement, the Group had significant influence in Meiwu and the redeemable preferred shares should be redeemed upon request of Ming Yuan Cloud Technology by Meiwu at principal and interest of 10% compound annual interest rate of the initial consideration upon occurrence of certain future events. Therefore, these redeemable preferred shares are not regarded as a current ownership interest in Meiwu and should be accounted for as financial assets at FVPL using IFRS 9 instead of using the equity method.

On December 1, 2020, Ming Yuan Cloud Technology disposed of 6% redeemable preferred shares in Meiwu at a consideration of RMB19,800,000.

20 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

The Group's investments in financial assets at FVOCI are all investments in unlisted equity securities, which represent the investment in certain privately owned companies. For the fair value estimation, please refer to Note 3.3 for details.

Movements of investments in unlisted equity securities were as follows:

	Year ended December 31,	
	2020	2019
	RMB'000	RMB'000
At the beginning of the year	**32,183**	26,554
Unrealised changes in fair value (Note 25)	**(20,183)**	5,629
At the end of the year	**12,000**	32,183

21 TRADE RECEIVABLES, PREPAYMENTS AND OTHER RECEIVABLES

	As at December 31,	
	2020	2019
	RMB'000	RMB'000
Trade receivables from contracts with customers (a)	**35,428**	24,237
Less: Loss allowance for impairment (Note 3.1)	**(5,578)**	(3,275)
Trade receivables – net	**29,850**	20,962
Prepayments to suppliers	**18,739**	6,145
Prepayments for employee benefits	**4,788**	3,201
Prepaid listing expenses	**–**	1,281
Total prepayments	**23,527**	10,627
Rental and other deposits	**7,861**	6,863
Receivable from disposal of a financial asset at FVPL (Note)	**19,800**	–
Interest receivables from bank deposits	**4,575**	–
Others	**2,425**	3,451
Less: Loss allowance for impairment of other receivables	**(52)**	(197)
Other receivables – net	**34,609**	10,117
Total trade receivables, prepayments and other receivables	**87,986**	41,706
Less: Non-current deposits	**(6,705)**	(5,034)
Current portion	**81,281**	36,672

Note: The receivable from disposal of a financial asset at FVPL was settled in January, 2021.

(a) Trade receivables

	As at December 31,	
	2020	2019
	RMB'000	RMB'000
Trade receivables from contracts with customers	**35,428**	24,237
Less: Loss allowance for impairment (Note 3.1)	**(5,578)**	(3,275)
	29,850	20,962

21 TRADE RECEIVABLES, PREPAYMENTS AND OTHER RECEIVABLES *(CONTINUED)*

(a) Trade receivables *(Continued)*

Movements on the Group's allowance for impairment of trade receivables are disclosed in Note 3.1.

The Group normally allows 0 to 30 days credit period to its customers. Ageing analysis of the trade receivables as at December 31, 2020 and 2019, based on date of recognition, is as follows:

	As at December 31,	
	2020	2019
	RMB'000	RMB'000
Ageing		
Up to 3 months	**23,030**	17,489
3 to 6 months	**3,316**	1,043
6 months to 1 year	**3,618**	926
1 to 2 years	**3,432**	4,217
Over 2 years	**2,032**	562
	35,428	24,237

Movements on the Group's loss allowance are as follows:

	2020	2019
	RMB'000	RMB'000
At the beginning of the year	**197**	530
Reversal of impairment provision	**(145)**	(333)
At the end of the year	**52**	197

22 TERM DEPOSITS

	As at December 31,	
	2020	2019
	RMB'000	RMB'000
Term deposits	**1,812,750**	–

(a) This represented the Group's term deposits placed in a stated-owned bank through a reputable financial institution with maturities under three months, which is redeemable on demand and denominated in RMB.

23 CASH AND CASH EQUIVALENTS

	As at December 31,	
	2020	2019
	RMB'000	RMB'000
Cash at bank and on hand (a)	**4,759,934**	732,955
Less: Restricted cash (b)	**(550)**	(748)
Cash and cash equivalents	**4,759,384**	732,207

(a) Cash at bank and on hand was denominated in the following currencies:

	As at December 31,	
	2020	2019
	RMB'000	RMB'000
RMB	**756,235**	601,102
USD	**2,350,862**	131,843
HKD	**1,652,837**	10
	4,759,934	732,955

(b) The restricted cash were pledged to banks as required by certain implementation contracts with customers of the Group.

24 SHARE CAPITAL

Authorised:

	Number of ordinary shares '000	Nominal value of ordinary shares HKD'000	Number of Preferred Shares '000	Nominal value of Preferred Shares HKD'000
As at July 3, 2019 (incorporation date of the Company)	–	–	–	–
Ordinary shares (a)	370,987	371	–	–
Preferred Shares (c)	–	–	9,013	9
As at December 31, 2019	370,987	371	9,013	9
As at January 1, 2020	**370,987**	**371**	**9,013**	**9**
Share Sub-Division on March 31, 2020 (e)	**3,338,888**	**–**	**81,112**	**–**
Conversion of convertible redeemable preferred shares into ordinary shares (g)	**90,125**	**9**	**(90,125)**	**(9)**
As at December 31, 2020	**3,800,000**	**380**	**–**	**–**

Issued:

	Number of ordinary shares '000	Nominal value of ordinary shares HKD'000	Share capital RMB'000	Treasury shares RMB'000	Total RMB'000
As at July 3, 2019 (incorporation date of the Company)	–	–	–	–	–
Issuance of ordinary shares from the Reorganisation (b)	121,990	122	107	–	107
As at December 31, 2019	121,990	122	107	–	107
As at January 1, 2020	**121,990**	**122**	**107**	**–**	**107**
Issuance of ordinary shares (d)	**18,679**	**19**	**17**	**–**	**17**
Share Sub-Division on March 31, 2020 (e)	**1,266,021**	**–**	**–**	**–**	**–**
Issuance of new shares upon listing (f)	**430,334**	**43**	**38**	**–**	**38**
Conversion of convertible redeemable preferred shares into ordinary shares (g)	**90,125**	**9**	**8**	**–**	**8**
Less: Treasury shares (d)	**(72,005)**	**(7)**	**–**	**(6)**	**(6)**
As at December 31, 2020	**1,855,144**	**186**	**170**	**(6)**	**164**

24 SHARE CAPITAL *(CONTINUED)*

(a) The Company was incorporated in the Cayman Islands on July 3, 2019 with authorised share capital of HKD380,000 divided into 380,000,000 shares of a par value of HKD0.001 each, among which 370,987,481 are designated as ordinary shares of a par value of HKD0.001 each, and 9,012,519 are designated as Preferred Shares of a par value of HKD0.001 each.

(b) As part of the Reorganisation, 121,990,200 ordinary shares were issued on July 3, 2019.

(c) As disclosed in Note 1.2, 7,009,737 and 2,002,782 Series A Preferred Shares were issued to Profitech Investments and Glodon on October 25, 2019, respectively. Further details of the Series A Preferred Shares are set out in Note 31.

(d) The Company allotted and issued 11,194,800 and 7,484,080 ordinary shares to Beijing Chenchuang(Note 1.2(3)(b)) and MYC Marvellous Limited on March 30, 2020, respectively. As disclosed in Note 27, MYC Marvellous Limited is controlled by the Company and therefore the ordinary shares issued was presented as treasury shares. During the year ended December 31, 2020, 2,835,000 ordinary shares of the Company held by MYC Marvellous Limited were transferred to the Grantees upon vesting (Note 27).

(e) Pursuant to a shareholder's written resolution dated March 29, 2020, with effect from March 31, 2020, each issued and unissued ordinary share and Series A Preferred Share of HKD0.001 par value of the Company be subdivided into 10 shares of HKD0.0001 par value each, such that the authorised share capital of the Company be changed from HKD380,000 divided into 380,000,000 shares of a par value of HKD0.001 each to HKD380,000 divided into 3,800,000,000 shares with a par value of HKD0.0001 each (the "Share Sub-Division"). The Share Sub-Division was effective from March 31, 2020.

(f) Upon completion of the initial public offering ("IPO"), the Group issued 430,334,000 new ordinary shares (including shares issued on exercise of over-allotment option) at par value of HKD0.0001 per share for cash consideration of HKD16.50 each, and raised gross proceeds of approximately HKD7,100,511,000 (equivalent to approximately RMB6,225,071,000). The respective share capital amount was approximately RMB38,000 and share premium arising from the issuance was approximately RMB6,225,033,000.

(g) On September 25, 2020, all of the 90,125,190 convertible and redeemable preferred shares were converted into the same number of ordinary shares(Note 31). The fair value of the Preferred Shares immediately before the conversion was RMB1,307,071,000, and the conversion resulted in the increase in share capital of RMB8,000 and share premium of approximately RMB1,307,063,000.

25 RESERVES

	Share premium RMB'000	Surplus reserve RMB'000	Exchange reserve RMB'000	Share-based compensation reserve RMB'000	Other reserve RMB'000	Total reserves RMB'000
As at January 1, 2019	–	40,762	–	–	201,386	242,148
Shares issued pursuant to the reorganisation	–	–	–	–	(107)	(107)
Transactions with non-controlling interests (a)	–	–	–	–	8,302	8,302
Changes in fair value of financial assets at FVOCI, net of tax(Note 20)	–	–	–	–	5,066	5,066
Appropriation for statutory surplus reserve (b)	–	23,145	–	–	–	23,145
Deemed distributions to the shareholders of the Company (c)	–	–	–	–	(266,370)	(266,370)
Currency translation differences	–	–	510	–	–	510
As at December 31, 2019	–	63,907	510	–	(51,723)	12,694
At January 1, 2020		**63,907**	**510**		**(51,723)**	**12,694**
Changes in fair value of financial assets at FVOCI, net of tax (Note 20)	**–**	**–**	**–**	**–**	**(18,165)**	**(18,165)**
Transactions with non-controlling interests (a)	**–**	**–**	**–**	**–**	**(45,242)**	**(45,242)**
Appropriation for statutory surplus reserve (b)	**–**	**11,991**	**–**	**–**	**–**	**11,991**
Issuance of new shares upon listing (Note 24)	**6,225,033**	**–**	**–**	**–**	**–**	**6,225,033**
Share issuance costs (d)**	**(238,794)**	**–**	**–**	**–**	**–**	**(238,794)**
Conversion of convertible redeemable preferred shares into ordinary shares (Note 31)	**1,307,063**	**–**	**–**	**–**	**–**	**1,307,063**
Share-based compensation expenses (Note 27)	**–**	**–**	**–**	**18,054**	**–**	**18,054**
Transfer of vested restricted share units from treasury shares (Note 27)	**(10,118)**	**–**	**–**	**(9,014)**	**–**	**(19,132)**
Currency translation differences	**–**	**–**	**(252,084)**	**–**	**–**	**(252,084)**
At December 31, 2020	**7,283,184**	**75,898**	**(251,574)**	**9,040**	**(115,130)**	**7,001,418**

25 RESERVES *(CONTINUED)*

(a) Transactions with non-controlling interests

On May 29, 2019, 22.5% equity interest in Ming Yuan Cloud Shengshi was disposed of by the Group at a cash consideration of RMB450,000. After the transaction, the Group continues to retain control over Ming Yuan Cloud Shengshi by more than 50% of its voting rights. The difference of approximately RMB1,648,000 between the consideration receivable of RMB450,000 and the carrying amount of disposed non-controlling interest of negative RMB1,198,000, was recognised in reserves.

On December 10, 2019, the Group disposed of the remaining 77.5% equity interest in Ming Yuan Cloud Shengshi to an employee. Since Shenzhen Mingyuan Cloud Shengshi was an investment holding company with 20% equity interest in Ming Yuan Cloud Space, the transaction which was in substance disposing of non-controlling interest of Ming Yuan Cloud Space without loss of control and being deemed as equity transaction. Hence, approximately RMB6,654,000 was recognised in reserves resulting from the consideration receivable of RMB1,550,000 and the carrying amount of disposed non-controlling interest of negative RMB5,104,000.

On September 2020, Ming Yuan Cloud Technology acquire 2.8% shares from non-controlling interests of Ming Yuan Cloud Client. The difference of approximately RMB45,242,000 between the consideration payable of RMB50,000,000 and the carrying amount of acquired non-controlling interest of RMB4,758,000, was recognised in reserves.

(b) Appropriation for statutory surplus reserve

In accordance with the PRC Company Law and the articles of association, the PRC subsidiaries of the Group are required to appropriate 10% of its profits after tax, as determined in accordance with Accounting Standards for Business Enterprises and other applicable regulations, to the statutory surplus reserve until such reserve reaches 50% of its registered capital. The appropriation to the reserve must be made before any distribution of dividends to shareholders. Apart from the statutory surplus reserve, discretionary surplus reserve can be appropriated according to the resolution of shareholders' meeting. The surplus reserve can be used to offset previous years' losses, if any, and part of the statutory surplus reserve can be capitalised as the PRC subsidiary's capital provided that the amount of surplus reserve remaining after the capitalisation shall not be less than 25% of its capital.

25 RESERVES *(CONTINUED)*

(c) Deemed distributions to the shareholders of the Company

On October 9, 2019, Northern Lights Cloud acquired 95% equity interests in Ming Yuan Cloud Technology from the then equity owners except Viscount Dazzle at a cash consideration of RMB266,370,000. The consideration was settled on December 2, 2019. This transaction was accounted for as a deemed distribution to the then shareholders of Ming Yuan Cloud Technology.

(d) Share issuance costs

Share issuance costs mainly include share underwriting commissions, lawyers' fees, reporting accountant's fee and other related costs associated with the Listing and vendor placing. Incremental costs that are directly attributable to the issue of the new shares to approximately RMB238,794,000 which were accounted for a deduction against the share premium arising from the issuance.

26 (ACCUMULATED LOSSES)/RETAINED EARNINGS

Movements in retained earnings were as follows:

	2020	2019
	RMB'000	RMB'000
Balance at January 1,	**253,684**	60,408
(Loss)/profit for the year	**(704,482)**	216,421
Appropriation for statutory surplus reserve (Note 25(b))	**(11,991)**	(23,145)
Balance at December 31,	**(462,789)**	253,684

27 SHARE-BASED COMPENSATION

2020 share incentive plan of Ming Yuan Cloud Group Holdings Limited (the "2020 Share Incentive Plan")

On March 29, 2020, the board of directors of the Company passed a resolution, according to which an aggregate of 7,484,080 ordinary shares of the Company was issued and allotted to MYC Marvellous Limited, an employee share trust controlled by the Company. Effective from March 31, 2020, the shares held by MYC Marvellous Limited were subdivided into 74,840,800 shares.

27 SHARE-BASED COMPENSATION *(CONTINUED)*

2020 share incentive plan of Ming Yuan Cloud Group Holdings Limited (the "2020 Share Incentive Plan") *(Continued)*

On April 10, 2020, the Company granted restricted share units ("RSUs") to the Group's employees (the "Grantees") subject to the 2020 Share Incentive Plan, representing 1 ordinary share of par value HKD0.0001 each in the share capital of the Company. The RSUs awarded are subject to a vesting scale in tranches from the grant date over a certain service period, on condition that employees remain in service without any performance requirements. Once the vesting conditions underlying the respective RSUs are met and the RSUs are released, the shares shall be subject to applicable restrictions in the award and any legal restrictions.

Details of RSUs are as follows:

Grant date	Number of RSUs	Vesting condition
April 10, 2020	3,600,000	To be vested on the date on which the shares of the Company are listed on the Stock Exchange of Hong Kong Limited(the "Listing Date").
April 10, 2020	17,500,000	30% are to be vested two years from the Listing Date 30% are to be vested three years from the Listing Date 20% are to be vested four years from the Listing Date 20% are to be vested five years from the Listing Date

The exercise price is RMB0.42 per share and will be deducted from the transaction price when the employees dispose of the shares.

The share-based compensation expenses recognised during the years ended December 31, 2020 and 2019 are summarised in the following table:

	Year ended December 31,	
	2020	2019
	RMB'000	RMB'000
Share-based compensation	**18,054**	–

27 SHARE-BASED COMPENSATION *(CONTINUED)*

2020 share incentive plan of Ming Yuan Cloud Group Holdings Limited (the "2020 Share Incentive Plan") *(Continued)*

Expected retention rate

The Group has to estimate the expected percentage of grantees that will stay within the Group at the end of the vesting periods of the virtual share options (the "Expected Retention Rate") in order to determine the amount of share-based compensation expenses charged to the consolidated statement of comprehensive income. As at December 31, 2020, the Expected Retention Rate was assessed to be 96%.

Movements in the number of RSUs granted and the respective weighted average grant date fair value per RSU are as follows:

	Number of RSUs	Weighted average grant date fair value per RSU (RMB)
Granted at April 10, 2020	**21,100,000**	**2.50**
Vested from April 10, 2020 to December 31, 2020 (Note)	**(3,600,000)**	**2.50**
Outstanding as at December 31, 2020	**17,500,000**	**2.50**

The Group applied the discounted cash flow method to determine the underlying equity value of the Company on the date of grant and adopted option-pricing method and equity allocation model to determine the fair value of the ordinary shares on the date of grant. The fair value of each RSU at the grant dates is determined by reference to the fair value of the underlying ordinary shares on the date of grant. Key assumptions are set as below:

	As at April 10, 2020 RMB'000
Discount rate	**16.50%**
Risk-free interest rate	**1.97%**
Discount for lack of control	**20.89%**
Discount for lack of marketability	**23.07%**
Expected volatility	**53.00%**

27 SHARE-BASED COMPENSATION *(CONTINUED)*

2020 share incentive plan of Ming Yuan Cloud Group Holdings Limited (the "2020 Share Incentive Plan") *(Continued)*

Expected retention rate (Continued)

In addition to the assumptions adopted above, the Company's projections of future performance were also factored into the determination of the fair value of RSUs on the date of grant.

Note: Out of the vested RSUs of 3,600,000 during the year ended December 31, 2020, 765,000 ordinary shares of the Company were retained by the Group for withholding tax purpose in the PRC for the Grantees. As a result, the net grant to Grantees is 2,835,000 ordinary shares of the Company and the 765,000 ordinary shares of the Company retained is treated as treasury shares in equity. In addition, the Group paid approximately RMB19,132,000 during the year ended December 31, 2020 to the relevant tax authority in the PRC for such withholding tax purpose.

28 DEFERRED INCOME TAX

The analysis of deferred income tax assets and deferred income tax liabilities is as follows:

	As at December 31,	
	2020	2019
	RMB'000	RMB'000
Deferred income tax assets:		
– Deferred income tax assets to be recovered after more than 12 months	**3,506**	4,458
– Deferred income tax assets to be recovered within 12 months	**3,980**	3,919
Total deferred income tax assets	**7,486**	8,377
Set-off of deferred income tax liabilities pursuant to set-off provision	**(6,827)**	(7,512)
Net deferred income tax assets	**659**	865
Deferred income tax liabilities:		
– Deferred income tax liability to be recovered after more than 12 months	**(3,824)**	(6,497)
– Deferred income tax liability to be recovered within 12 months	**(3,069)**	(2,529)
Total deferred income tax liabilities	**(6,893)**	(9,026)
Set-off of deferred income tax assets pursuant to set-off provision	**6,827**	7,512
Net deferred income tax liabilities	**(66)**	(1,514)

28 DEFERRED INCOME TAX *(CONTINUED)*

The movement in deferred income tax assets and liabilities without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

	As at January 1, 2019 RMB'000	Credited/ (charged) to profit or loss RMB'000	Charged to Reserves RMB'000	As at December 31, 2019 RMB'000
The balance comprises temporary differences attributable to:				
Deferred income tax assets				
– Lease liabilities	5,775	1,422	–	7,197
– Impairment provisions	989	191	–	1,180
– Others	380	(380)	–	–
	7,144	1,233	–	8,377
Deferred income tax liabilities				
– Right-of-use assets	(5,294)	(1,069)	–	(6,363)
– Financial assets at FVPL	(1,887)	1,692	–	(195)
– Financial assets at FVOCI	(1,905)	–	(563)	(2,468)
	(9,086)	623	(563)	(9,026)

	As at January 1, 2020 RMB'000	**Credited/ (charged) to profit or loss RMB'000**	**Credited to Reserves RMB'000**	**As at December 31, 2020 RMB'000**
The balance comprises temporary differences attributable to:				
Deferred income tax assets				
– Financial assets at FVPL	**–**	**65**	**–**	**65**
– Lease liabilities	**7,197**	**(754)**	**–**	**6,443**
– Impairment provisions	**1,180**	**(202)**	**–**	**978**
	8,377	**(891)**	**–**	**7,486**
Deferred income tax liabilities				
– Right-of-use assets	**(6,363)**	**619**	**–**	**(5,744)**
– Financial assets at FVPL	**(195)**	**(504)**	**–**	**(699)**
– Financial assets at FVOCI	**(2,468)**	**–**	**2,018**	**(450)**
	(9,026)	**115**	**2,018**	**(6,893)**

28 DEFERRED INCOME TAX *(CONTINUED)*

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefits through the future taxable profits is probable. Management will continue to assess the recognition of deferred income tax assets in future reporting periods.

At the end of the years, the Group has the following unutilised tax losses available for offsetting against future taxable profits for which no deferred tax assets is recognised:

	Year ended December 31,	
	2020	2019
	RMB'000	RMB'000
Tax losses expiring:		
Within 5 years	**114,304**	40,572
Over 5 years	**266,185**	246,592
Without expiry date	**–**	3,509
	380,489	290,673

Deferred income tax liabilities of RMB70,499,000 and RMB37,102,000 have not been recognised for the withholding tax that would be payable on the unremitted earnings of subsidiaries in the PRC based on the profits for the years ended December 31, 2020 and 2019, respectively. Deferred income tax liability is not recognised where the timing of the reversal of the temporary difference is controlled by the Group and the directors have confirmed that such earnings will not be distributed out of the PRC in the foreseeable future.

29 TRADE PAYABLES

	As at December 31,	
	2020	2019
	RMB'000	RMB'000
Trade payables to third parties	**42,837**	23,921

29 TRADE PAYABLES *(CONTINUED)*

As at December 31, 2020 and 2019, the ageing analysis of the trade payables based on date of recognition were are follows:

	As at December 31,	
	2020	2019
	RMB'000	RMB'000
Ageing:		
Up to 3 months	**42,837**	23,921

30 OTHER PAYABLES AND ACCRUALS

	As at December 31,	
	2020	2019
	RMB'000	RMB'000
Accrued payroll and employee benefit expenses	**175,269**	133,423
VAT and surcharges payable	**23,926**	23,585
Accrued listing expenses	**4,306**	4,822
Operating expenses advanced by employees	**4,980**	8,152
Commissions payable to regional channel partners	**2,149**	2,091
Deposits from regional channel partners	**1,465**	1,455
Accrued auditor's remuneration	**4,914**	–
Others	**6,995**	5,147
	224,004	178,675

31 CONVERTIBLE REDEEMABLE PREFERRED SHARES

As disclosed in Note 1.2, 7,009,737 and 2,002,782 Series A Preferred Shares were issued on October 25, 2019 to Profitech Investments and Glodon at a consideration amounted to USD35,000,000 (equivalent to approximately RMB244,167,000) and USD10,000,000 (equivalent to approximately RMB69,762,000), respectively. The key terms of the Series A Preferred Shares are as follows:

31 CONVERTIBLE REDEEMABLE PREFERRED SHARES *(CONTINUED)*

(a) Conversion

Each Preferred Share shall be convertible, at the option of the holder of the Preferred Share, at any time after the date of issuance of such Preferred Share, into such number of fully paid and non-assessable ordinary shares at an initial conversion ratio of 1:1 subject to (i) adjustment for share splits and combinations; (ii) adjustment for ordinary share dividends and distributions; (iii) adjustments for other dividends; (iv) adjustments for reorganisations, mergers, consolidations, reclassifications, exchanges and substitutions; (v) adjustments for sale of shares below the conversion price.

In addition, without any action or consent being required by the holder of the Series A Preferred Shares and whether or not the certificates representing such Series A Preferred Shares are surrendered to the Company or its transfer agent and without the requirement to seek approval of the board or any member, each Preferred Share shall automatically be converted into ordinary shares at the then effective applicable conversion price upon the closing of a qualified IPO stated in the relevant investment documents.

(b) Liquidation Preference

Notwithstanding anything to the contrary in the articles, upon Liquidation Event, whether voluntarily or involuntarily, all assets and funds of the Company legally available for distribution to the members shall be distributed in the following manner, unless the holders of the Series A Preferred Shares require that all of such assets and funds shall be distributed pro rata among all the members on an as-converted basis:

Each holder of the Series A Preferred Shares shall be entitled to receive, prior and in preference to any distribution of any of the assets or funds of the Company to the holders of any other class or series of shares, an amount (the "Liquidation Preference Amount") equal to the higher of (i) 100% of the applicable subscription price of all Series A Preferred Share held by such holder plus an interest calculated at a compound rate of 10% per annum thereon, minus all dividends actually received by such holder of the Series A Preferred Shares prior to such liquidation event (if any), and (ii) all assets and funds of the Company legally available for distribution to the members, multiplied by a ratio of the number of ordinary shares converted from the Series A Preferred Shares held by such holder, to the total number of ordinary shares of the Company (calculated on a fully-diluted and as-converted basis) then outstanding held by all members.

31 CONVERTIBLE REDEEMABLE PREFERRED SHARES *(CONTINUED)*

(b) Liquidation Preference *(Continued)*

After the payment in full of the Liquidation Preference Amount, the remaining assets or funds of the Company legally available for distribution to the members shall be distributed pro rata among all members of the Company (excluding the holders of the Series A Preferred Shares) on an as-converted basis.

The liquidation events are defined to include: (i) any liquidation, dissolution or winding up of the Company; (ii) any merger, consolidation, amalgamation, scheme of arrangement or share sale involving any group company (as defined in the share purchase agreement) with or into any other person or other reorganisation in which the members or shareholders of such group company immediately prior to such consolidation, amalgamation, merger, scheme of arrangement or reorganisation own less than fifty percent (50%) of such group company's voting power in the aggregate immediately after such consolidation, merger, amalgamation, scheme of arrangement or reorganisation, or any transaction or series of related transactions to which such group company is a party in which in excess of fifty percent (50%) of such group company's voting power is transferred; (iii) a sale, transfer, lease or other disposition of all or substantially all of the assets of any group company (or any series of related transactions resulting in such sale, transfer, lease or other disposition of all or substantially all of the assets of such group company); or (iv) the exclusive licensing of all or substantially all of any group company's intellectual property to a third party. There is no liquidation event triggered throughout the reporting period and not expected to occur in the near future.

(c) Redemption features

Subject to the provisions of the statute, the articles, the memorandum, or resolutions of the members, (i) shares may be issued on the terms that they are, or at the option of the Company, to be redeemed on such terms and in such manner as the Company, before the issuance of the shares, may by special resolution determine, and (ii) the Company may purchase its own shares (including fractions of a share), including any redeemable shares, provided that the manner of purchase has first been authorised by the Company in general meeting by special resolution and may make payment therefore in any manner authorised by the statute, including out of capital.

Within 90 days after the date on which any Series A Preferred Shareholder is aware of or is notified by the Company in writing of the occurrence of certain events, whichever is earlier, upon the written request of such Series A Preferred Shareholder, the Company shall redeem all or a portion of such outstanding Series A Preferred Shares held by such Series A Preferred Shareholder.

31 CONVERTIBLE REDEEMABLE PREFERRED SHARES *(CONTINUED)*

(c) Redemption features *(Continued)*

The redemption price for each Series A Preferred Share to be redeemed hereby shall be in the amount of: 100% of the applicable subscription price, plus interest calculated at a compound rate of 10% per annum on 100% of the applicable subscription price, beginning on the completion date and ending on the date on which the redemption price is fully paid (but no later than 30 days after receipt of the redemption notice), minus all dividends actually received by such Series A Preferred Shareholder prior to the redemption closing(if any), plus any actual tax and fees suffered by such Series A Preferred Shareholder (excluding the income tax arising from payment of the redemption price which shall be borne by such Series A Preferred Shareholder itself) in connection with any actions of reforming or restructuring of any group company which is duly approved by the board. The Redemption Price shall be calculated in USD but may be paid in any lawful currency.

(d) Dividends

If the cash reserve of the Company is less than the amount equal to the cash required for the Group companies' daily operation plus the aggregate redemption price (assuming the redemption is triggered for this purpose), unless otherwise approved by the holders of Series A Preferred Shares, the Company shall not declare any dividends or distributions on shares of the Company. If the cash reserve of the Company is more than the amount equal to the cash required for the Group companies' daily operation plus the aggregate redemption price (assuming the redemption is triggered for this purpose), the board (including the affirmative vote of director from Profitech Investments) may from time to time, after setting aside the cash required for the Group companies' daily operation plus the aggregate redemption price (assuming the redemption is triggered for this purpose), distribute the remaining dividends and distributions the members on a pro-rata basis.

(e) Voting rights

Subject to the articles, each Preferred Share shall carry such number of votes as is equal to the number of votes of ordinary shares then issuable upon the conversion of such Series A Preferred Shares. The holders of Series A Preferred Shares and the holders of ordinary shares shall vote together and not as a separate class, unless otherwise provided.

31 CONVERTIBLE REDEEMABLE PREFERRED SHARES *(CONTINUED)*

(f) Founder Parties' Liabilities

"Founders Party" means any one of the Founders and the Founder Holding Companies. A "Founder" means any of Mr. Gao Yu, Mr. Chen Xiaohui and Mr. Jiang Haiyang. A "Founder Holding Companies" means any of GHTongRui Investment Limited, HengXinYuan Investment Limited and LINGFAN Investment Limited.

If the Company plans to launch an IPO at a particular time and the actual pre-offering market valuation of the Company of such IPO is less than the pre-offering market valuation threshold of the applicable qualified IPO, subject to other rights of the holders of the Series A Preferred Shares, the Founder Parties shall severally and jointly pay an amount in USD in cash to each holder of Series A Preferred Share such that the post-money valuation of the Company immediately following the completion shall be adjusted to the following amount:

(i) If the Company completes such IPO on or before December 31, 2020, the adjusted post-money valuation = the lower pre-offering market valuation/(1+20%);

(ii) If the Company completes such IPO on or following January 1, 2021 and on or before December 31, 2021, the adjusted post-money valuation = the lower pre-offering market valuation/(1+35%); or

(iii) If the Company completes such IPO on or following January 1, 2022, the adjusted post-money valuation = the lower pre-offering market valuation/(1+50%).

The lower pre-offering market valuation is equal to the actual offering price per share (i.e. the final offering price), multiplied by the total number of ordinary shares of the Company (calculated on an as-converted basis) immediately prior to such public offering. The aforesaid actual offering price and total number of ordinary shares will be appropriately adjusted for any subsequent bonus issuance, share split, consolidation, subdivision, reclassification, recapitalisation or similar arrangement of the Company.

31 CONVERTIBLE REDEEMABLE PREFERRED SHARES *(CONTINUED)*

(f) Founder Parties' Liabilities *(Continued)*

The Founder Parties' Liabilities are considered as the Founders Parties' donation to the Company in order to avoid the Company's related obligations and thus are considered as equity. The fair value of Founder Parties' Liabilities is immaterial on October 25, 2019 and December 31, 2019.

The Group monitors Series A Preferred Shares on a fair value basis which is in accordance with its risk management strategy and does not bifurcate any embedded derivatives from the host instruments and designates entire instruments as a financial liability at FVPL with the changes in the fair value recorded in the profit or loss. The Series A Preferred Shares were classified as current liabilities because the certain events which are redemption condition were estimated to occur within one year.

The movements of the Series A Preferred Shares are set out as below:

	RMB'000
As at July 3, 2019 (incorporation date of the Company)	–
Issuance of Series A Preferred Shares	313,929
As at December 31, 2019	313,929

	RMB'000
As at January 1, 2020	**313,929**
Fair value changes	**988,875**
Currency translation differences	**4,267**
Transfer to ordinary shares	**(1,307,071)**
As at December 31, 2020	**–**

31 CONVERTIBLE REDEEMABLE PREFERRED SHARES *(CONTINUED)*

(f) Founder Parties' Liabilities *(Continued)*

The Group applied the discounted cash flow method to determine the underlying equity value of the Company as at December 31, 2019 and adopted option-pricing method and equity allocation model to determine the fair value of the Series A Preferred Shares as at December 31, 2019. Key assumptions are set as below:

	As at December 31, 2019 RMB'000
Discount rate	16.38%
Risk-free interest rate	2.80%
Discount for lack of control	20.89%
Discount for lack of marketability	25.55%
Expected volatility	47.00%

In addition to the assumptions adopted above, the Company's projections of future performance were also factored into the determination of the fair value of Series A Preferred Shares on each appraisal date.

Increasing/Decreasing expected volatility by 5% would increase/decrease the fair value of Series A Preferred Shares for the year ended December 31, 2019 by RMB2,217,000 and RMB2,431,000 respectively. Increasing/Decreasing discount rate by 1% would decrease/increase the fair value for the year ended December 31, 2019 by RMB18,996,000 and RMB22,523,000 respectively.

The Company completed the Listing on September 25, 2020, upon which all the Series A Preferred Shares were immediately converted into ordinary shares. The fair value of the Series A Preferred Shares before conversion, measured based on the number of converted ordinary shares multiplied by the Listing offering price of HKD16.50, was RMB1,307,071,000. The change in fair value between December 31, 2019 and September 25, 2020 of RMB988,875,000 was recognised as a loss in the consolidated statement of comprehensive income for the year ended December 31, 2020. Meanwhile, given there was no significant change in the Group's credit risk during the period from December 31, 2019 to September 25, 2020, the fair value changes of the Series A Preferred Shares from its own credit risk was insignificant.

32 CASH FLOW INFORMATION

(a) Cash generated from operations

	Year ended December 31,	
	2020	2019
	RMB'000	RMB'000
(Loss)/profit before income tax	**(650,086)**	242,378
Adjustments for:		
Depreciation of right-of-use assets	**22,754**	21,427
Depreciation of property, plant and equipment	**9,525**	6,333
Net impairment losses on financial assets and contract assets	**4,358**	2,139
Finance (income)/costs – net	**(12,333)**	1,713
Net exchange difference	**(33,031)**	–
Amortisation of intangible assets	**1,528**	552
Net (gains)/losses on disposals of property, plant and equipment	**(1,497)**	26
Share-based compensation	**18,054**	–
Fair value losses on transfer from financial liabilities at FVPL to equity	**988,875**	–
Fair value gains on financial assets at FVPL	**(4,367)**	(4,275)
Income from wealth management products	**(22,919)**	(15,395)
Operating cashflows before movements in working capital	**320,861**	254,898
Change in working capital:		
Trade receivables	**(11,191)**	(6,406)
Contract acquisition costs	**(88,026)**	(43,191)
Contract assets	**(25,278)**	(13,413)
Restricted cash	**198**	31
Prepayments and other receivables	**(12,915)**	(6,043)
Inventories	**(137)**	(39)
Trade payables	**18,916**	16,612
Contract liabilities	**178,188**	128,656
Other payables and accruals	**48,741**	19,092
Cash generated from operations	**429,357**	350,197

32 CASH FLOW INFORMATION *(CONTINUED)*

(b) Non-cash investing and financing activities

There were no material non-cash investing and financing transactions except for the additions of the right-of-use assets described in Note 16(a), the share-based compensation described in Note 27, and the conversion of convertible redeemable preferred shares described in Note 31 for the years ended December 31, 2020 and 2019.

(c) Reconciliation of liabilities generated from financing activities

This section sets out an analysis of net cash and the movements in net cash for the years ended December 31, 2020 and 2019.

	As at December 31,	
	2020	2019
	RMB'000	RMB'000
Cash and cash equivalents	**4,759,384**	732,207
Restricted cash	**550**	748
Term deposits	**1,812,750**	–
Liquid investments (Note i)	**300,700**	90,000
Liquid liabilities (Note ii)	**–**	(313,929)
Lease liabilities	**(61,447)**	(49,227)
Net cash	**6,811,937**	459,799

(i) Liquid investments comprise the Group's investments in wealth management products included in financial assets at FVPL. See Note 19(a) for details.

(ii) Liquid liabilities comprise the Group's financial liabilities at FVPL including convertible redeemable preferred shares described in Note 31.

32 CASH FLOW INFORMATION *(CONTINUED)*

(c) Reconciliation of liabilities generated from financing activities *(Continued)*

	Cash and cash equivalent RMB'000	Restricted cash RMB'000	Term deposits RMB'000	Liquid investments RMB'000	Liquid liabilities RMB'000	Lease liabilities RMB'000	Total RMB'000
Net cash as at January 1, 2019	447,922	779	–	–	–	(48,026)	400,675
Cash flows	285,705	(31)	–	90,000	(313,929)	20,817	82,562
Foreign exchange adjustments	(1,420)	–	–	–	–	–	(1,420)
Non-cash movement	–	–	–	–	–	(22,018)	(22,018)
Net cash as at December 31, 2019	732,207	748	–	90,000	(313,929)	(49,227)	459,799
Net cash as at January 1, 2020	**732,207**	**748**	**–**	**90,000**	**(313,929)**	**(49,227)**	**459,799**
Cash flows	**4,230,375**	**(198)**	**1,812,750**	**210,700**	**–**	**22,336**	**6,275,963**
Foreign exchange adjustments	**(203,198)**	**–**	**–**	**–**	**(4,267)**	**–**	**(207,465)**
Fair value changes	**–**	**–**	**–**	**–**	**(988,875)**	**–**	**(988,875)**
Non-cash movement	**–**	**–**	**–**	**–**	**1,307,071**	**(34,556)**	**1,272,515**
Net cash as at December 31, 2020	**4,759,384**	**550**	**1,812,750**	**300,700**	**–**	**(61,447)**	**6,811,937**

33 COMMITMENTS

(a) Capital commitments

The Group mainly has capital commitments with respect to assets under construction. Significant capital expenditure contracted for at the end of the years but not recognised as liabilities were as follows:

	As at December 31,	
	2020	2019
	RMB'000	RMB'000
Assets under construction	**13,478**	37,618

33 COMMITMENTS *(CONTINUED)*

(b) Operating lease commitments

The Group leases certain offices and land under non-cancellable operating lease arrangements with lease terms less than 1 year, which can be exempted from IFRS 16. The Group's future aggregate minimum lease payments for such short term non-cancellable operating leases were as follows:

	As at December 31,	
	2020	2019
	RMB'000	RMB'000
Within 1 year	**114**	691

34 SIGNIFICANT RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, control the other party or exercise significant influence over the other party in making financial and operation decisions. Parties are also considered to be related if they are subject to common control. Members of key management and their close family members of the Group are also considered as related parties.

Save as disclosed elsewhere in this report, the directors of the Company are of the view that the following parties were related parties that had transactions or balances with the Group for the years ended December 31, 2020 and 2019:

(a) Related party transactions

On April 17, 2019, the Group disposed of the 10.5% equity interest in Mingyuan Cloud Century to Mr. Jiang Haiyang at a cash consideration of RMB233,000.

(b) Key management personnel compensation

	Year ended December 31,	
	2020	2019
	RMB'000	RMB'000
Salaries, wages, and bonuses	**7,446**	4,451
Pension costs – defined contribution plans	**126**	209
Other social security costs, housing benefits and other employee benefits	**256**	254
	7,828	4,914

35 NOTES TO THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

		As at December 31,	
	Note	**2020** **RMB'000**	2019 RMB'000
ASSETS			
Non-current assets			
Interests in subsidiaries	(a)	**285,084**	284,424
Total non-current assets		**285,084**	284,424
Current assets			
Prepayments and other receivables		**4,867**	1,281
Term deposits		**1,812,750**	–
Cash and cash equivalents	(b)	**3,986,640**	110,779
Total current assets		**5,804,257**	112,060
Total assets		**6,089,341**	396,484
EQUITY			
Share capital	24	**170**	107
Treasury shares	24	**(6)**	–
Reserves	(c)	**7,027,004**	(103)
Accumulated losses	(c)	**(979,683)**	(3,227)
Total equity		**6,047,485**	(3,223)
LIABILITIES			
Current liabilities			
Other payables	(d)	**41,856**	85,778
Convertible redeemable preferred shares	31	**–**	313,929
Total current liabilities		**41,856**	399,707
Total liabilities		**41,856**	399,707
Total equity and liabilities		**6,089,341**	396,484

35 NOTES TO THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(CONTINUED)*

(a) Interests in subsidiaries

	As at December 31,	
	2020	2019
	RMB'000	RMB'000
Amounts due from subsidiaries (i)	**252,121**	269,551
Investments in a subsidiary (ii)	**14,909**	14,873
Share-based compensation	**18,054**	–
	285,084	284,424

(i) It mainly represents the amount due from Ming Yuan Cloud Investment and the Company does not intend to collect in near future.

(ii) It mainly represents the cost of investment in Earl Dazzle amounting to USD2,121,000.

(b) Cash and cash equivalents

	As at December 31,	
	2020	2019
	RMB'000	RMB'000
Cash at bank (i)	**3,986,640**	110,779

(i) Cash at bank was denominated in the following currencies:

	As at December 31,	
	2020	2019
	RMB'000	RMB'000
RMB	**64,307**	–
USD	**2,269,526**	110,779
HKD	**1,652,807**	–
	3,986,640	110,779

35 NOTES TO THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(CONTINUED)*

(c) Reserve movement of the Company

	Reserves RMB'000	Accumulated losses RMB'000
As at July 3, 2019 (incorporation date of the Company)	–	–
Loss for the year	–	(3,227)
Issuance of ordinary shares from the Reorganisation (Note 24(b))	(107)	–
Currency translation differences	4	–
As at December 31, 2019	(103)	(3,227)
As at January 1, 2020	**(103)**	**(3,227)**
Loss for the year	**–**	**(976,456)**
Issuance of new shares upon listing (Note 24(f))	**6,225,033**	**–**
Share issuance costs (Note 25(d))	**(238,794)**	**–**
Conversion of convertible redeemable preferred shares into ordinary shares (Note 24(g))	**1,307,063**	**–**
Share-based compensation expenses (Note 27)	**18,054**	**–**
Transfer of vested restricted share units from treasury shares (Note 27)	**(19,132)**	**–**
Currency translation differences	**(265,117)**	**–**
	7,027,004	**(979,683)**

(d) Other payables and accruals

	As at December 31,	
	2020 RMB'000	2019 RMB'000
Amounts due to subsidiaries	**37,470**	85,778
Accrued listing expenses	**4,306**	–
Others	**80**	–
	41,856	85,778

36 SUBSIDIARIES

Company name	Place and date of incorporation/establishment and kind of legal entity	Principal activities and place of operation	Registered/ issued capital	Percentage of attributable equity interest As at December 31, 2020	2019
Directly held:					
Ming Yuan Cloud Investment	BVI/July 10, 2019 limited liability company	Investment holding/BVI	USD0.01/USD0.01	**100.00%**	100.00%
Earl Dazzle	BVI/December 20, 2016 limited liability company	Investment holding/BVI	USD2/USD2	**100.00%**	100.00%
Indirectly held:					
Polaris Cloud	Hong Kong/July 22, 2019 limited liability company	Investment holding/Hong Kong	HKD10,000/ HKD10,000	**100.00%**	100.00%
Viscount Dazzle	Hong Kong/February 1, 2017 limited liability company	Investment holding/Hong Kong	HKD1/HKD1	**100.00%**	100.00%
Northern Lights Cloud	PRC/September 6, 2019 wholly-foreign-owned enterprise	Investment holding/PRC	USD38,500,000/ USD26,800,000	**100.00%**	100.00%
Ming Yuan Cloud Technology	PRC/November 27, 2003 limited liability company	Investment holding, SaaS products and ERP solutions/PRC	RMB140,194,737/ RMB140,194,737	**100.00%**	100.00%
Indirectly held:					
Ming Yuan Cloud Client	PRC/July 30, 2014 limited liability company	Investment holding and SaaS products/ PRC	RMB10,700,000/ RMB10,700,000	**70.09%**	67.29%
Shenzhen Zhijian Yinli Hudong Technology Co., Ltd. (深圳市指尖引力互動科技有限公司)	PRC/July 25, 2018 limited liability company	SaaS products/PRC	RMB1,000,000/ RMB1,000,000	**70.09%**	67.29%

36 SUBSIDIARIES *(CONTINUED)*

Company name	Place and date of incorporation/establishment and kind of legal entity	Principal activities and place of operation	Registered/ issued capital	Percentage of attributable equity interest As at December 31, 2020	2019
Ming Yuan Cloud Procurement	PRC/April 22, 2014 limited liability company	SaaS products/PRC	RMB11,111,111/ RMB11,111,111	**80.00%**	80.00%
Ming Yuan Cloud Space	PRC/August 6, 2015 limited liability company	SaaS products/PRC	RMB10,000,000/ RMB10,000,000	**80.00%**	80.00%
Wuhan Mingyuan Dongli Software Co., Ltd. (武漢明源動力軟件有限公司, "Wuhan Ming Yuan Power")	PRC/April 8, 2008 limited liability company	ERP solutions/PRC	RMB1,000,000/ RMB1,000,000	**100.00%**	100.00%
Wuhan Mingyuan Zhuoyue Information Technology Service Co., Ltd. (武漢明源卓越信息技術服務有限公司, "Wuhan Ming Yuan Excel")	PRC/November 24, 2010 limited liability company	ERP solutions/PRC	RMB20,000,000/ RMB20,000,000	**100.00%**	100.00%
Shenzhen Mingyuan Cloud Computing Co., Ltd. (深圳市明源雲計算有限公司, "Ming Yuan Cloud Calculation")	PRC/March 8, 2016 limited liability company	Investment holding and technology services/PRC	RMB50,000,000/ RMB50,000,000	**100.00%**	100.00%
Indirectly held:					
Ningbo Meishan Bonded Port Area Mingyuan Shengshi Investment Co. Ltd.(寧波梅山保稅港區明源盛世投資有限公司)	PRC/September 30, 2016 limited liability company	Investment holding/ PRC	RMB5,000,000/ RMB5,000,000	**100.00%**	100.00%
Wuhan Mingyuan Cloud Technology Co., Ltd. (武漢明源雲科技有限公司, "Wuhan Ming Yuan Cloud Technology")	PRC/July 12, 2016 limited liability company	ERP solutions/PRC	RMB20,000,000/ RMB20,000,000	**100.00%**	100.00%

36 SUBSIDIARIES *(CONTINUED)*

Company name	Place and date of incorporation/establishment and kind of legal entity	Principal activities and place of operation	Registered/ issued capital	Percentage of attributable equity interest As at December 31, 2020	2019
Mingyuan Cloud Technology (Hong Kong) Limited	Hong Kong/November 13, 2018 limited liability company	Technology services/ Hong Kong	USD10,000/ USD10,000	**100.00%**	100.00%
Shenzhen Mingyuan Cloud Chain Internet Technology Limited (深圳市明源雲鏈互聯網科技有限公司, "Ming Yuan Cloud Chain")	PRC/April 12, 2019 limited liability company	SaaS products/PRC	RMB11,111,111/ RMB500,000	**80.00%**	80.00%
On trust:					
MYC Marvellous Limited	BVI/February 25, 2020 limited liability company	Employee stock holding platform/ BVI	USD50,000/ USD50,000	**100.00%**	NA

37 CONTINGENT LIABILITIES

The Group had no material contingent liabilities outstanding as at December 31, 2020 and 2019.

38 SUBSEQUENT EVENT

There is no significant events after December 31, 2020 and up to the date the financial statements were authorised for issue.

DEFINITIONS

In this report, the following expressions have the meanings set out below unless the context otherwise requires:

"Articles of Association"	the articles of association of the Company, as amended from time to time
"Audit Committee"	the audit committee of the Board
"Board", "our Board" or "Board of Directors"	the board of directors of our Company
"CG Code"	the Corporate Governance Code set out in Appendix 14 to the Listing Rules
"Chairman"	the chairman of the Board
"China" or "PRC"	the People's Republic of China, for the purposes of this report only, excluding Hong Kong, Macau Special Administrative Region and Taiwan
"Company", "our Company", or "the Company"	Ming Yuan Cloud Group Holdings Limited (明源雲集團控股有限公司), an exempted company with limited liability incorporated in the Cayman Islands on July 3, 2019
"Consolidated Affiliated Entity"	the entity that we control through contractual arrangements
"Director(s)"	the director(s) of our Company
"Global Offering"	the Hong Kong public offering and the international offering of the offer shares
"Group", "our Group", "the Group", "we", "us", or "our"	our Company and its subsidiaries and Consolidated Affiliated Entity from time to time or, where the context so requires, in respect of the period prior to our Company becoming the holding company of its present subsidiaries and Consolidated Affiliated Entity, such subsidiaries and Consolidated Affiliated Entity as if they were subsidiaries and Consolidated Affiliated Entity of our Company at the relevant time
"HKD" or "HK$" or "HK dollars"	Hong Kong Dollars, the lawful currency of Hong Kong
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC

DEFINITIONS

"IFRSs"	International Financial Reporting Standards
"Latest Practicable Date"	April 14, 2021, being the latest practicable date for ascertaining certain information in this report
"Listing"	the listing of the Shares on the Main Board of the Stock Exchange
"Listing Date"	September 25, 2020, being the date on which the Shares were listed on the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
"Ming Yuan Cloud Client"	Shenzhen Mingyuan Yunke Electronic Commerce Co., Ltd. (深圳市明源雲客電子商務有限公司), a limited liability company established in Shenzhen, the PRC on July 30, 2014, one of our non-wholly owned subsidiaries
"Ming Yuan Cloud Procurement"	Shenzhen Mingyuan Cloud Procurement Technology Limited (深圳市明源雲採購科技有限公司) (previously known as Shenzhen Mingyuan Yunlian Electronic Commerce Co., Ltd. (深圳市明源雲鏈電子商務有限公司)), a limited liability company established in Shenzhen, the PRC on April 22, 2014 and is our Consolidated Affiliated Entity
"Ming Yuan Cloud Space"	Shenzhen Mingyuan Cloud Space Electronic Commerce Co., Ltd. (深圳市明源雲空間電子商務有限公司), previously known as Shenzhen Mingyuan Cloud Services Electronic Business Limited (深圳市明源雲服務電子商務有限公司), a limited liability company established in Shenzhen, the PRC on August 6, 2015, one of our non-wholly owned subsidiaries
"Ming Yuan Cloud Technology"	Shenzhen Mingyuan Cloud Technology Co., Ltd. (深圳市明源雲科技有限公司) (formerly known as Shenzhen Ming Yuan Software Limited (深圳市明源軟件股份有限公司) and Shenzhen Ming Yuan Tuo Zhan Software Technology Limited (深圳市明源拓展軟件科技有限公司)), a limited liability company established in Shenzhen, the PRC on November 27, 2003, one of our wholly-owned subsidiaries
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules

DEFINITIONS

"Nomination Committee"	the nomination committee of the Board
"Prospectus"	the prospectus of our Company, dated September 15, 2020, in relation to the Global Offering
"Relevant Shareholders"	collectively, Mr. Gao, Mr. Chen and Mr. Jiang as registered shareholders of Ming Yuan Cloud Procurement
"Remuneration Committee"	the remuneration committee of the Board
"Reporting Period"	the year ended December 31, 2020
"RMB" or "Renminbi"	Renminbi Yuan, the lawful currency of China
"SASAC"	the State-owned Assets Supervision and Administration Commission of the State Council of China
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Share(s)"	ordinary share(s) in the share capital our Company with a nominal value of HK$0.0001 each
"Shareholder(s)"	holder(s) of our Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"USD" or "US$" or "US dollar"	United States Dollar, the lawful currency of the United States of America
"YoY"	year-on-year
"%"	per cent.

In this report, unless otherwise indicated, the terms "associate", "associated corporation", "connected person", "controlling shareholder", "subsidiary" and "substantial shareholder" shall have the meanings given to such terms in the Listing Rules.

GLOSSARY OF TECHNICAL TERMS

"AIoT"	artificial intelligence of things, the combination of artificial intelligence technologies with the Internet of Things (IoT) infrastructure to achieve more efficient IoT operations, improve human-machine interactions and enhance data management and analytics
"app" or "application"	application software designed to run on smartphones and other mobile devices
"architecture"	the structure under which an information system's hardware, software, data and communication capabilities are put together
"cloud-based"	applications, services or resources made available to users on demand via the Internet from a cloud computing provider 's servers with access to shared pools of configurable resources
"COVID-19"	coronavirus disease 2019, a disease caused by a novel virus designated as severe acute respiratory syndrome coronavirus 2
"customer entity"	a legal entity which subscribes for our software solutions by entering into contracts with us or our regional channel partners (who are responsible for marketing and selling our software solutions in designated geographic locations), as the case may be, and uses such software solutions, during the relevant period
"data analytics"	the use of advanced analytic techniques against very large, diverse data sets to uncover hidden patterns, unknown correlations, market trends, customer preferences, and other useful information that can help organizations make more informed business decisions
"DevOps platform"	a platform that combines software development and information technology operations to shorten the cycle of building and delivering features, fixes and updates to users while keeping software solutions reliable, scalable and secure
"ERP"	enterprise resource planning, a business process management software that allows an organization to use a system of integrated applications to manage the business and digitalize back-office functions relating to technology, services, and human resources

GLOSSARY OF TECHNICAL TERMS

"PaaS"	platform as a service, a category of cloud computing services that provides a platform and environment to allow developers to build applications over the Internet
"paying end group customer"	a legal entity that (i) is the largest shareholder of a customer entity with at least 30% of voting interests of such customer entity; (ii) is the largest shareholder owning at least 30% of voting interests of a legal entity that owns at least 50% of voting interests of a customer entity; or (iii) owns at least 50% of voting interests of a legal entity that owns at least 30% of voting interests of a customer entity, together with such affiliated customer entities, are deemed as one paying end group customer. For avoidance of doubt, in respect of ERP solutions, we generate revenues from direct sales to our paying end group customers and sales to our regional channel partners, and in respect of SaaS products, we generate revenues from sales to our paying end group customers both directly and through our regional channel partners
"SaaS"	software as a service, a cloud-based software licensing and delivery model in which software and associated data are centrally hosted
"Skyline Open Platform"	a low-code PaaS platform launched by the Group for agile development, global integration, process-driven, data insight and technological innovation
"Top 100 property developers"	Top 100 property developer groups in China by sales value during a given period, according to a report published by China Real Estate Information Corporation in 2020