

明源雲

Stock Code

HK.0909

MING YUAN CLOUD GROUP HOLDINGS LIMITED

明源雲集團控股有限公司

Incorporated in the Cayman Islands with limited liability

2023 ANNUAL REPORT



Focusing on Digital Technology Consistently to Promote Industrial Upgrading

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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 (*resigned with effect from 28 March 2023*)

Non-executive Directors

Mr. Liang Guozhi
Mr. Yi Feifan (*resigned with effect from 28 March 2023*)

Independent Non-executive Directors

Mr. Li Hanhui
Mr. Zhao Liang
Ms. Tong Naqiong

AUDIT COMMITTEE

Ms. Tong Naqiong (*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. Tong Naqiong
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

801, Tower A
Gemdale Viseen Tower
16 Gaoxin South 10th 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
10th Floor, The Hong Kong Club Building
3A Chater Road
Hong Kong

COMPLIANCE ADVISOR

Maxa Capital Limited
Unit 2602, 26/F
Golden Centre, 188 Des Voeux Road Central,
Sheung Wan, Hong Kong

AUTHORIZED REPRESENTATIVES

Mr. Gao Yu
Mr. Jiang Keyang (*resigned with effect from
28 March 2023*)
Mr. Ye Junwen (*appointed with effect from
28 March 2023*)

JOINT COMPANY SECRETARIES

Mr. Ye Junwen (*appointed with effect from
28 March 2023*)
Ms. Leung Shui Bing (*appointed with effect from
7 July 2023*)
Mr. Jiang Keyang (*resigned with effect from
28 March 2023*)
Ms. Szeto Kar Yee Cynthia (*resigned with effect
from 7 July 2023*)

PRINCIPAL BANKS

China Merchants Bank Co., Ltd.
Shenzhen Gaoxinyuan Kechuang 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
Baoheng 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

	2023	Year ended 31 December			
		2022	2021	2020	2019
		(RMB'000)			
Revenues	1,639,644	1,816,357	2,184,490	1,705,276	1,263,969
Gross profit	1,303,227	1,479,328	1,751,129	1,339,722	994,569
Operating (loss)/profit	(763,220)	(1,265,677)	(626,771)	326,456	244,091
(Loss)/profit before income tax	(589,423)	(1,168,666)	(503,554)	(650,086)	242,378
(Loss)/profit for the year	(587,043)	(1,159,212)	(495,918)	(668,200)	231,649
Adjusted net (loss)/income	(169,721)	(626,954)	307,234	382,690	235,920

	2023	Year ended 31 December			
		2022	2021	2020	2019
		(RMB'000)			
ASSETS					
Non-current assets	1,108,788	1,013,320	659,098	262,330	246,200
Current assets	4,743,430	5,170,847	6,313,699	7,209,836	988,488
Total assets	5,852,218	6,184,167	6,972,797	7,472,166	1,234,688
LIABILITIES					
Non-current liabilities	122,034	208,984	94,170	59,276	49,085
Current liabilities	796,227	880,730	948,451	843,354	914,651
Total liabilities	918,261	1,089,714	1,042,621	902,630	963,736
EQUITY					
Equity attributable to owners of the Company	4,933,957	5,102,750	5,933,331	6,538,793	266,485
Non-controlling interests	–	(8,297)	(3,155)	30,743	4,467
Total equity	4,933,957	5,094,453	5,930,176	6,569,536	270,952
Total equity and liabilities	5,852,218	6,184,167	6,972,797	7,472,166	1,234,688

OVERALL FINANCIAL DATA

Revenue was RMB1,639.6 million in 2023, representing a year-on-year decrease of 9.7%.

Total expenses were RMB2,084.2 million in 2023, representing a year-on-year decrease of 16.8%.

Adjusted net loss was RMB169.7 million in 2023, representing a year-on-year decrease of 72.9%.

CHAIRMAN'S STATEMENT



Gao Yu
Chairman

Dear Shareholders,

In 2023, China's residential market received the strongest policy support. After a meeting of the Political Bureau of the CPC Central Committee set the tone for the real estate market with the statement that "there're significant changes in the supply and demand relationship in the real estate market", government authorities at all levels quickly optimized policies to promote the smooth operation of the real estate market. However, the pace of market recovery was still restricted by factors such as residents' income and housing price expectations.

Facing the harsh external environment, the Company implemented its strategic transformation strategy resolutely. By improving its customer base structure, strictly controlling costs and other measures, the overall operations of the Company showed a number of positive signals. Some core businesses have recorded high revenue growth, and corporate losses have been reduced significantly. The Company will gradually return to stable growth and profitability levels in the future.

I am pleased to present our annual report for the year ended 31 December 2023 to the shareholders.

BUSINESS REVIEW AND OUTLOOK

I. Industry Review

1. Residential Market

In 2023, China's annual sales area of commercial housing was 1.12 billion square meters, representing a year-on-year decrease of 8.5%, and China's annual sales of commercial housing were RMB11,700 billion, representing a year-on-year decrease of 6.5%. In 2023, China's annual newly started area of houses was approximately 960 million square meters, representing a year-on-year decrease of 20.4%. In terms of policies, a meeting of the Political Bureau of the CPC Central Committee in July 2023 set the tone that major changes have taken place in the relationship between supply and demand in China's real estate market, so that local governments have gradually loosened restrictive policies on commercial housing. However, due to the influence of macro factors such as residents' income expectations and confidence in home-buying, the residential market remained in an adjustment stage.



CHAIRMAN'S STATEMENT

2. *Commercial, Industrial and Infrastructure Market*

In 2023, China's investment in infrastructure construction increased by 8.2% year-on-year, and localities actively promoted the construction of major projects. In terms of policies, the meetings of the Political Bureau of CPC Central Committee and the central financial work conferences in 2023 have repeatedly proposed to accelerate the construction of "three major projects", namely affordable housing projects, recreational facilities that can be easily converted into emergency structure, and renovation of urban villages. Local governments have been improving relevant supporting policies. In terms of funds, the People's Bank of China issued additional government bonds of RMB1,000 billion in the fourth quarter of 2023, which will be mainly utilized in urban drainage, waterlogging prevention and control, and other infrastructure projects to support the rebuilding of disaster-hit areas.

In 2023, Shanghai, Suzhou, Qingdao, Wuhan, Chengdu and other cities in China have successively introduced policies related to "Industry's Going Upstairs" to address regional economic development problems caused by insufficient industrial land. Therefore, first-tier and second-tier cities still exhibit a strong demand for industrial carriers. Meantime, Jiangsu, Shanghai and other regions have launched guiding policies under the theme of building "green and low-carbon parks", which prioritize the sound operation and management as well as the green and low-carbon benefits and ecological costs of industrial park projects.

II. Business Review

1. Products and Services

We specialize in providing enterprise-grade Cloud Services and On-premise Software and Services for major participants in the real estate ecological chain, helping customers to better achieve their strategic goals through digital upgrades.

1.1 Cloud Services

Our Cloud Services consist of four product lines, namely Customer Relationship Management SaaS (CRM SaaS), Construction Management SaaS, Property Management & Operation SaaS and Skyline PaaS Platform, which fully cover real estate development, construction, operation, services and other core business areas.

As China's residential market remained in an adjustment stage as well as the impact of carry-forward cycle of newly signed contracts in 2023, the revenue from some product lines of Cloud Services declined. In 2023, the revenue from Cloud Services was RMB1,338.7 million, representing a year-on-year decrease of 6.2% (same period in 2022: RMB1,426.6 million), accounting for 81.6% of the total revenue of the Group.

(1) CRM SaaS

The product line of CRM SaaS mainly helps participants along the real estate ecological chain digitalize their marketing business, which can enhance the overall marketing efficiency of customers and save marketing expenses. This product line mainly comprises CRM Cloud and other products involving real estate digital marketing scenarios.

In terms of the digital marketing of residential property developers, improving customer acquisition capabilities has become a core demand of residential property developers due to the declining market demand for housing purchases. Leveraging the rapid development of short video platforms and the extensive application of AI large model capabilities, CRM Cloud has introduced "Video Marketing Assistant (視頻營銷助手)", "AI Creative Factory (AI創意工廠)", "AI Digital Human (AI數字人)" and other products to assist residential property developers in achieving full-link digital management covering generation of marketing content, live-streaming operation, promotion channels and task management. In 2023, customers increased the purchases of "Video Marketing Assistant", which enhanced the overall revenue per user in newly signed projects under CRM Cloud.



CHAIRMAN'S STATEMENT

In terms of the digital marketing of suppliers, the decline in investment and procurement demand from residential property developers prompted suppliers to revamp their traditional marketing models and proactively tap into customer resources. Relying on AI technology, the Company has developed supply-side engineering marketing solutions for supplier customers group, and provided Market Insight (市場洞察), Leads Radar (線索雷達), AI Smart Outbound Calls (AI智慧外呼) and other digital tools, so as to achieve targeted marketing. During the Reporting Period, the Group obtained more than 130 new contracted supplier customers, and was recognized by leading customers including Oriental Yuhong (東方雨虹), BNBM Waterproof (北新防水), Haier Smart Home (海爾智家), Nippon Paint (立邦), Dulux (多樂士) and MICOE (四季沐歌).

In 2023, the product line of CRM SaaS recorded a total revenue of RMB945.9 million, representing a year-on-year decrease of 9.2% (same period in 2022: RMB1,041.5 million). In particular, the products of CRM Cloud recorded a total revenue of RMB868.7 million, representing a year-on-year decrease of 4.9% (same period in 2022: RMB913.3 million). Due to the impact of the overall sales environment of the residential market, the number of property sales offices covered by CRM Cloud in China was reduced to 11,601 in 2023, representing a year-on-year decrease of 5.5% (same period in 2022: 12,278). Due to the cash flow pressure experienced by few private residential property developers, the renewal prices of some existing projects declined. As a result, the average revenue per user for CRM Cloud in a single property sales office in 2023 was RMB75,000, representing a year-on-year increase of 1.4% (same period in 2022: RMB74,000). The annual customer account retention rate of CRM Cloud was 80% (same period in 2022: 82%).

(2) Construction Management SaaS

The product line of Construction Management SaaS mainly helps residential, industrial and infrastructure real estate developers achieve digital management of all processes and scenarios of project construction, achieve efficient management of construction projects in terms of schedule, cost, quality, safety, etc., and enhance the operational efficiency of major upstream and downstream participants through multi-party collaboration to achieve win-win results.



CHAIRMAN'S STATEMENT

In 2023, “Project Construction Management (項目建設管理)”, a self-developed product of the Company, continued to expand its penetration into local urban investment companies, which enables their digital transformation in key business scenarios such as progress coordination, contract collaboration and safety supervision, and supports data-based decision-making to help customer companies in achieving their management objectives. Meantime, the Company helped customers in building comprehensive digital exhibition halls featuring “remote 360° panorama + BIM display + interactive large screen”, offering an intuitive view of the value of project management and control. In 2023, our products were recognized by authoritative organizations such as the China Software Industry Association, the Department of Housing and Urban-Rural Development of Hubei Province and the General Office of the State-owned Assets Supervision and Administration Commission of the State Council. During the Reporting Period, this product line obtained a number of newly contracted benchmark customers including China Xiongan Group (中國雄安集團), Shanghai Pudong Development (Group) Co., Ltd. (上海浦東開發(集團)有限公司), Shanghai Lujiazui (Group) Company Limited (上海陸家嘴(集團)有限公司), and Shenzhen Qianhai Construction Investment Holding Group Co., Ltd. (深圳市前海建設投資控股集團有限公司), significantly increasing the number of industrial and infrastructure construction site projects.

In 2023, the product line of Construction Management SaaS recorded a total revenue of RMB156.5 million, representing a year-on-year increase of 32.7% (same period in 2022: RMB118.0 million). In 2023, due to the impact of the investment environment in the residential market, the total number of construction sites covered by Construction Management SaaS in China was 6,876, representing a year-on-year decrease of 3.8% (same period in 2022: approximately 7,150). In particular, the number of industrial and infrastructure construction sites was 1,456, representing a year-on-year increase of 70.7% (same period in 2022: 853). The average revenue per user in a single construction site was RMB23,000, representing a year-on-year increase of 35.3% (same period in 2022: RMB17,000). The annual customer account retention rate of Construction Management SaaS was 80% (same period in 2022: 84%).



CHAIRMAN'S STATEMENT

(3) Property Management & Operation SaaS

The product line of Property Management & Operation SaaS mainly helps holders and operators of existing real estate achieve digital management on their asset and multi-business space operations & services, with products covering business areas of asset management, investment attraction, leasing, space operations, property services, etc., so as to enhance the asset operation efficiency, and promote the value preservation and appreciation of assets.

In 2023, in response to China's policy of inspecting the "assets, resources and funds" of state-owned enterprises, state-owned enterprises nationwide have intensified their efforts to count and revitalize properties. Therefore, "Asset Management Cloud (雲資管)", a self-developed product of the Company, recorded a significant increase in the number of contracted orders. Meantime, catering to the rapid development industrial parks and affordable housing projects across China, the Company has launched products such as the "Digital Investment and Operation Center for Industrial Parks (產業園區數智招商及運營中心)" and the "Operation Management Platform for Affordable Housing (保障房運營管理平臺)" in alignment with the specific characteristics of such properties, and has successfully expanded its state-owned enterprise customer group represented by industrial park operation companies and local affordable housing construction companies. During the Reporting Period, this product line obtained a number of newly contracted benchmark customers, including GIIHG Technology Industry Development Group Co., Ltd. (廣州工控科技產業發展集團有限公司), Guangzhou Pearl River Commercial Management Co., Ltd. (廣州珠江商業經營管理有限公司) and Hefei Haiheng Holdings Group Co., Ltd. (合肥海恒控股集團有限公司).

In 2023, the product line of Property Management & Operation SaaS recorded a total revenue of RMB87.4 million, representing a year-on-year increase of 42.0% (same period in 2022: RMB61.5 million). The total area of properties under management was approximately 470.69 million square meters, representing a year-on-year increase of 5.3% (same period in 2022: approximately 447 million square meters). The annual customer account retention rate of Property Management & Operation SaaS was 88% (same period in 2022: 85%).



CHAIRMAN'S STATEMENT

(4) Skyline PaaS Platform

Since Skyline PaaS Platform was launched in November 2020, it has been focusing on developing five major independent capacities of “aPaaS Capacity, iPaaS Capacity, bpmPaaS Capacity, DaaS Capacity and Technology Innovation”, covering five suite products namely aPaaS, iPaaS, bpmPaaS, BI&Big Data and BPA&Portal.

In 2023, Skyline PaaS Platform has completed the adaptation with China-made servers, operating systems, databases and middleware, obtained the mutual compatibility certification from Huawei (華為), China Electronics (中國電子), Dameng (達夢) and TongTech (東方通), and signed a number of strategic cooperation agreements with Huawei Cloud (華為雲), China Electronics (中國電子), Kylinsoft (麒麟軟件), Phytium (飛騰公司) and Dameng Database (達夢數據庫). Its architecture supports enterprise-grade cloud-native architectures such as public cloud, state-owned assets cloud and private cloud.

In July 2023, Skyline PaaS Platform officially signed a strategic cooperation agreement on Pangu Large Model with Huawei Cloud, which aims to build an AI model tailored for the real estate industry based on Huawei Cloud platform and promote the highly intelligent development of applications and services in the real estate industry. With focus on productivity sectors such as “AIGC + Zero Code”, “AIGC + Low Code” and “AIGC + BI”, Skyline PaaS Platform has promoted the extensive applications across scenarios including code generation, code comments, code walk-through, unit testing and data analysis, which improves the development productivity, with development efficiency in certain scenarios up by 30%.

As some residential property developers reduced the procurement of Skyline products and services due to cash flow problems in 2023, the product line of Skyline PaaS Platform recorded a total revenue of RMB148.9 million, representing a year-on-year decrease of 27.6% (same period in 2022: RMB205.6 million). As of 31 December 2023, Skyline PaaS Platform has established cooperation with a total of 2,300 customers, empowered approximately 4,833 certified zero-code/low-code/data developers, and accumulated over 80 connectors from technology partners in the real estate industry.



CHAIRMAN'S STATEMENT

1.2 On-premise Software and Services

Our on-premise ERP software and services mainly provide residential property developers with real estate products covering sales, cost, procurement, planning, expenses and budgeting. In addition to the sales of software licensing, we also offer related implementation services, product support services and value-added services.

In 2023, the total revenue from On-premise Software and Services was RMB301.0 million, representing a year-on-year decrease of 22.8% (same period in 2022: RMB398.8 million). Since 2023, this business line has focused more on high-quality state-owned residential property developers with clear digital transformation objectives and sufficient IT budget, which contributed to a gradual improvement in the number of contracted orders under On-premise Software and Services in the second half of 2023 and a significant increase in the revenue of the business line in the second half of 2023 as compared with that in the first half of 2023.

2. Sales and Distribution Network

We sell and deliver Cloud Services and On-premise Software and Services 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. We conduct direct sales through our sales teams in Beijing, Shanghai, Guangzhou and Shenzhen, and closely work with our regional channel partners to market our Cloud Services and On-premise Software and Services to customers in the rest of China for greater cost efficiency.

As at 31 December 2023, our direct sales force consisted of more than 300 employees with good knowledge about our products, technology and the real estate industry and extensive professional experience. The Company organizes the direct sales force by geographic locations and customer types to maximize sales efficiency.

3. Management and Operation

In 2023, the Company continued to promote its organizational optimization and established a flat management structure, so as to make decision-making more flexible and enable all business lines to quickly respond to market changes. Meantime, the Company actively optimized the configuration of middle and back offices to enhance the efficiency of organizational collaboration. In 2023, the Company's per capita output was RMB557,000, representing a year-on-year increase of 15.8% (same period in 2022: RMB481,000).

III. Industry Prospect

1. Residential Market

- 1.1 Local regulatory policies on commercial housing have been gradually relaxed, and the People's Bank of China and the National Financial Regulatory Administration has extended the validity period of the Notice on Providing Financial Support for the Stable and Healthy Development of the Real Estate Market 《關於做好當前金融支持房地產市場平穩健康發展工作的通知》. China will continue to provide financial support for troubled residential property developers to ensure the completion and delivery of projects in the future. It is expected that the development and sales scales of commercial housing in China will not experience another sharp decline, and the market will regain stable growth. As housing returns to being seen as a commodity, consumers will have higher expectations for the quality of products and services from residential property developers, leading to changes in digital demand and creating new market opportunities.
- 1.2 China will actively promote the construction of an affordable housing system. In August 2023, the Standing Committee of the State Council considered and approved the Guiding Opinion on the Planning and Construction of Affordable Housing 《關於規劃建設保障性住房的指導意見》, which emphasized affordable housing as a core component of the new round of housing reform. Currently, 90 cities in China have issued financing targets for affordable rental housing during the "14th Five-Year Plan" period, with a total of approximately 8 million houses. With these planned affordable rental housing entering the construction phase, there will be a significant increase in demand for digital business management solutions.
- 1.3 The competitive landscape among residential property developers will continue to diverge. In 2023, 31 of the top 100 property developers experienced year-on-year sales declines of above 30%, including 27 private enterprises. State-owned enterprises performed significantly better than private enterprises. In the future, state-owned property developers are expected to gradually dominate China's residential market.

Overall, the profound adjustments of China's residential market will reshape the competitive landscape for digital service providers. Leveraging its competitive position, customer group structure and product innovation capabilities in the residential market, the residential product lines of the Company are expected to maintain strong growth resilience.



CHAIRMAN'S STATEMENT

2. Commercial, Industrial and Infrastructure Market

- 2.1 In face of complex external environment and insufficient domestic demand, infrastructure construction remains a vital driver for the Chinese economy. The additional government bonds of RMB1,000 billion issued by the Chinese government in 2023 are expected to be put into use in 2024, which will provide a crucial investment impetus for local infrastructure construction. As the main development and operation entities of infrastructure construction projects in China, local urban investment companies will have long-term needs for the digital upgrades pertaining to the management and asset operation of infrastructure construction projects.
- 2.2 In order to enhance the efficiency of land resource utilization, first-tier and second-tier cities in China have successively introduced policies related to "Industry's Going Upstairs", so that industrial park operators will usher in new growth opportunities. It is expected that there will be more intelligent, intensive, and green and low-carbon industrial parks, catering to the needs of existing industrial cluster companies. In particular, digital tools will serve as an essential technical means for building intelligent and low-carbon industrial parks.
- 2.3 Super large cities and megacities will actively promote the renovation of urban villages, so as to optimize existing land and real estate resources, better address residents' housing demand through new construction after demolition and comprehensive improvement, and increase urban public infrastructure.

Overall, the commercial, industrial and infrastructure market will have more niche markets in place. Customers in this market both develop and operate, whose digitalization of business management is still in the early stage. The competitive landscape of digital service providers is relatively fragmented. Therefore, the Company will continue to prioritize its expansion in this direction in the future.

IV. Business Outlook

Since its establishment over 20 years ago, the Company has maintained a steadfast focus on the digitalization of the real estate industry, and has constantly adjusted its strategies in response to market changes to guide the healthy development of the Company. In light of the current status of the real estate market in China, the Company has formulated its core development strategies for 2024, details of which are as follows:

1. *Deeply penetrating into the customer base of high-quality state-owned enterprises and ensuring growing income from customers*

- 1.1 We will focus on high-quality state-owned residential property developers, and select state-owned enterprises with resilient performance among the top 100 residential property developers as the core customer base for our expansion efforts. To cope with the requirements of state-owned residential property developers for independent and controllable software, we will help customers to upgrade or replace existing products relying on information technology application innovation, thus enhancing the average revenue per user of existing customers.
- 1.2 We will focus on local state-owned platform companies, including urban investment companies, affordable housing construction companies, asset management companies, industrial park operation companies and other segmented customer groups. We will pay more attention to “Double Hundred” state-owned enterprises recognized by the State Council, and select state-owned platform companies with AA+ and above ratings by mainstream rating agencies. We will provide such customer groups with integrated solutions covering investment, construction and operation, so as to meet their digital management needs across all business scenarios including investment, construction, sales and operation of properties. We will provide services for large customers with lighthouse effect and constantly increase the customer income from state-owned platform companies.
- 1.3 We will explore the cooperation with state-owned digital technology companies, and work with ecological partners to promote the combined model of “management consultancy + technology platform + digital products”. Through strategic cooperation with state-owned digital technology companies, we will promote the deployment and application of our products on “State-owned Enterprise Cloud” and “State-owned Assets Cloud”, thereby expanding business opportunities.



CHAIRMAN'S STATEMENT

2. *Upgrading products by integrating AI technology and exploring more business growth opportunities*

- 2.1 Accelerating the in-depth integration of large AI models with the Company's various product lines. As an important ecological partner of leading language model manufacturers such as Huawei Pangu NLP and Baidu ERNIE Bot, we have integrated generative AI technology and launched "AI Creative Factory (AI 創意工廠)", "AI Digital Human (AI 數字人)" and other AI property marketing applications to enhance the marketing productivity of our customers and demonstrated the commercial value of AI. With the emergence of more capabilities of generative AI in supporting multiple business formats, we will work with our partners to further explore the potential of large AI models, and accelerate the launch of products with greater application value and commercial potentials to promote more business growth opportunities.
- 2.2 Utilizing large AI models to boost the platform's productivity, Skyline PaaS Platform has integrated with domestic and foreign mainstream large AI models, which can quickly generate data models, pages/forms, business processes and other objects based on natural semantics, and support zero/low code correction requirements to help customers quickly build and expand their own applications. The Company will continue to explore the combination of generative AI with development and data PaaS services to create more productive technology tools to help customers realize business success.

3. *Launching internationalization strategy and actively expanding overseas markets*

- 3.1 The Company has established an international business department in Singapore to actively expand its presence in the real estate digitalization market in Southeast Asia and related Middle East countries. The Company will launch joint marketing with public cloud vendors such as Huawei Cloud and local software integrators, and verify the value of its products by creating benchmark projects to realize a comprehensive breakthrough in its overseas business.
- 3.2 The Company has completed market research with benchmark real estate customers in Southeast Asia and has identified the development prospects of its core product lines in the local market. In the future, the Company will accelerate the localization of its products to better adapt to the differentiated needs of local real estate customers. Subject to the compliance requirements of overseas markets, the Company will fully utilize the agile development capability of the PaaS platform, combined with the support of AI technology, to create a number of digital solutions that meet the business needs of overseas real estate customers.



CHAIRMAN'S STATEMENT

4. *Continuing to increase revenue and reduce expenditure, cut costs and improve efficiency, and enhance operation quality*

- 4.1 We will maintain a steadfast focus on high-quality customer groups and their rigid needs, constantly enhance the quality of contracts, and mitigate operational risks. Through our national delivery resource sharing and extensive outsourcing partnership, we can reduce project delivery and service costs and improve the overall operation quality.
- 4.2 Building upon the improvement in human efficiency achieved in 2023, we will comprehensively bolster the budget management mechanism, constantly improve our team structure, establish a differentiated incentive mechanism, and reinforce the leadership and professional capabilities, so as to further enhance human efficiency.
- 4.3 We will intensify the application of AI across the Company. “Skyline GPT-Application Development Assistant (天際GPT—應用開發助手)”, “Data Analysis Assistant (數據分析助手)” and other development tools under Skyline PaaS Platform substantially enhanced our research and development efficiency in development/testing through assisted code generation, code review and other methods. Going forward, we will apply AI capabilities in delivery, customer services and other businesses in the value chain, so as to continuously enhance our business and human efficiency.



CHAIRMAN'S STATEMENT

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 Company's management team and each employee for their contributions and efforts in the previous year. Currently, the business transformation of the Company has achieved breakthrough results and its financial losses have been reduced significantly, and the Company has abundant cash reserves, quality asset, solid customer base and very healthy operating fundamentals. Adhering to the transformation strategy in the targeted market and targeted customer groups, we believe that the Company will return to the development track of healthy growth/sustained profitability soon. The Company will also continue to persist in dedication, innovation, and creation of long-term value for shareholders, and become the most trustworthy partners in the digitalization of the real estate value chain.

Gao Yu

Chairman

19 March 2024

明源雲

Become the Most Trustworthy Partner in the Digitalization of the Real Estate Value Chain



MANAGEMENT DISCUSSION AND ANALYSIS

	Year ended 31 December	
	2023 RMB'000	2022 RMB'000
Revenues	1,639,644	1,816,357
Cost of sales	(336,417)	(337,029)
Gross profit	1,303,227	1,479,328
Selling and marketing expenses	(921,689)	(1,006,908)
General and administrative expenses	(519,506)	(682,342)
Research and development expenses	(643,033)	(816,934)
Net impairment losses on financial assets and contract assets	(46,091)	(58,329)
Other income	66,250	69,533
Other losses, net	(2,378)	(250,025)
Operating loss	(763,220)	(1,265,677)
Finance income	182,592	108,693
Finance costs	(7,104)	(10,321)
Finance income, net	175,488	98,372
Share of losses of investments accounted for using the equity method	(1,691)	(1,361)
Loss before income tax	(589,423)	(1,168,666)
Income tax credit	2,380	9,454
Loss for the year	(587,043)	(1,159,212)
Loss attributable to:		
Owners of the Company	(585,634)	(1,154,070)
Non-controlling interests	(1,409)	(5,142)
	(587,043)	(1,159,212)

MANAGEMENT DISCUSSION AND ANALYSIS

Revenues

During the Reporting Period, our total revenue was RMB1,639.6 million, representing a year-on-year decrease of 9.7% (same period in 2022: RMB1,816.4 million). The following table sets forth a breakdown of our revenue by business segment for the years indicated.

	Year ended 31 December		
	2023 RMB	2022 RMB	Change %
	<i>(RMB in thousand, except percentage)</i>		
Cloud Services	1,338,663	1,426,592	(6.2)
– CRM SaaS	945,904	1,041,461	(9.2)
– Construction Management SaaS	156,506	117,973	32.7
– Property Management & Operation SaaS	87,385	61,518	42.0
– Skyline PaaS Platform	148,868	205,640	(27.6)
On-premise Software and Services	300,981	389,765	(22.8)
Total	1,639,644	1,816,357	(9.7)

For the year ended 31 December 2023, the revenue from Cloud Services was RMB1,338.7 million, representing a year-on-year decrease of 6.2%, accounting for 81.6% of the total revenue (same period in 2022: 78.5%). The decrease in the revenue from Cloud Services was mainly due to that China's residential market remained in an adjustment stage as well as the impact of carry-forward cycle of newly signed contracts in 2023. In terms of the segmented product lines of Cloud Services, as affected by the overall sales environment of the residential market, the revenue from CRM SaaS was RMB945.9 million, representing a year-on-year decrease of 9.2% during the Reporting Period. Despite numerous unfavorable factors in the external environment, we have adhered to the strategy of upgrading our target markets and focused on expanding the two real estate markets of industry and infrastructure. During the Reporting Period, the revenue from Construction Management SaaS was RMB156.5 million, representing a year-on-year increase of 32.7%; the revenue from Property Management & Operation SaaS was RMB87.4 million, representing a year-on-year increase of 42.0%. As at 31 December 2023, the amount of unperformed contracts for Cloud Services (tax exclusive) was RMB818.8 million, representing an increase of 5.5% as compared with that as at 31 December 2022.



MANAGEMENT DISCUSSION AND ANALYSIS

For the year ended 31 December 2023, the revenue from On-premise Software and Services was RMB301.0 million, representing a year-on-year decrease of 22.8%. In particular, the revenue in the second half of 2023 was RMB173.8 million, representing an increase of 36.6% compared to the first half of 2023. Mainly affected by the market environment, some private residential property developers still faced financial difficulties, which caused them to remain prudent about investment in digitalization. Since 2023, we have focused more on high-quality state-owned residential property developers with clear digital transformation objectives and sufficient IT budget, which contributed to a gradual improvement in the number of contracted orders under On-premise Software and Services in the second half of 2023.

Gross Profit

During the Reporting Period, the Group's overall gross profit was RMB1,303.2 million, representing a year-on-year decrease of 11.9% (same period in 2022: RMB1,479.3 million). Gross profit from our Cloud Services was RMB1,181.1 million, representing a year-on-year decrease of 10.3% (same period in 2022: RMB1,316.5 million). The gross profit margin of Cloud Services decreased from 92.3% in 2022 to 88.2% in 2023, mainly due to the increase in the purchase costs from third parties in respect of Cloud Services. Gross profit from On-premise Software and Services was RMB122.1 million, representing a year-on-year decrease of 25.0% (same period in 2022: RMB162.9 million). The gross profit margin of On-premise Software and Services basically remained stable at 40.6%.

Selling and Marketing Expenses

During the Reporting Period, our selling and marketing expenses were RMB921.7 million, representing a year-on-year decrease of 8.5% (same period in 2022: RMB1,006.9 million). Our selling and marketing expenses after excluding the share-based compensation were RMB874.3 million, representing a year-on-year decrease of 11.7% (same period in 2022: RMB989.6 million).

General and Administrative Expenses

During the Reporting Period, our general and administrative expenses were RMB519.5 million, representing a year-on-year decrease of 23.9% (same period in 2022: RMB682.3 million). Our general and administrative expenses after excluding the share-based compensation were RMB167.0 million, representing a year-on-year decrease of 20.6% (same period in 2022: RMB210.4 million).



MANAGEMENT DISCUSSION AND ANALYSIS

Research and Development Expenses

During the Reporting Period, our research and development expenses were RMB643.0 million, representing a year-on-year decrease of 21.3% (same period in 2022: RMB816.9 million). Our research and development expenses after excluding the share-based compensation were RMB625.6 million, representing a year-on-year decrease of 22.4% (same period in 2022: RMB806.7 million).

Net Impairment Losses on Financial Assets and Contract Assets

During the Reporting Period, our net impairment losses were RMB46.1 million, representing a year-on-year decrease of 20.9% (same period in 2022: RMB58.3 million).

Other Income

During the Reporting Period, our other income was RMB66.3 million, representing a year-on-year decrease of 4.6% (same period in 2022: RMB69.5 million).

Other Losses, Net

During the Reporting Period, our other losses, net amounted to RMB2.4 million, representing a year-on-year decrease of 99.0% (other losses, net for the same period in 2022: RMB250.0 million), primarily because we made a series of fund allocation in 2023, which effectively reduced foreign exchange risks. During the Reporting Period, our foreign exchange gains amounted to RMB14.1 million (foreign exchange losses for the same period in 2022: RMB199.5 million).

Operating Loss

During the Reporting Period, our operating loss amounted to RMB763.2 million, representing a year-on-year decrease of 39.7% (operating loss for the same period in 2022: RMB1,265.7 million).



MANAGEMENT DISCUSSION AND ANALYSIS

Finance Income

During the Reporting Period, our finance income amounted to RMB182.6 million, representing a year-on-year increase of 68.0% (same period in 2022: RMB108.7 million), primarily due to an increase in interest income from bank deposits.

Finance Costs

During the Reporting Period, our finance costs amounted to RMB7.1 million, representing a year-on-year decrease of 31.1% (same period in 2022: RMB10.3 million).

Loss Before Income Tax

As a result of the foregoing, we had a loss before income tax of RMB589.4 million for the year ended 31 December 2023, representing a year-on-year decrease of 49.6% (loss before income tax for the same period in 2022: RMB1,168.7 million).

Income Tax Credit

During the Reporting Period, our income tax credit amounted to RMB2.4 million, representing a year-on-year decrease of 74.7% (income tax credit for the same period in 2022: RMB9.5 million).

Loss for the Year

As a result of the foregoing, during the Reporting Period, we recorded a loss for the year of approximately RMB587.0 million, representing a year-on-year decrease of 49.4% (loss for the same period in 2022: RMB1,159.2 million).

MANAGEMENT DISCUSSION AND ANALYSIS

Non-IFRS Measures

To supplement our consolidated annual results that are presented in accordance with IFRS, we also use adjusted net loss as additional financial measures, which are not required by, or presented in accordance with, IFRS. 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 adjusted net loss 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 IFRS.

Adjusted Net Loss

We define adjusted net loss as net loss for the year adjusted by adding back share-based compensation expenses and goodwill impairment.

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

	Year ended 31 December		Change %
	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>	
Reconciliation of net loss and adjusted net loss			
Net loss for the year	(587,043)	(1,159,212)	(49.4)
Goodwill impairment	–	32,808	(100.0)
Share-based compensation expenses	417,322	499,450	(16.4)
Adjusted net loss	(169,721)	(626,954)	(72.9)



MANAGEMENT DISCUSSION AND ANALYSIS

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 31 December 2023, cash and cash equivalents and term deposits of the Group recorded a total of approximately RMB4,392.0 million (31 December 2022: RMB4,636.2 million), and the Group did not have any banking facilities. Most of the cash and cash equivalents of the Group were denominated in RMB and USD. The term deposits of the Group were denominated in RMB and USD.

Current Ratio

As at 31 December 2023, net current assets of the Group were approximately RMB3,947.2 million (31 December 2022: RMB4,290.1 million). As at 31 December 2023, the current ratio of current assets to current liabilities was approximately 5.96, up from 5.87 as at 31 December 2022.

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 lease liabilities, less cash and cash equivalents, restricted cash, term deposits and liquid investments which are investments in wealth management products and investments in debt instruments included in financial assets at fair value through profit or loss. Total capital is calculated as “equity” as shown in the consolidated statement of financial position plus net debts. As at 31 December 2023 and 2022, the Group has a net cash position.



MANAGEMENT DISCUSSION AND ANALYSIS

Capital commitments

As at 31 December 2023, we did not have any capital commitments with respect to assets under construction (31 December 2022: RMB11.8 million).

Contingent liabilities

As at 31 December 2023, 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. During the Reporting Period, we did not adopt any long-term contracts, currency borrowings or other means to hedge our foreign currency exposure. The Group made a series of capital arrangements adjustments in response to the significant exchange rate fluctuations in 2023, which was expected to effectively reduce the foreign exchange risk.

Credit risk

For cash and cash equivalents and restricted cash, management of the Group 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 banks 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 based on their financial position, past experience and other factors, and reviews regularly the recoverable amount of each individual receivable to ensure that adequate impairment losses are made for irrecoverable amounts. The guarantees are mainly buildings. The credit periods granted to customers in different categories differ from 0 to 90 days.



MANAGEMENT DISCUSSION AND ANALYSIS

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.

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 prudent fund management principle, which allows us to efficiently manage market risks.



MANAGEMENT DISCUSSION AND ANALYSIS

For budget management, we have established a monthly, quarterly and annual budget management system, and then seek approval from our head of budget management committee. The capital budget plans should be made based on 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 31 December 2023, we did not pledge any of our assets.

Material acquisitions, disposals and significant investments

As at 31 December 2023, we did not hold any significant investments.

The financial assets that we invested mainly include investments in wealth management products. The Board confirmed that the transactions in these financial assets on standalone and aggregate basis during the Reporting Period did not constitute notifiable transactions under Chapter 14 of the Listing Rules.

During the year ended 31 December 2023, there were no material acquisitions, disposals of subsidiaries, associates and joint ventures.

Future plans for material investments and capital assets

During the year ended and as of 31 December 2023, the Group did not have plans for material investments and capital assets.

Subsequent event

Since 31 December 2023 and up to the date of this annual report, there were no other significant events affecting the Group.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors



Mr. Gao Yu (高宇) (“Mr. Gao”), aged 54, was appointed as our Director on 3 July 2019, and re-designated as our executive Director on 12 June 2020. Mr. Gao was also appointed as the Chairman of our Board on 12 June 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 53, was appointed as our Director on 31 March 2020, and re-designated as our executive Director on 12 June 2020. Mr. Jiang was also appointed as our Chief Executive Officer on 12 June 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 53, was appointed as our Director on 31 March 2020, and re-designated as our executive Director on 12 June 2020. Mr. Chen was also appointed as our Vice President on 12 June 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.

Non-executive Director



Mr. Liang Guozhi (梁國智) (“Mr. Liang”), aged 51, was appointed as our Director on 31 March 2020, and re-designated as our non-executive Director on 12 June 2020. Mr. Liang has acted as vice president in Shenzhen Dacheng 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. Since 14 November 2022, Mr. Liang has served as a non-executive director in Shenzhen H&T Intelligent Control Co., Ltd. (深圳和而泰智能控制股份有限公司), a company listed on the Shenzhen Stock Exchange (Stock Code: 002402).

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.

DIRECTORS AND SENIOR MANAGEMENT

Independent Non-executive Directors



Mr. Li Hanhui (李漢輝) (“Mr. Li”), aged 47, was appointed as our independent non-executive Director on 4 September 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 Gentai Investment Management Co., Ltd. (深圳互泰投資管理有限公司) from August 2019 to June 2021; and executive director and general manager in Gongqingcheng Tairan Private Fund Management Co., Ltd. (共青城泰然私募基金管理有限公司) since July 2021.

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.

DIRECTORS AND SENIOR MANAGEMENT



Mr. Zhao Liang (趙亮) (“Mr. Zhao”), aged 51, was appointed as our independent non-executive Director on 4 September 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.

From November 2015 to December 2021, Mr. Zhao held 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. Since 25 June 2019, Mr. Zhao has served as an independent non-executive director to Shenzhen King Brother Electronics Technology Co., Ltd. (深圳市金百澤電子科技股份有限公司), a company whose shares were listed on the Shenzhen Stock Exchange (Stock Code: 301041).

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 7 May 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 1 May 2014. On 20 January 2022, Mr. Zhao was included on the Panel of Arbitrators of Shenzhen Court of International Arbitration for a period of three years from 21 February 2022 to 20 February 2025.

DIRECTORS AND SENIOR MANAGEMENT



Ms. Tong Naqiong (童娜瓊) (“Ms. Tong”), aged 44, was appointed as our independent non-executive Director on 26 September 2022. Ms. Tong served as an assistant professor of accounting at the Merrick School of Business, University of Baltimore in the United States from January 2010 to July 2011. Since August 2011, Ms. Tong has successively served as assistant professor and associate professor of accounting at the Peking University HSBC Business School. Previously, Ms. Tong has served as an independent director of Shenzhen Bingchuan Network Co., Ltd.* (深圳冰川網絡股份有限公司) (a company listed on the Shenzhen Stock Exchange, stock code: 300533.SZ) from September 2018 to August 2022, an independent director of Beijing Zhtd Environmental Protection Technology Co., Ltd.* (北京中航泰達環保科技股份有限公司) (a company listed on the Beijing Stock Exchange, stock code: 836263.BJ) since April 2020, and an independent director of Guangdong Piano Customized Furniture Co., Ltd. (廣東皮阿諾科學藝術家居股份有限公司) (a company listed on the Shenzhen Stock Exchange, stock code: 002853.SZ) since December 2023.

Ms. Tong received a bachelor’s degree in cultural heritage and museology from Fudan University in the People’s Republic of China in July 2002, a master’s degree in business administration from College of Cardiff of University of Wales in the United Kingdom in August 2004 and a doctor’s degree in accounting from Rutgers University in the United States in October 2009. Ms. Tong holds a qualification from the American Institute of Certified Public Accountants (AICPA).

DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Mr. Gao Yu (高宇), aged 54, has been the Chairman of our Board since 12 June 2020. For further details, please refer to “Executive Directors” in this section.

Mr. Jiang Haiyang (姜海洋), aged 53, has been our Chief Executive Officer since 12 June 2020. For further details, please refer to “Executive Directors” in this section.

Mr. Chen Xiaohui (陳曉暉), aged 53, has been our Vice President since 12 June 2020. For further details, please refer to “Executive Directors” in this section.



Ms. Xiao Zhimiao, (肖志淼) (“Ms. Xiao”) aged 42, appointed as our Chief Financial Officer since 14 November 2022. Ms. Xiao graduated from Shenzhen University with a bachelor’s degree in Finance Management. She joined the Group in March 2005 and was responsible for overseeing the financial and accounting matters of the Group and served successively as the Senior Finance Supervisor, Finance Manager and Director of Finance Department of the Group.



Mr. Yao Wu (姚武) (“Mr. Yao”), aged 52, is our Vice President and joined our Group in October 2006. Mr. Yao is responsible for our production and research system. He 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. From July 2014 to May 2021, he was 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) (“Mr. Tong”), aged 42, 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 as well as strategic investment, mergers and acquisitions, and post-investment management work of the Group; digital technology enterprises ecological cooperation related to real estate ecological chain; international business development 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. (用友網絡科技股份有限公司) (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, a postgraduate diploma in information strategy and business transformation from the University of Hong Kong in September 2013 and a master’s degree in finance management (Finance EMBA) from The Chinese University of Hong Kong in September 2023.



DIRECTORS' REPORT

PRINCIPAL ACTIVITIES

We specialize in providing enterprise-grade Cloud Services and On-premise Software and Services for major participants in the real estate ecological chain, helping real estate development/operation/service companies to better achieve their business goals through digital upgrades. 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 35 to the consolidated financial statements on pages 201 to 204 for details of the principal activities of the principal subsidiaries of the Company.

RESULTS

The results of the Group for the year ended 31 December 2023 are set out in the consolidated financial statements of the Group on pages 106 to 222 of this annual report.

DIVIDENDS

The Board has recommended the declaration and payment of the Special Dividend of HK\$0.1 (equivalent to RMB0.091) per Share out of the Share Premium Account, subject to the approval of the Shareholders at the Forthcoming Annual General Meeting. The payment of the Special Dividend out of the Share Premium Account is conditional upon the satisfaction of the following conditions:

- (a) the passing of an ordinary resolution by the Shareholders at the Forthcoming Annual General Meeting approving the declaration and payment of the Special Dividend out of the Share Premium Account pursuant to Articles 133 and 134 of the Articles of Association;
- (b) the Directors being satisfied that, immediately following the payment of the Special Dividend, the Company shall be able to pay its debts as they fall due in the ordinary course of business; and
- (c) the Company having complied with all requirements under the laws of the Cayman Islands regarding the payment of the Special Dividend out of the Share Premium Account.

The conditions set out above cannot be waived. If the conditions set out above are not satisfied, the Special Dividend will not be paid. Subject to the fulfilment of the above conditions, it is expected that the Special Dividend will be paid in cash on or about Friday, 5 July 2024 to the qualifying Shareholders whose names appear on the register of members of the Company at close of business on Monday, 20 May 2024, being the record date for determination of entitlements of the Shareholders to the Special Dividend. Further details regarding the Special Dividend will be set forth in a circular (together with a notice of the Forthcoming Annual General Meeting) to be dispatched to the Shareholders and/or made electronically available on the respective websites of the Stock Exchange and the Company in due course.

The Board did not recommend the distribution of a final dividend for the year ended 31 December 2023.



DIRECTORS' REPORT

ANNUAL GENERAL MEETING

The AGM will be held on Friday, 10 May 2024. A notice convening the said AGM will be published and provided to the Shareholders in due course.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the Forthcoming Annual General Meeting, the register of members of the Company will be closed from Tuesday, 7 May 2024 to Friday, 10 May 2024, both days inclusive, during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the Forthcoming Annual General Meeting, all transfer forms accompanied by the relevant share certificates must be lodged with the Hong Kong share registrar of the Company, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Monday, 6 May 2024.

For determining the entitlement to the Special Dividend (subject to approval by the Shareholders at the Forthcoming Annual General Meeting), the register of members of the Company will be closed from Monday, 20 May 2024 to Thursday, 23 May 2024, both days inclusive, during which period no transfer of Shares will be registered. In order to be eligible for the above proposed Special Dividend, all transfer forms accompanied by the relevant share certificates must be lodged with the Hong Kong share registrar of the Company, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Friday, 17 May 2024.

SHARE CAPITAL

Details of the issued Shares during the year ended 31 December 2023 are set out in note 25 to the consolidated financial statements.

RESERVES

Details of the movements in reserves of the Group during the year ended 31 December 2023 are set out on page 182 of this annual report.

DISTRIBUTABLE RESERVES

As at 31 December 2023, the Company's reserves available for distribution for share premium, calculated in accordance with the provisions of Companies Act of the Cayman Islands, amounted to approximately RMB7,529.9 million. Please refer to note 26 to the consolidated financial statements for details.



DIRECTORS' REPORT

FINANCIAL SUMMARY

The Shares were listed on the Stock Exchange on 25 September 2020. A summary of the results and of the assets, liabilities and equity of the Group for the last five 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 31 December 2023, 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 31 December 2023 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 NET PROCEEDS FROM THE GLOBAL OFFERING

The Shares were listed on the Main Board of the Stock Exchange on 25 September 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 (collectively, the "**Net Proceeds**").

DIRECTORS' REPORT

As disclosed in the section headed "USE OF NET PROCEEDS FROM THE GLOBAL OFFERING" in the 2023 Interim Report, as at 30 June 2023, the use of the Net Proceeds for certain specific purposes has not exceeded the proposed allocation as designated and disclosed in the Prospectus, which are required to be fully utilized by 31 December 2023. Accordingly, the Board, after considering (i) the overall business operating environment, (ii) the present and future development of the Group, and (iii) other factors as set out in the aforesaid section in the 2023 Interim Report, has resolved to revise the expected timeline for fully utilizing the unutilized Net Proceeds for certain specific purposes as denoted below (the "**Change in Expected Timeline**"). For details of the Change in Expected Timeline, please refer to the 2023 Interim Report.

The table below illustrates, among others, (i) the utilization of the Net Proceeds during the Reporting Period and the unutilized Net Proceeds as at 31 December 2023; and (ii) the current expected timeline of full utilization of the Net Proceeds as at the date of this report, in each case, in accordance with paragraph 11(8) of Appendix D2 to the Listing Rules:

Item	Approximate % of total Net Proceeds as disclosed in the Prospectus	Net proceeds from the Global Offering (HK\$ million)	Unutilized Net Proceeds as at 1 January 2023 (HK\$ million)	Net Proceeds utilized during the Reporting Period (HK\$ million)	Utilized Net	Unutilized Net	Current expected timeline of full utilization of the unutilized Net Proceeds
					Proceeds as at 31 December 2023 (HK\$ million)	Proceeds as at 31 December 2023 (HK\$ million)	
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	679.17	373.78	938.47	305.39	Before 31 December 2026
(b) Purchase from qualified suppliers advanced equipment, infrastructure and applications	6.0%	414.62	355.67	176.46	235.41	179.21	Before 31 December 2026
(c) Invest in product development to introduce new SaaS products	6.0%	414.62	293.80	94.85	215.67	198.95	Before 31 December 2026
Enhance research and development efforts in cutting-edge technologies							
(a) Develop our proprietary key fundamental technologies that support product innovation	8.0%	552.82	430.66	74.09	196.25	356.57	Before 31 December 2030
(b) Develop our own technology infrastructure	12.0%	829.24	646.01	111.14	294.37	534.87	Before 31 December 2030

DIRECTORS' REPORT

Item	Approximate % of total Net Proceeds as disclosed in the Prospectus	Net proceeds from the Global Offering <i>(HK\$ million)</i>	Unutilized Net Proceeds as at 1 January 2023 <i>(HK\$ million)</i>	Net Proceeds utilized during the Reporting Period <i>(HK\$ million)</i>	Utilized Net	Unutilized Net	Current expected timeline of full utilization of the unutilized Net Proceeds
					Proceeds as at 31 December 2023 <i>(HK\$ million)</i>	Proceeds as at 31 December 2023 <i>(HK\$ million)</i>	
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	–	–	414.62	–	Not applicable
(b) Expand our existing ERP modules and functions to cover more internal business and operational processes of property developers	4.0%	276.41	158.13	158.13	276.41	–	Not applicable
Enhance our sales and marketing capabilities and strengthen our brand reputation							
(a) Expand, retain and train our direct sales force	3.0%	207.31	9.64	9.64	207.31	–	Not applicable
(b) Establish an interactive, knowledge-sharing platform with leading property developers	2.0%	138.21	24.47	24.47	138.21	–	Not applicable
(c) Enhance our branding and marketing activities to acquire new customers	3.0%	207.31	145.22	145.22	207.31	–	Not applicable
(d) Invest to strengthen and expand our regional channel partner network	2.0%	138.21	82.58	82.58	138.21	–	Not applicable
Selectively pursue strategic investments and acquisitions	20.0%	1,382.06	809.21	6.66	579.51	802.55	Before 31 December 2028
Working capital and general corporate purposes	10.0%	691.03	155.50	155.50	691.03	–	Not applicable
Total	100.0%	6,910.32	3,790.06	1,412.52	4,532.78	2,377.54	

Note: The aforesaid current expected timeline was devised based on the Company's estimation of its business needs as of the date of this report and is subject to change(s) so long as it is deemed to be in the best interests of the Company and to the extent permitted by applicable laws and regulations and the actual circumstances of the Company.

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 labour 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 are set out in the Environmental, Social and Governance Report of the Company published on the same day with this annual report.



DIRECTORS' REPORT

Social Responsibilities, Environmental Policies and Performance

In 2023, the Group continued to explore the possibility of public welfare activities, pay attention to society's needs, and carry out community public welfare activities. Meanwhile, we strive to fulfill corporate social responsibility and consistently contribute to social development.

Up to now, the Group has cooperated with local public welfare organizations to help 8 rural primary and middle schools in Hunan and Guizhou, subsidizing a total of 61 students with a total amount of RMB200,000.

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 during the Reporting Period and up to the date of this report are as follows:

Executive Directors

Mr. Gao Yu (*Chairman*)
Mr. Jiang Haiyang (*Chief Executive Officer*)
Mr. Chen Xiaohui (*Vice President*)
Mr. Jiang Keyang (*resigned with effect from 28 March 2023*)

Non-executive Directors

Mr. Liang Guozhi
Mr. Yi Feifan (*resigned with effect from 28 March 2023*)

Independent Non-executive Directors

Mr. Li Hanhui
Mr. Zhao Liang
Ms. Tong Naqiong

In accordance with Article 83(2) of the Articles of Association, subject to the provisions of the Articles of Association and the Companies Act, Cap. 22 (Act 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 shall hold office until the next following annual general meeting of the Company and shall then be eligible for re-election.



DIRECTORS' REPORT

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. Zhao 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 29 to 35 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 a term of three years commencing from 25 September 2023, which may be terminated by not less than three months' notice in writing served by either party. Each of our non-executive Director and our independent non-executive Directors has entered into an appointment letter with the Company for a term of one year.

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.



DIRECTORS' REPORT

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

As far as the Company is aware, as at 31 December 2023, 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/Short 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	397,923,600 (L)	20.49% (L)
		25,000,000 (S)	1.29% (S)
Mr. Chen ⁽²⁾	Settlor of a trust	301,644,800 (L)	15.53% (L)
		41,500,000 (S)	2.14% (S)
Mr. Jiang ⁽³⁾	Settlor of a trust	186,826,600 (L)	9.62% (L)
		26,000,000 (S)	1.34% (S)

(L) represents long position, (S) represents short position



DIRECTORS' REPORT

Notes:

- (1) As at 31 December 2023, GHTongRui Investment Limited directly held 397,923,600 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 31 December 2023, HengXinYuan Investment Limited and SunshineSmoor Holdings Limited directly held 298,644,800 Shares and 3,000,000 Shares in our Company, respectively. HengXinYuan Investment Limited and SunshineSmoor Holdings Limited is 99% and wholly held by SunshineMorning Holdings Limited, respectively, 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 and SunshineSmoor Holdings Limited.
- (3) As at 31 December 2023, 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 31 December 2023, there were 1,942,315,754 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	45.00%
Mr. Chen	Ming Yuan Cloud Procurement	RMB3,022,222.26	34.00%
Mr. Jiang	Ming Yuan Cloud Procurement	RMB1,866,666.69	21.00%

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 31 December 2023.

DIRECTORS' REPORT

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

As at 31 December 2023, 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 ⁽⁵⁾
GHTongRui Investment Limited ⁽¹⁾	Beneficial interest	397,923,600 (L)	20.49% (L)
		25,000,000 (S)	1.29% (S)
MYTongRui Holdings Limited ⁽¹⁾	Interest in controlled corporation	397,923,600 (L)	20.49% (L)
		25,000,000 (S)	1.29% (S)
HengXinYuan Investment Limited ⁽²⁾	Beneficial interest	298,644,800 (L)	15.38% (L)
		41,500,000 (S)	2.14% (S)
SunshineMorning Holdings Limited ⁽²⁾	Interest in controlled corporation	301,644,800 (L)	15.53% (L)
		41,500,000 (S)	2.14% (S)
LINGFAN Investment Limited ⁽³⁾	Beneficial interest	186,826,600 (L)	9.62% (L)
		26,000,000 (S)	1.34% (S)
Mindfree Holdings Limited ⁽³⁾	Interest in controlled corporation	186,826,600 (L)	9.62% (L)
		26,000,000 (S)	1.34% (S)
TMF (Cayman) Ltd. ⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾	Trustee of 3 trusts	886,395,000 (L)	45.64% (L)
		92,500,000 (S)	4.76% (S)
MYC Marvellous Limited	Beneficial interest	99,261,355 (L)	5.11% (L)
TMF Trust (HK) Limited ⁽⁵⁾	Trustee	181,441,355 (L)	9.34% (L)

(L) represents long position, (S) represents short position

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.



DIRECTORS' REPORT

- (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.

SunshineSmoor Holdings Limited beneficially holds 3,000,000 of our issued Shares and is wholly held by SunshineMorning Holdings Limited.

Accordingly, SunshineMorning Holdings Limited is deemed to be interested in the total number of Shares held by HengXinYuan Investment Limited and SunshineSmoor Holdings 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, LINGFAN Investment Limited and SunshineSmoor Holdings Limited as noted above.

- (5) TMF Trust (HK) Limited is deemed to be interested in the total number of Shares held by MYC Marvellous Limited and JIABAOSZ Investment Limited. JIABAOSZ Investment Limited beneficially holds 86,321,000 of our issued Shares and is 99% held by JINBAOSZ Holdings Limited, which is in turn wholly-owned by TMF Trust (HK) Limited, the trustee of the family trust established by Mr. Yao Wu (as the settlor) with him and his family members being the beneficiaries. MYC Marvellous Limited is a special purpose vehicle whollyowned by TMF Trust (HK) Limited, the trustee appointed by the Company for the administration of the Share Award Scheme of the Company approved and adopted by the Board on 11 June 2021.

- (6) As at 31 December 2023, there were 1,942,315,754 Shares in issue.

Save as disclosed above and to the best knowledge of our Directors, as at 31 December 2023, 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 31 December 2023 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.



DIRECTORS' REPORT

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 4 September 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 for the year ended 31 December 2023 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 for the year ended 31 December 2023.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Save as disclosed in this report, each of the Directors confirms that as at 31 December 2023, 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.



DIRECTORS' REPORT

CONNECTED AND CONTINUING CONNECTED TRANSACTIONS

Among the related party transactions disclosed in note 33 to the consolidated financial statements, the following transactions constitute connected transaction, or 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 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.

On 9 September 2021, Ming Yuan Cloud Technology, Ming Yuan Cloud Procurement and Mr. Gao, Mr. Jiang and Mr. Chen as the Relevant Shareholders entered into the series of contractual arrangements (the “**New Contractual Arrangements**”), which are on the same terms and conditions as the series of contractual arrangements dated 16 December 2019 (the “**Previous Contractual Arrangements**”, together with the New Contractual Arrangements, the “**Contractual Arrangements**”), mainly due to the consequential changes to the shareholders and shareholding structure of Ming Yuan Cloud Procurement following the completion of the repurchase of registered capital of RMB2,222,222 by Ming Yuan Cloud Procurement and reduction of registered capital from RMB11,111,111 to RMB8,888,889 by Ming Yuan Cloud Procurement. The Previous Contractual Arrangements were terminated concurrently.

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.

Exclusive Business Cooperation Agreement

Under the exclusive business cooperation agreement 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:

- the use of any relevant software legally owned by Ming Yuan Cloud Technology;
- the use of any intellectual property rights of Ming Yuan Cloud Technology;
- development, maintenance and update of the software in respect of Ming Yuan Cloud Procurement’s business;
- design, installation, daily management, maintenance and update of computer network systems, hardware and database design;
- providing technical support and professional training services for relevant employees of Ming Yuan Cloud Procurement;
- 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);
- providing business management consultation;
- providing business strategic development and planning consultation;
- providing business finance consultation and management services;
- provide business operation related information consultation;
- providing marketing and promotional services;
- providing customer order management and customer services;



DIRECTORS' REPORT

- transfer, leasing and disposal of equipment or properties; and
- 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 determined with reference to 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.

Exclusive Option Agreement

Under the exclusive option agreement 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.

Equity Pledge Agreement

Under the equity pledge agreement entered into between Ming Yuan Cloud Technology, 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.



DIRECTORS' REPORT

Powers of Attorney

The Relevant Shareholders have executed Powers of Attorney. 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.

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.

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 and the announcement of the Company dated 10 September 2021.

Save as disclosed herein, during the year ended 31 December 2023, 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.



DIRECTORS' REPORT

Restrictions under the FITE Regulations

On 11 December 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 10 September 2008, 6 February 2016 and 29 March 2022 respectively. According to the FITE Regulations and the Special Administrative Measures (Negative List) for Foreign Investment Access (2021 Edition) 《外商投資准入特別管理措施(負面清單)(2021年版)》, with effect from 1 January 2022), 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 (e-commerce, domestic multi-party communications, store-and-forward and call center business are excluded). The FITE Regulations, as amended on 29 March 2022 and formally implemented on 1 May 2022, removes the qualification requirements for foreign investors of foreign-invested telecommunications enterprises engaged in investment and operation of value-added telecommunications business, but the operation of value-added telecommunications business is still subject to the restrictions on foreign shareholding percentage over foreign investors. After the aforementioned amendments took effect on 1 May 2022, the competent authorities have not yet issued further implementation details or operational guidelines, and there is still uncertainty in the application for ICP certificates by foreign-invested enterprises in practice.

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 22 April 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 31 December 2023, the equity interest of Ming Yuan Cloud Procurement was held as to 45% by Mr. Gao, 34% by Mr. Chen and 21% by Mr. Jiang.

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 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.



DIRECTORS' REPORT

Revenue and Assets subject to the Contractual Arrangements

For the year ended 31 December 2023, the revenue of Ming Yuan Cloud Procurement, subject to the Contractual Arrangements, was RMB416.39 million, accounting for approximately 25.40% of the consolidated revenue of the Group.

As at 31 December 2023, the total assets of Ming Yuan Cloud Procurement, subject to the Contractual Arrangements, was RMB327.55 million, accounting for approximately 5.60% 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 year ended 31 December 2023 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 year ended 31 December 2023 are on normal commercial terms or on terms more favourable to our Group in the ordinary and usual course of our Group's business, 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 31 December 2023.

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 (Revised) "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 stating that (a) nothing has come to our attention that causes us to believe that the disclosed continuing connected transactions have not been approved by the Company's board of directors; (b) nothing has come to our attention that causes us to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and (c) with respect of the disclosed continuing connected transactions with Ming Yuan Cloud Procurement under the contractual arrangements, nothing has come to our attention that causes us to believe that dividends or other distributions have been made by Ming Yuan Cloud Procurement to the holders of the equity interests of Ming Yuan Cloud Procurement which are not otherwise subsequently assigned or transferred to the Group.



DIRECTORS' REPORT

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 and in the announcement of the Company dated 10 September 2021.

- 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.



DIRECTORS' REPORT

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 for the year ended 31 December 2023 or as at 31 December 2023.

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 and its Controlling Shareholders or any of their subsidiaries (as applicable) for the year ended 31 December 2023.

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 for the year ended 31 December 2023 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' REPORT

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/her 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 (with the permitted indemnity provision (as defined in the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)) for the Directors during the year ended 31 December 2023.

STAFF, REMUNERATION POLICY AND DIRECTORS' REMUNERATION

As at 31 December 2023, we had 2,577 employees (as at 31 December 2022: 3,310 employees). For the year ended 31 December 2023, the Group's total staff costs amounted to approximately RMB1,599,847,000, 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, non-executive Directors, independent non-executive Directors and senior management of the Group were recommended by the Remuneration Committee and approved by the Board. Details of the Directors' remuneration during the Reporting Period are set out in note 10(c) to the consolidated financial statements. No amount was paid to any Director or any of the five highest paid individuals disclosed in note 10(b) 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 SCHEMES

The Company has adopted three share schemes, namely, (1) the Share Incentive Plan, (2) the Share Award Scheme and (3) the Share Option Scheme. Each of the Share Incentive Plan and the Share Award Scheme is funded by (i) new Shares to be issued and/or (ii) Shares previously issued to, and held on trust by, MYC Marvellous for the purpose of funding future grant of awards. The Share Option Scheme is funded by new Shares to be issued. Further details regarding the existing share schemes of the Company are set out below.

The total number of Shares that may be issued in respect of options and awards granted under all share schemes of the Company during the Reporting Period divided by the weighted average number of Shares in issue for the Reporting Period was 3.75%.

SHARE INCENTIVE PLAN

A share incentive plan (the “**Share Incentive Plan**”) was adopted and approved by resolutions in writing by the Board on 29 March 2020. Further details of the Share Incentive Plan are set forth in the section headed “Statutory and General Information – D. Share Incentive Plan” in Appendix IV to the Prospectus and note 27 to the consolidated financial statements.

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:

- 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;
- 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
- 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.



DIRECTORS' REPORT

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.

Maximum entitlement of a grantee

For any 12-month period up to including the date of grant, the aggregate number of awards granted to any Eligible Participant under the Share Incentive Plan and any other share incentive schemes of the Company (including without limitation, the Share Award Scheme and the Share Option Scheme) shall not exceed 1% of the total number of issued Shares at the relevant time, without Shareholders' approval.

Exercise Period and 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 under the Share Incentive Plan 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. Save as aforesaid, there is no other amount payable on application or acceptance of any option, RSU or Restricted Shares under the Share Incentive Plan, nor any period within which payments or calls must be or may be made or loans for such purposes must be repaid.

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

- ***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.

- ***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.



DIRECTORS' REPORT

- ***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 a 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.

Remaining life

Subject to earlier termination by the Board, the Share Incentive Plan shall be valid and effective for a period of 10 years since its adoption date. As at 31 December 2023, the remaining life of the Share Incentive Plan is approximately 6 years and 2 months.

Outstanding options granted

As of 31 December 2023, no options had been granted under the Share Incentive Plan.

Outstanding RSUs granted

As of 31 December 2023, the Company granted to certain eligible participants a total of 12,959,353 outstanding RSUs under the Share Incentive Plan to subscribe for an aggregate of 12,959,353 Shares, representing approximately 0.67% of the total number of issued Shares. As of 31 December 2023, an aggregate of 50,600,292 RSUs had been vested and a total of 8,795,033 RSUs had lapsed in accordance with the terms of the Plan.

The total number of Awards available for grant under the scheme mandate of the Share Incentive Plan as at 1 January 2023 and 31 December 2023 were 10,709,111 and 13,719,580 respectively. The total number of Shares held on trust by MYC Marvellous (for the purpose of funding future grant and/or vesting of awards) that are available for transfer upon vesting under the Share Incentive Plan is 11,062,471, representing 0.57% of the total number of issued Shares as at the date of this report.



DIRECTORS' REPORT

Further details of movement of awards of the Group under the Share Incentive Plan and the Share Award Scheme, in each case during the year ended 31 December 2023 have been set out in pages 67 to 69 of this annual report.

Save as disclosed herein, 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.

SHARE AWARD SCHEME

We adopted the Share Award Scheme on 11 June 2021 in order to, among other things, recognize the contributions by, and to motivate and retain, eligible persons. Further details of the Share Award Scheme are set out in the Company's announcement dated 11 June 2021.

Purpose

The purpose of the Share Award Scheme is to align the interests of eligible persons with those of the Group through ownership of Shares, dividends and other distributions paid on Shares and/or the increase in value of the Shares, and to encourage and retain eligible persons to make contributions to the long-term growth and profits of the Group.

Administration of Share Award Scheme

The Board has the power to administer the Share Award Scheme in accordance with the rules of the Share Award Scheme and, where applicable, the trust deed, including the power to construe and interpret the rules of the Share Award Scheme and the terms of the Awards granted under the Share Award Scheme. The Board may delegate the authority to administer the Share Award Scheme to a committee of the Board or other person(s) as deemed appropriate at the sole discretion of the Board. The Board or its delegate(s) may also appoint one or more independent third party contractors to assist in the administration of the Share Award Scheme as they think fit.

Eligible Persons to the Share Award Scheme

Any individual, being an employee, director (excluding non-executive Directors and independent non-executive Directors) or officer of any member of the Group or any affiliate who the Board or its delegate(s) considers, in its sole discretion, to have contributed or will contribute to the Group or any affiliate is eligible to receive an award. However, no individual who is resident in a place where the grant, acceptance or vesting of an Award pursuant to the Share Award Scheme is not permitted under the laws and regulations of such place or where, in the view of the Board or its delegate(s), compliance with applicable laws and regulations in such place makes it necessary or expedient to exclude such individual, shall be entitled to participate in the Share Award Scheme and such individual shall therefore be excluded from the term of eligible person.

Maximum Number of Shares to be Granted

The aggregate number of Shares (i.e. 96,357,499) which may be awarded under the Share Award Scheme will not exceed 5% of the total number of issued Shares as of the adoption date (i.e. 1,927,149,990) without Shareholders' approval.

Save as stated above, for any 12-month period, the aggregate number of Shares granted to any Selected Participant shall not exceed 1% of the total number of issued Shares at the relevant time, without Shareholders' approval.

Grant of Awards

The Board or the committee of the Board or person(s) to which the Board has delegated its authority may, from time to time, at their absolute discretion, grant an Award to a Selected Participant (in the case of the Board's delegate(s), to any Selected Participant other than a Director or an officer of the Company) by way of an Award Letter. The Award Letter will specify the grant date, the number of shares underlying the Award (the "**Award Shares**"), the vesting criteria and conditions, the vesting date and such other details as the Board or its delegate(s) may consider necessary.

Vesting of Awards

The Board or its delegate(s) may from time to time while the Share Award Scheme is in force and subject to all applicable laws, determine such vesting criteria and conditions or periods for the Award to be vested.

Within a reasonable time period as agreed between the trustee of the Share Award Scheme (the "**Trustee**") and the Board from time to time prior to any vesting date, the Board or its delegate(s) will send a vesting notice to the relevant Selected Participant and instruct the Trustee the extent to which the Award Shares held in the trust shall be transferred and released from the trust to the Selected Participant. Subject to the receipt of the vesting notice and notification from the Board or its delegate(s), the Trustee will transfer and release the relevant Award Shares in the manner as determined by the Board or its delegate(s). There is no amount payable on application or acceptance of the Award nor any period within which payments or calls must be or may be made or loans for such purposes must be repaid.



DIRECTORS' REPORT

If, in the absolute discretion of the Board or its delegate(s), it is not practicable for the Selected Participant to receive the Award in Shares, solely due to legal or regulatory restrictions with respect to the Selected Participant's ability to receive the Award in Shares or the Trustee's ability to give effect to any such transfer to the Selected Participant, the Board or its delegate(s) will direct and procure the Trustee to sell, on-market at the prevailing market price, the number of Award Shares so vested in respect of the Selected Participant and pay the Selected Participant the proceeds arising from such sale based on the actual selling price of such Award Shares in cash and the related income as set out in the vesting notice.

If there is an event of change in control of the Company by way of a merger, a privatization of the Company by way of a scheme or by way of an offer, the Board or the committee of the Board or person(s) to which the Board has delegated its authority shall at their sole discretion determine whether the Vesting Dates of any Awards will be accelerated to an earlier date.

Duration and Termination

The Share Award Scheme shall terminate on the earlier of:

- the end of the period of ten years commencing on its adoption date except in respect of any non-vested Award Shares granted hereunder prior to the expiration of the Share Award Scheme, for the purpose of giving effect to the vesting of such Award Shares or otherwise as may be required in accordance with the provisions of the Share Award Scheme; and
- such date of early termination as determined by the Board provided that such termination shall not affect any subsisting rights of any Selected Participant under the rules of the Share Award Scheme, provided further that for the avoidance of doubt, the change in the subsisting rights of a Selected Participant in this paragraph refers solely to any change in the rights in respect of the Award Shares already granted to a Selected Participant.

Remaining life

Subject to earlier termination by the Board, the Share Award Scheme shall be valid and effective for a period of 10 years since its adoption date. As at 31 December 2023, the remaining life of the Share Award Scheme is approximately 7 years and 5 months.

As of 31 December 2023, an aggregate of 13,839,860 Award Shares had lapsed or been forfeited in accordance with the terms of the Share Award Scheme.



DIRECTORS' REPORT

The total number of awards available for grant under the scheme mandate of the Share Award Scheme as at 1 January 2023 and 31 December 2023 were 48,127,114 and 36,461,453 respectively. The total number of Shares available for issue and/or transfer upon vesting or exercise of awards under the Share Award Scheme as at 31 December 2023 and the date of this annual report is 78,996,813, which represent approximately 4.07% of the total issued Shares as at the date of this annual report; amongst which, (A) 36,461,453 and 36,966,058 new Shares are available for issue upon vesting or exercise of awards under the Share Award Scheme as at 31 December 2023 and the date of this annual report, which represent approximately 1.88% and 1.90% of the total issued Shares as at the date of this annual report; and (B) 42,535,360 and 42,030,755 Shares (which were previously issued to, and held on trust by, MYC Marvellous for the purpose of funding future grant of awards) are available for transfer upon vesting of awards under the Share Award Scheme as at 31 December 2023 and the date of this annual report, which represent approximately 2.19% and 2.16% of the total issued Shares as at the date of this annual report.

Save as disclosed herein, since the adoption of the Share Award Scheme and up to 31 December 2023, no Awards had been granted or agreed to be granted, vested, transferred, released, forfeited or repurchased pursuant to the Share Award Scheme.

Details of movement in awards under the Share Incentive Plan and the Share Award Scheme during the Reporting Period pursuant to Rule 17.07 of the Listing Rules

Set forth below are the details of movement of awards (funded by (i) new Shares to be issued and/or (ii) Shares previously issued to, and held on trust by, MYC Marvellous for the purpose of funding future grant of awards) of the Group, in each case during the year ended 31 December 2023.

DIRECTORS' REPORT

Number of Shares underlying awards

Date of award	Unvested awards as at 1 January 2023	Granted during the Reporting Period	Vested during the Reporting Period	Lapsed/ forfeited during the Reporting Period	Cancelled during the Reporting Period	Unvested awards as at 31 December 2023	Vesting Period	Weighted average closing price of the Shares immediately before the dates on which the awards were vested (HK\$)	Performance target(s), if any
Employee Participants*									
10 April 2020 (Note 6)	9,030,000	-	3,720,000	350,000	-	4,960,000	25 September 2023 to 25 September 2025	3.56	N/A
1 July 2021 (Note 6)	35,196,472	-	10,044,299	2,537,879	-	22,614,294	1 July 2023 to 1 July 2026	3.51	See Note 1
29 October 2021 (Note 6)	1,816,207	-	420,292	365,703	-	1,030,212	29 October 2023 to 29 October 2026	3.29	See Note 1
11 January 2022 (Note 6)	5,467,361	-	-	868,748	-	4,598,613	11 January 2024 to 11 January 2027	-	See Note 1
30 May 2022 (Note 6)	5,988,916	-	-	3,379,973	-	2,608,943	30 May 2024 to 30 May 2027	-	See Note 2
14 November 2022 (Note 6)	1,358,121	-	-	759,494	-	598,627	14 November 2024	-	See Note 2
14 November 2022 (Note 6)	7,044,997	-	1,743,245	398,734	-	4,903,018	1 July 2023 to 1 July 2026	3.51	See Note 2
17 January 2023 (Note 8)	-	75,037	-	45,754	-	29,283	17 January 2025	-	See Note 2
28 April 2023 (Note 8)	-	5,177,329	-	420,959	-	4,756,370	28 April 2025	-	See Note 2
7 July 2023 (Note 8)	-	8,032,650	-	798,711	-	7,233,939	7 July 2025	-	See Note 2
15 November 2023 (Note 8)	-	1,742,618	-	-	-	1,742,618	15 November 2025	-	See Note 2
15 November 2023 (Note 8)	-	14,418,796	14,000,000	-	-	418,796	15 November 2023 to 15 November 2025	3.48	See Note 3

Notes:

- These awards are subject to the following performance targets: 1) grantees not graded "C" or worse for his/her personal evaluations for the year preceding the vesting date; 2) grantees not failing to meet prescribed performance targets for the year preceding the vesting date; and 3) grantees passing his/her corresponding rank certification.
- These awards are subject to the following performance targets: 1) grantees not graded "C" or worse in terms of his/her performance assessment (if applicable) for each of the preceding two years; 2) grantees achieving the prescribed performance targets for each of the preceding two years (if applicable); and 3) grantees passing his/her corresponding rank certification (if applicable) for each of the preceding two years.

DIRECTORS' REPORT

- 3 Certain awards granted to selected employee participant(s) recognized for their past contribution to the Group are not subject to any performance targets. Other awards are subject to the following performance targets: 1) grantees not graded "C" or worse in terms of his/her personal evaluations for the preceding one or two year(s) (as the case may be); 2) grantees achieving the prescribed performance targets for the preceding one or two year(s) (as the case may be) (if applicable); and 3) grantees passing his/her corresponding rank certification for the preceding one or two year(s) (as the case may be).
- 4 The following grants were made during the Reporting Period:

Date of grant	Number of award shares or RSUs granted	Closing price of Shares immediately before date of grant (HK\$)	Fair value of awards at the date of grant per Share (HK\$) (Note 8)
Employee Participants*			
17 January 2023	75,037	7.73	7.73
28 April 2023	5,177,329	3.97	3.97
7 July 2023	8,032,650	3.47	3.47
15 November 2023	1,742,618	3.48	3.48
15 November 2023	14,418,796	3.48	3.48

- 5 These grants were made without any exercise period, exercise price nor purchase price attached thereto.
- 6 These grants were made prior to the amendment to Chapter 17 of the Listing Rules taking effect.
- 7 None of the grantees under the Share Incentive Plan and the Share Award Scheme is (i) a Director, chief executive or substantial shareholder of the Company, or an associate (as defined in the Listing Rules) of any of them; (ii) a participant with options and awards granted and to be granted exceeding the 1% individual limit under Rule 17.03D of the Listing Rules; or (iii) a related entity participant or service provider with options and awards granted and to be granted in any 12-month period exceeding 0.1% of the issued Shares.
- 8 Details of the valuation of the share awards of the Company during the Reporting Period, including the accounting standard and policy adopted for the share schemes, are set out in note 27 to the consolidated financial statements.
- * Employee Participants include employees of any member of the Group

SHARE OPTION SCHEME

The Company has adopted the share option scheme (the "**Share Option Scheme**"), which was approved by the Shareholders on 11 June 2021 and has a remaining term of approximately 7 years and 5 months as at the date of this annual report.

Purpose

The purpose of the Share Option Scheme is to provide incentives and rewards for the Directors, executives or officers and employees of the Group for their contributions to, and continuing efforts to promote the interest of, the Company.



DIRECTORS' REPORT

Eligible Participants

The eligible participants for the Share Option Scheme include any employee (whether full time or part time), executives or officers, directors (including executive, non-executive and independent non-executive Directors) of any member of the Group who, in the sole opinion of the Board, have contributed or will contribute to the growth and development of the Group.

Maximum Number of Shares

The maximum number of Shares which may be issued upon the exercise of all outstanding Options granted and yet to be exercised under the Share Option Scheme and any other schemes of the Company, must not, in aggregate, exceed 30% (or such other percentage as may be allowed under the Listing Rules) of the total number of Shares in issue from time to time.

The Board may grant Options under the Share Option Scheme generally and without further authority, to the extent to which the total number of Shares which may be issued upon exercise of all Options to be granted under the Share Option Scheme and any other schemes of the Company in aggregate not exceeding 5% of the total number of Shares in issue as at the date of Shareholders' approval of the Share Option Scheme (the "**Share Option Scheme Limit**"). For the avoidance of doubt, Shares which are the subject matter of any Options that have already lapsed in accordance with the terms of the Share Option Scheme shall not be counted.

The Company may seek the approval of its shareholders in general meeting to refresh the Share Option Scheme Limit such that the total number of Shares which may be issued upon exercise of all Options that may be granted under the Share Option Scheme and any other option scheme/plan involving the issue or grant of options over Shares or other securities by the Company under the limit as refreshed shall not exceed 10% of the issued share capital of the Company as at the date of approval of the refreshed limit. Options previously granted under the Share Option Scheme or any other option scheme, including options outstanding, cancelled or lapsed in accordance with the relevant option scheme or exercised options, shall not be counted for the purpose of calculating the limit to be refreshed.

The Company may seek the approval of its shareholders in general meeting to grant Options which will result in the number of Shares in respect of all the Options granted under the Share Option Scheme and all the options granted under any other option scheme exceeding 10% of the issued share capital of the Company, provided that such Options are granted only to participants specifically identified by the Company before the approval of its shareholders is sought.

Maximum Entitlements to Each Eligible Participant and Options Granted to Certain Connected Persons

No Option may be granted to any eligible participant which, if exercised in full, would result in the total number of Shares issued and to be issued upon exercise of the Options already granted or to be granted to such eligible participant under the Share Option Scheme (including exercised, cancelled and outstanding Options) in the 12-month period up to and including the grant date of such new grant exceeding 1% in aggregate of the issued share capital of the Company as at such grant date of such new grant. Any grant of further Options above this limit shall be subject to the requirements provided under the Listing Rules, including (1) such grant has been duly approved, in the manner prescribed by the relevant provisions of Chapter 17 of the Listing Rules, by resolution of the Shareholders in general meeting, at which the relevant eligible participant and his close associates (or his associates if the relevant eligible participant is a connected person) shall abstain from voting; (2) a circular regarding the grant has been despatched to the Shareholders in a manner complying with, and containing the information specified in, the relevant provisions of Chapter 17 of the Listing Rules; and (3) the number and terms (including the exercise price) of such Option are fixed before the general meeting of the Company at which the same are approved.

Any grant of Options to a connected person (as defined in the Listing Rules) of the Company, or any of his Associates, shall also comply and be approved in accordance with the applicable requirements of the Listing Rules, including but not limited to:

- if Options are granted to a director, chief executive or substantial shareholder of the Company or any of their respective associates, such grant shall be subject to the approval by the independent non-executive directors of the Company (and in the event that the Board offers to grant Options to an independent non-executive director of the Company, the vote of such independent non-executive director shall not be counted for the purposes of approving such grant); and
- if Options are granted to a substantial shareholder or an independent non-executive director of the Company (or any of their respective associates) and that grant would result in the Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person under the Share Option Scheme and any other schemes in the 12-month period up to and including the grant date:
 - (a) representing in aggregate over 0.1% or such other percentage as may from time to time be provided under the Listing Rules, of the Shares in issue on the grant date; and



DIRECTORS' REPORT

- (b) having an aggregate value, based on the official closing price of the Shares as stated in the daily quotation sheets of the Stock Exchange on the grant date, in excess of HK\$5 million or such other sum as may from time to time be provided under the Listing Rules, such grant shall be subject to, in addition to the approval of the independent non-executive directors of the Company, the issue of a circular by the Company to its shareholders and the approval of the shareholders of the Company in general meeting by way of a poll convened and held in accordance with the Articles of Association at which the grantee, his associate(s) and all core connected persons of the Company (as defined under the Listing Rules) shall abstain from voting in favor of the resolution concerning the grant of such Options at the general meeting, and/or such other requirements prescribed under the Listing Rules from time to time. Unless provided otherwise in the Listing Rules, the date of the Board meeting at which the Board proposes to grant the proposed Options to that eligible participant shall be taken as the grant date for the purpose of calculating the subscription price.

Administration

The Share Option Scheme shall be subject to the administration of the Board whose decision on all matters arising in relation to the Share Option Scheme shall be final and binding on all persons who may be affected thereby.

Exercise Price

The exercise price of any of any particular Option granted under the Share Option Scheme shall be a price determined by the Board and notified to any grantee, and shall be at least the highest of (a) the closing price of a Share as stated in the Stock Exchange's daily quotations sheet on the grant date of the relevant Options, which must be a business day; (b) an amount equivalent to the average closing price of a Share as stated in the Stock Exchange's daily quotation sheets for the five (5) business days immediately preceding the grant date of the relevant Options; and (c) the nominal value per Share on the grant date.

An amount of RMB1.00 is payable by the grantee to the Company upon acceptance of the offer of Options, and such remittance shall not be refundable and shall not be deemed to be a part payment of the exercise price. Save as aforesaid, there is no other amount payable on application or acceptance of any Option under the Share Option Scheme, nor any period within which payments or calls must be or may be made or loans for such purposes must be repaid.

Exercise Period

The Board may specify the exercise period (the "**Exercise Period**") and the vesting schedule of the Options in the grant letter, and in all circumstances all Options shall automatically lapse upon the expiry of the tenth (10th) anniversary of the grant date. Unless the Options have been withdrawn and cancelled or been forfeited in whole or in part, the grantee may exercise his rights under the Share Option Scheme according to the vesting schedule set out in the relevant grant letter.

DIRECTORS' REPORT

No offer of Options shall be open for acceptance after the expiry of the duration of the Share Option Scheme or after the Share Option Scheme has been terminated in accordance with the provision of the Share Option Scheme. An offer of Options not accepted within this period shall lapse. An offer may not be accepted unless the grantees remains an eligible participant on acceptance.

Period of Share Option Scheme

Subject to earlier termination by the Board, the Share Option Scheme shall be valid and effective for a period of 10 years commencing on its adoption date, after which period no further Options will be granted under the Share Option Scheme, but the provisions of the Share Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any Options granted prior thereto or otherwise as may be required in accordance with the provisions of the Share Option Scheme.

For further details of the Share Option Scheme, please refer to the Company's circular dated 12 May 2021.

During the Reporting Period, on 17 January 2023, the Board resolved to grant a total of 41,200,000 Options to fifty nine eligible participants, being the employees of the Group, to subscribe for a total of 41,200,000 Shares pursuant to the Share Option Scheme. The Options granted are subject to, amongst others, a vesting schedule in tranches and fulfilment of performance targets. For details, please refer to the announcement of the Company dated 17 January 2023. Since the adoption of the Share Option Scheme and up to 31 December 2023, save for the aforesaid grant of 41,200,000 Options, no other option had been granted or agreed to be granted by the Company under the Share Option Scheme. Accordingly, the total number of options available for grant under the scheme mandate of the Share Option Scheme as at 1 January 2023 and 31 December 2023 were 96,357,499 and 55,357,499 respectively. The total number of new Shares available for issue under the Share Option Scheme as at 31 December 2023 and the date of this annual report is 55,357,499 and 56,857,499 respectively, which represents approximately 2.85% and 2.93% of the total issued Shares as at the date of this annual report respectively.

Details of movement in Options under the Share Option Scheme during the Reporting Period pursuant to Rule 17.07 of the Listing Rules

Date of grant	As at 1 January 2023	Granted during the Reporting Period	Exercised during the Reporting Period	Lapsed/ forfeited during the Reporting Period	Cancelled during the Reporting Period	As at 31 December 2023	Exercise price HK\$	Exercise period/ Performance targets
Employee Participants								
17 January 2023	-	41,200,000	-	200,000	-	41,000,000	8.196	See Note 1
Total:	-	41,200,000	-	200,000	-	41,000,000		



DIRECTORS' REPORT

Notes:

- 1 The aforesaid Options shall automatically lapse upon the expiry of the tenth anniversary of the grant date. Provided that a grantee remains as an eligible participant under the Share Option Scheme and employed with the Group at the time of vesting of the Share Options, the vesting of each tranche shall be subject to fulfilment of performance targets, including (i) not having been graded "C" or worse for his or her personal evaluations in accordance with the performance management policies of the Group; or (ii) not having received any assessment which, by nature, indicates a failure to meet prescribed performance targets or standards, in each case, for each financial year ending 31 December preceding the aforesaid vesting dates.
- 2 These Options are to be vested: 1) 25% of the Share Options on 17 January 2025; 2) 25% of the Share Options on 17 January 2026; 3) 25% of the Share Options on 17 January 2027; and 4) 25% of the Share Options on 17 January 2028.
- 3 Since the adoption of the Share Option Scheme, the only Options ever granted were those granted on 17 January 2023 to eligible employee participants of the Group; and no Options had been granted to (i) any Director, chief executive, substantial shareholder or their respective associates; or (ii) related entity participant or service provider. In addition, there is no participant with options and awards granted and to be granted in excess of the 1% individual limit.
- 4 The closing price of the Shares immediately before the date of grant of the aforesaid Options was HK\$7.73. For the fair value per share of the aforesaid Options as at the date of grant, please refer to note 27 to the consolidated financial statements.
- 5 None of the grantees under the Share Option Scheme is (i) a Director, chief executive or substantial shareholder of the Company, or an associate (as defined in the Listing Rules) of any of them; (ii) a participant with options and awards granted and to be granted exceeding the 1% individual limit under Rule 17.03D of the Listing Rules; or (iii) a related entity participant or service provider with options and awards granted and to be granted in any 12-month period exceeding 0.1% of the issued Shares.

EQUITY-LINKED AGREEMENT

Save as disclosed in the sections headed "Share Incentive Plan", "Share Award Scheme" and "Share Option Scheme" above, there was no equity-linked agreement entered into by the Company during the year ended 31 December 2023.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2023, the respective percentage of purchases attributable to the Group's largest supplier and five largest suppliers in aggregate was 11.49% and 33.03% and the respective percentage of the total sales attributable to the Group's largest customer and five largest customers in aggregate was 2.20% and 7.72%, 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 during the year ended 31 December 2023.

DIRECTORS' REPORT

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

During the year ended 31 December 2023, the Company has repurchased a total of 1,373,000 Shares (the "Share Repurchased") on the Stock Exchange at an aggregate consideration of approximately HK\$4.01 million before expenses. The Company cancelled a total of 44,131,000 Shares on 16 March 2023 and a total of 313,000 Shares on 30 November 2023, respectively. As at 31 December 2023, a total of 1,060,000 Shares Repurchased remained outstanding and had not been cancelled. Subsequent to the Reporting Period, the Company has repurchased a total of 6,371,000 Shares on the market at the aggregate consideration of approximately HK\$13.14 million including expenses in January 2024 and February 2024. Details of the Shares Repurchased by the Company during the Reporting Period are as follows:

Month of repurchase in 2023	Total number of Shares Repurchased	Purchase price paid per Share		Aggregate consideration paid HK\$
		Highest HK\$	Lowest HK\$	
May	313,000	3.20	3.19	1,004,278.56
December	1,060,000	2.85	2.78	3,007,522.73
Total	1,373,000			4,011,801.29

The Directors were of the view that the Share Repurchased would reflect the Board and the management team's confidence in the Company's business development prospects. Therefore, the Directors believed that the Share Repurchased were in the best interests of the Company and its shareholders as a whole.

Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the Reporting Period.

CHARITABLE CONTRIBUTIONS

During the year ended 31 December 2023, the Group made a charitable contribution of approximately RMB0.04 million.



DIRECTORS' REPORT

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 year ended 31 December 2023, 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 77 to 97 of this annual report.

AUDITOR

The consolidated financial statements of the Group for the year ended 31 December 2023 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. There was no change in the auditor of the Company in the preceding three years.

By order of the Board of Directors

Ming Yuan Cloud Group Holdings Limited

Mr. Gao Yu

Chairman

Shenzhen, the PRC, 19 March 2024



CORPORATE GOVERNANCE REPORT

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 C1 to the Listing Rules as the basis of the Company's corporate governance practices.

In the opinion of the Directors, during the year ended 31 December 2023, 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 C3 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 year ended 31 December 2023.

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 31 December 2023.

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.



CORPORATE GOVERNANCE REPORT

Board Composition

The Board currently comprises seven Directors, consisting of three executive Directors, one non-executive Director 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 (*resigned with effect from 28 March 2023*)

Non-executive Directors

Mr. Liang Guozhi

Mr. Yi Feifan (*resigned with effect from 28 March 2023*)

Independent non-executive Directors

Mr. Li Hanhui

Mr. Zhao Liang

Ms. Tong Naqiong

The biographical information of the Directors is set out in the section headed “Directors and Senior Management – Directors” on pages 29 to 35 of this annual report.

Save as disclosed in this annual 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.

In terms of gender diversity, while there has already been one female Director on the Board as at 31 December 2023, the Company and the Nomination Committee recognise the importance and benefits of gender diversity at the Board level and are committed to continue to identify female candidates and ensure at least one member of the Board shall be female. The Company is committed to ensuring that recruitment and selection practices at all levels (from the Board downwards) are appropriately structured so that a diverse range of candidates are considered.

As disclosed in the section headed “Nomination Committee” and “Board Diversity Policy” in this annual report, the Board will consider setting measurable objectives to implement the Board Diversity Policy and review such objectives from time to time to ensure their appropriateness and ascertain the progress made towards achieving those objectives. The Nomination Committee will review the Board Diversity Policy, as appropriate, to ensure its effectiveness.

As at 31 December 2023, our workforce (including the senior management) consisted of 1,702 male employees and 875 female employees, representing approximately 66.05% and 33.95% of the total workforce, respectively. The Company will continue to take gender diversity into consideration during recruitment and increase the female proportion at all levels over time with the ultimate goal of achieving gender parity.



CORPORATE GOVERNANCE REPORT

Board Meetings and General Meetings

Code provision C.5.1 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 C.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.

The Board met six times during the year ended 31 December 2023 for purposes of, including but not limited to, reviewing and approving the audited annual results of the Group for the year ended 31 December 2022, the unaudited interim results of the Group for the six months ended 30 June 2023 and its publication, and considering the payment of an interim and a final dividend, approving grants of share options and share awards pursuant to relevant share schemes, and change of officers.

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.

The Company held the annual general meeting on 29 May 2023 during the year ended 31 December 2023. All proposed Shareholders' resolution put to the above general meetings were duly passed by way of poll. Please refer to the announcement of the Company dated 29 May 2023 for details. No extraordinary general meeting had been held during the year ended 31 December 2023.

CORPORATE GOVERNANCE REPORT

The attendance records of each Director at the Board meetings and general meeting(s) of the Company for the year ended 31 December 2023 are set out below:

Name of Director	Attendance/ Number of Board Meetings	Attendance/ Number of Annual General Meeting
Mr. Gao Yu	6/6	1/1
Mr. Jiang Haiyang	6/6	1/1
Mr. Chen Xiaohui	6/6	1/1
Mr. Jiang Keyang (<i>resigned with effect from 28 March 2023</i>)	2/6	N/A
Mr. Liang Guozhi	6/6	1/1
Mr. Yi Feifan (<i>resigned with effect from 28 March 2023</i>)	2/6	N/A
Mr. Li Hanhui	6/6	1/1
Mr. Zhao Liang	6/6	1/1
Ms. Tong Naqiong	6/6	1/1

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

During the year ended 31 December 2023 and up 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 year ended 31 December 2023 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.



CORPORATE GOVERNANCE REPORT

Appointment and Re-election of Directors

Each of the executive Directors has entered into a service contract with the Company for a term of three years commencing from 25 September 2023, 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. 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 of the other Directors subject to retirement by rotation 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 or as an addition to the existing Board shall hold office 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.



CORPORATE GOVERNANCE REPORT

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.

In compliance with the code provision of C.1.4 of the CG Code, 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 31 December 2023, the Directors are continually provided with information relating to the developments in the legal and regulatory regime and the business and market environments to facilitate the execution of their responsibilities. Continuing briefings and professional development for the Directors were arranged by the Company and its professional advisers. According to the records kept by the Company, during the year ended 31 December 2023, each of the Directors, namely Mr. Gao Yu, Mr. Jiang Haiyang, Mr. Chen Xiaohui, Mr. Liang Guozhi, Mr. Li Hanhui, Mr. Zhao Liang and Ms. Tong Naqiong attend trainings that are relevant to the Director's professional knowledge and skills and in performing their duties and responsibilities as Directors.



CORPORATE GOVERNANCE REPORT

The training records of the Directors during the year ended 31 December 2023 are summarized as follows:

Directors	Participated in continuous professional development ^{Note}
<i>Executive Directors</i>	
Mr. Gao Yu	✓
Mr. Jiang Haiyang	✓
Mr. Chen Xiaohui	✓
Mr. Jiang Keyang (<i>resigned with effect from 28 March 2023</i>)	✓
<i>Non-executive Directors</i>	
Mr. Liang Guozhi	✓
Mr. Yi Feifan (<i>resigned with effect from 28 March 2023</i>)	✓
<i>Independent Non-executive Directors</i>	
Mr. Li Hanhui	✓
Mr. Zhao Liang	✓
Ms. Tong Naqiong	✓

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.



CORPORATE GOVERNANCE REPORT

Audit Committee

The Audit Committee consists of three members, including three independent non-executive Directors, namely Ms. Tong, Mr. Li and Mr. Zhao. Ms. Tong, 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, risk management and internal controls system of the Group, review effectiveness of the internal audit function, assist the Board in reviewing the scope of audit, appointment, re-appointment and removal of external auditors, review and approve connected transactions and to advise the Board.

During the year ended 31 December 2023, the Audit Committee held three meetings to review the interim and annual results of the Company; to review financial reporting system and the effectiveness of the risk management and internal control systems of the Group; discussing with the external auditor to assess the impact on applying the new accounting standards; discussing with the external auditor the plan for auditing; considering the re-appointment of external auditor of the Company, reviewing its independence and qualification, and reviewing and approving the audit scope and fees proposed by the external auditor and make relevant recommendation to the Board.

The attendance records of the Audit Committee Meetings are set out below:

Name of Audit Committee Member	Attendance/Number of Meetings
Mr. Li Hanhui	3/3
Mr. Zhao Liang	3/3
Ms. Tong Naqiong	3/3

The Company's annual results for the year ended 31 December 2023 have been reviewed by the Audit Committee on 19 March 2024. The Audit Committee considers that the annual financial results for the year ended 31 December 2023 are in compliance with the relevant accounting standards, rules and regulations and appropriate disclosures have been duly made.



CORPORATE GOVERNANCE REPORT

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 and Mr. Zhao. Mr. Li 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 overall remuneration policy and structure relating to the Directors and senior management of the Group; the terms of remuneration packages, bonuses and other compensation payable to our Directors and senior management; and review and/or approve the matters relating to the share schemes of the Company. The Remuneration Committee has adopted the model as described in code provision E.1.2(c)(ii) of the CG Code to make recommendations to the Board on the remuneration packages of individual executive Directors and senior management, including salaries, bonuses, pension rights, compensation payments and benefits in kind.

During the year ended 31 December 2023, the Remuneration Committee held three meetings to review the remuneration of the Directors and senior management of the Company and the Company's remuneration policies, practices and related matters.

The attendance records of the Remuneration Committee Meetings are set out below:

Name of Remuneration Committee Member	Attendance/Number of Meetings
Mr. Gao Yu	3/3
Mr. Li Hanhui	3/3
Mr. Zhao Liang	3/3

The remuneration payable to the Directors and senior management of the Group for the year ended 31 December 2023 is shown in the following table by band:

Annual Remuneration	Number of individual(s)
RMB0 to RMB500,000	4
RMB500,001 to RMB1,000,000	4
RMB1,000,001 to RMB1,500,000	0
RMB1,500,001 to RMB2,000,000	2
Total	10



CORPORATE GOVERNANCE REPORT

Further details of the remuneration payable to the Directors and the five highest paid individuals for the year ended 31 December 2023 are set out in note 10(b) to the consolidated financial statements in this annual report.

Material matters relating to the Share Incentive Plan and Share Award Scheme that were reviewed and approved by the Remuneration Committee during the Reporting Period are set out below:

- 1) Review and make recommendations to the Board regarding the overall remuneration policy and structure relating to the Directors and senior management of the Group;
- 2) Grant of 75,037 RSUs and 1,742,618 RSUs under the Share Incentive Plan on 17 January 2023 and 15 November 2023, respectively, without a clawback mechanism; and
- 3) Grant of certain Award Shares under the Share Award Scheme on 15 November 2023 with a shorter vesting period of less than 12 months.

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 and Ms. Tong. 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 and re-appointment of Directors and Board succession, and assess the independence of independent non-executive Directors. The Nomination Committee should seek independent professional advice to perform its responsibilities, when necessary, at the Company's expense.

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.

During the year ended 31 December 2023, the Nomination Committee held one meeting to review the nomination procedures; to review the composition and diversity of the Board, the Nomination Committee, the Remuneration Committee and the Audit Committee; to consider and recommend to the Board on the re-election of Directors at the Company's annual general meeting; to review the implementation and effectiveness of the Board Diversity Policy and the Director Nomination Policy; and to assess the independence of the independent non-executive Directors. The Nomination Committee was satisfied with the current procedures and composition.



CORPORATE GOVERNANCE REPORT

The attendance records of the Nomination Committee Meetings are set out below:

Name of Nomination Committee Member	Attendance/Number of Meetings
Mr. Gao Yu	1/1
Mr. Zhao Liang	1/1
Ms. Tong Naqiong	1/1

Where vacancies on the Board arise, the Nomination Committee will carry out the selection process by making reference to the skills, experience, professional knowledge, personal integrity and time commitments of the proposed candidates, the Company's needs and other relevant statutory requirements and regulations.

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 six 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. The Nomination Committee has been monitoring and evaluating the implementation of the Board Diversity Policy from time to time to ensure its continued.

The Company has established mechanisms which will ensure that there are channels (in addition to independent non-executive directors) where independent views are available, including the access by directors of the Company to external independent professional advice to assist their performance of duties.

During the Reporting Period, the Board and the Nomination Committee has reviewed the implementation and effectiveness of the Board Diversity Policy and the above mechanisms.

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



CORPORATE GOVERNANCE REPORT

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. 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 A.2.1 of the CG Code.

During the year ended 31 December 2023, 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.



CORPORATE GOVERNANCE REPORT

RISK MANAGEMENT AND INTERNAL CONTROLS

Governance Structure of Risk Management and Internal Control

The Board acknowledges its responsibilities to make sure that the Group maintains a solid and effective internal control system and monitor the effective implementation of such system. On behalf of the Board, the Audit Committee annually reviews the effectiveness of the internal control and risk management systems. The Board is also responsible for overseeing the risks to the Group, determining the risks that the Group is expected and able to tolerate, and actively considering, analysing and formulating strategies to manage the critical risks to the Group. The Group has designed and implemented an internal control and risk management framework. The internal control system of the Group is designed to manage, rather than eliminate, the risks that impede the ability of the Group to achieve its business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The business operation departments of the Group identify, evaluate and respond to the risks owned by the departments according to their responsibilities, and implement risk management procedures and internal control measures within the scope of each business and functional operation. Meanwhile, the management has established the risk control and compliance management department, which is responsible for providing an independent supervision and audit on the effectiveness of the Group's governance, risk management and internal control systems.

1 Internal Control

The Group has designed an internal control system based on its business characteristics. The internal control system establishes clear policies and procedures for the key business processes, and clearly specifies the roles and responsibilities of each party as well as the authorisation required for the key actions of the Group. Through the control self-assessment, the management evaluates the general effectiveness of the internal control system of the Group.

2 Risk Management

The Group has risk management processes to address various risks in relation to its operations. The Group's risk management objectives include (1) identifying internal and external risks that may affect the achievement of its operating objectives; (2) analysing and evaluating priorities of identified risks; (3) developing risk mitigation plans and action plans to enable reasonable resource allocation by the Group to cope with risks; and (4) supervising the implementation of its risk mitigation plans.



CORPORATE GOVERNANCE REPORT

The management has analysed and assessed the nature and severity of the major risks faced in 2023 through the above risk management processes. With the changing external and internal operating environment, especially the end of the COVID-19 pandemic, the management believes that among the significant risks disclosed in 2022, the public event response risk is no longer regarded as a significant risk for the Group, while other risks remained stable.

On behalf of the Board, the Audit Committee monitors the risk profile of the Group and evaluates changes in the nature and severity of the significant risks to the Group. The Audit Committee believes that management has taken appropriate measures to address and manage the significant risks to a level acceptable to the Board.

The following summarizes the current significant risks to the Group and its responses to risks. The Group's risk profile may change and the risks listed below are not exhaustive.

2.1 Macro Political, Economic, and Business Environment Risk

The real estate market in China may be adversely affected by various factors, including the macroeconomy of China, the supply and demand of real estate, and any macro-economic control measures imposed by the government of China on real estate enterprises. In 2023, China's real estate market remained in an adjustment and transformation stage. In the continuous fluctuations of the industry, a number of real estate enterprises have elevated "cost reduction and efficiency improvement" to a strategic position, which brings huge challenges to the Group's business expansion. The downturn or adverse development of the real estate market of China may reduce the demand for the Group's software solutions from real estate enterprise customers and impair the Group's profitability.

In order to cope with the risks brought by the macro-political economy and business environment and ensure sustained and healthy business development, the Group sets up professional departments and teams, pays close attention to the industry dynamics and policy changes, and conducts analysis and research accordingly, providing the senior management with insights and references for developing business strategies. The Group also makes timely strategic adjustments to cope with industry adjustments. On the one hand, it adjusts the target customer groups. On the other hand, it covers the digital products along the whole real estate business chain in terms of products, and makes internal business and organizational changes, so as to ensure that it can better support the Group's strategic implementation.



CORPORATE GOVERNANCE REPORT

2.2 Information Security Risk

The Group attaches great importance to the protection of customer data, which is very important to the Group's business. The Group is also aware that any information security incidents in respect of business secrets of the Group may lead to loss or theft of its business secrets, customer and user data, which has a significant impact on the Group, its customers and users, and significant reputational risk to the Group and even legal proceedings.

The Group has the responsibility to protect sensitive customer information. It has provided employees with information security awareness training and implemented various control measures to ensure the protection of user data. The Group has established data storage, backup, emergency drills, protection control, etc. to ensure the security of the data storage, and regularly conducts penetration tests, disaster preparedness drills and external drills.

The Group has passed the information security protection certification (level 3) and obtained the ISO27001 information security management system certification. Meanwhile, the Group regularly assesses its network security and establishes coordination and emergency response mechanisms to deal with various information security threats in a timely manner. The Group has also established the SDL security management model, setting six bottom-line security risks as the primary goal of information security construction, and achieving closed-loop management of the software development life cycle covering security requirements, security design, security development, acceptance testing and security release.



CORPORATE GOVERNANCE REPORT

2.3 Market Competition Risk

The Group may face intensified competition in the market, in acquiring new customers and expanding the SaaS product business. Although the Group has a leading advantage in the field of real estate digital services, as the digital transformation accelerates, new competitors and technological innovations may pose certain challenges to the Group's market position. On the other hand, as the Group actively invests in expanding state-owned enterprise customers focusing on industrial development and infrastructure development, customers also have higher expectations for digital application investment in products and services. Therefore, it is a major challenge for the Group to enable its products to meet the standards for localized substitution selection through technological innovation and product innovation, so as to create value for more state-owned enterprise customers.

The Group pays close attention to the changing trend of the real estate industry and customer demand. In order to maintain a competitive advantage in business, the Group has continued to invest in research and development to strengthen its product and technical capabilities, provide better products, solutions and services to customers in the asset management field, and enhance the Group's service capabilities in construction, operation and asset management in the real estate field. Meantime, for the younger generation of home buyers, we have developed a large number of digital products around the entire live-streaming model, and introduced customers from online to offline through video and live streaming, which accelerates the growth of the second curve business.

EFFECTIVENESS OF INTERNAL CONTROL AND RISK MANAGEMENT

On behalf of the Board, the Audit Committee conducts an annual review of the effectiveness of the Group's internal control and risk management systems for the year ended 31 December 2023. The review procedures comprise of, among other things, meeting with management of business units, and the external auditors, reviewing management's self-assessment results on internal control and risk assessment and discussing the significant risks with the senior management team and receiving whistleblower reports, if any, through various channels and following up and investigating alleged activities. During the Reporting Period, the Board is of the view that the Group's internal control and risk management systems are effective and adequate, and the Group has complied with the code provisions of the CG Code in relation to internal control and risk management.



CORPORATE GOVERNANCE REPORT

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 31 December 2023 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 98 to 105.

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 31 December 2023 is set out below:

Service Category	Fees Paid/Payable
	<i>RMB'000</i>
Audit services	4,200
Non-audit services	2,645
Total	6,845

The non-audit services provided by PricewaterhouseCoopers mainly include interim financial statement review and management consulting related services.

JOINT COMPANY SECRETARIES

During the Reporting Period, Mr. Jiang Keyang, our former executive Director, was one of our joint company secretaries of the Company and was responsible for advising the Board on corporate governance matters and ensuring that Board policy and procedures, and applicable laws, rules and regulations are followed. Subsequently on 28 March 2023, Mr. Jiang Keyang resigned as an executive Director and a joint company secretary of the Company and Mr. Ye Junwen was appointed as one of our joint company secretary of the Company on the same day.



CORPORATE GOVERNANCE REPORT

During the Reporting Period, in order to uphold good corporate governance and ensure compliance with the Listing Rules and applicable Hong Kong laws, the Company also engaged Ms. Szeto Kar Yee Cynthia (“**Ms. Szeto**”), a manager of listing services department of TMF Hong Kong Limited (a global corporate services provider), as another joint company secretary of the Company to assist Mr. Jiang Keyang and Mr. Ye Junwen to discharge their duties as company secretary of the Company. On 7 July 2023, Ms. Szeto resigned as a joint company secretary of the Company, and Ms. Leung Shui Bing (“**Ms. Leung**”), a manager of listing services department of TMF Hong Kong Limited (a global corporate services provider), was appointed by the Company as the Joint Company Secretary in replacement of Ms. Szeto, with effect from 7 July 2023. Mr. Ye Junwen will continue to serve as the other Joint Company Secretary of the Company and he is Ms. Leung’s primary contact person in the Company.

For the year ended 31 December 2023, each of Mr. Ye Junwen, and Ms. Leung 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 enable shareholders and other stakeholders to exercise their rights in an informed manner based on a good understanding of the Group’s operations, businesses and financial information, the Company adopted the shareholders’ communication policy with the objective of ensuring equal, timely, effective, transparent, accurate and open communications with the shareholders of the Company. The policy also sets out a number of ways to ensure effective and efficient communication strategies with shareholders and other stakeholders are achieved, including but not limited to actionable corporate communications (in both English and Chinese, to facilitate shareholders’ understanding), posting of relevant information on the corporate website and shareholders’ meetings.

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.

General meetings provide an opportunity for constructive communication between the Company and the shareholders. For shareholders to communicate their views on various matters affecting the Company and the Company to solicit and understand the views of shareholders and other stakeholders, the Company adopts a number of mechanisms, including encouraging shareholders to participate in general meetings or to appoint proxies to attend and vote at the meetings for and on their behalf if they are unable to attend the meetings.



CORPORATE GOVERNANCE REPORT

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 financial year other than the financial year of the Company's adoption of the Articles of Association and such annual general meeting must hold within six (6) months after the end of the Company's financial year, unless a longer period would not infringe the Listing Rules, if any. 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.

To facilitate communication between the Company, shareholders and the investor community, the corporate website has been adopted as the designated hub for publication of the corporate information, such as principal business activities and latest development of the Company and the Group. Also, it provides information on corporate governance of the Group as well as the compositions and functions of the Board and the Board committees.

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 proposals or enquiries as mentioned above to the following:

Address: 801, Tower A, Gemdale Viseen Tower, 16 Gaoxin South 10th Road, Gaoxin Community, Yuehai Subdistrict, Nanshan District, Shenzhen, PRC

Email: ir@mingyuanyun.com



CORPORATE GOVERNANCE REPORT

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.

During the year ended 31 December 2023, the Company has held the annual general meeting on 29 May 2023. All proposed Shareholders' resolution put to the above general meetings were duly passed by way of poll. Please refer to the announcement of the Company dated 29 May 2023 for details. No extraordinary general meeting had been held during the year ended 31 December 2023.

During the Reporting Period, the Board has reviewed the implementation and confirmed effectiveness of the shareholders' communication policy, in particular, by ensuring that: (i) the general meeting of the Company (where the Board and appropriate senior management of the Company are available to respond to enquiries) was held to provide an opportunity for communication between the Directors, senior management and the Shareholders; (ii) both English and Chinese version of any corporate communication that requires Shareholders' attention or any announcements relating to matters to be disclosed under the Listing Rules (including but not limited to those involving insider information, corporate actions and corporate transactions) were published in a timely manner; (iii) the Company's website, where information on the Company's announcements, reports, financial information and other information are available for public access, has been maintained as a communication platform with the Shareholders; and (iv) written enquiries or requests sent by Shareholders to the Company's address or email are dealt with in an informative and timely manner.

CORPORATE CULTURE

The Board believes that corporate culture underpins the long-term business, economic success and sustainable growth of the Group. A strong culture enables the Company to deliver long-term sustainable performance and fulfill its role as a responsible corporate citizen. The Company is committed to developing a positive and progressive culture that is built on the values of "equality, simplicity and courage; partnership and professionalism; as well as openness, innovation and customer achievement".



CORPORATE GOVERNANCE REPORT

The Board sets and promotes the above corporate culture and expects and requires all employees to reinforce such culture. All of our new employees are required to attend orientation and training programs so that they have a better understanding of our corporate culture, structure and policies, learn relevant laws and regulations, and raise their quality awareness. During the Reporting Period, the Company continued to strengthen the culture construction by holding the 26th anniversary of its founding and plenty of online and offline activities, including team-building exercises, training sessions, and social events. These endeavors foster camaraderie among employees, enhance the sense of belonging within the Company, and constitute integral components of the Company's culture-building efforts.

The Board annually reviews and assesses the Company's business performances to guarantee the Company's sustainable long-term growth. The Board believes that the corporate culture aligns with the Group's purpose, values and strategy.

CHANGE IN CONSTITUTIONAL DOCUMENTS

During the Reporting Period, there is no significant change in the Company's constitutional documents.

DIVIDEND POLICY

The Company does not have any pre-determined dividend pay-out 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.



INDEPENDENT AUDITOR'S REPORT

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"), which are set out on pages 106 to 222, comprise:

- the consolidated statement of financial position as at 31 December 2023;
- 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, comprising material accounting policy information and other explanatory information.

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 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards ("IFRS") 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.



INDEPENDENT AUDITOR'S REPORT

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 matters identified in our audit are summarised as follows:

- Revenue recognition
- Expected credit losses assessment of trade receivables and contract assets

Key Audit Matter	How our audit addressed the Key Audit Matter
Revenue recognition Refer to Notes 2.5, 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 cloud services of approximately RMB1,339 million and on-premise software and services (including on-premise implementation and value-added services) of approximately RMB301 million, totalled approximately RMB1,640 million for the year ended 31 December 2023. 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: <ul style="list-style-type: none">• 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 on-premise 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.



INDEPENDENT AUDITOR'S REPORT

Key Audit Matter

We identified revenue recognition as a key audit matter because of the following:

- 1) Revenue from on-premise 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 cloud services and on-premise software and Services generated through regional channel partners was significant and accounted for approximately 48% of total revenue for the year ended 31 December 2023. The Group acts as the principal to end customers for sales of cloud services through regional channel partners. In respect of the revenue from on-premise software and services, 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.

How our audit addressed the Key Audit Matter

- 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 on-premise implementation and value – added services and principal-agent assessment for sales through regional channel partners for cloud services and on-premise software and services;
- For on-premise 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 of the reporting date. We compared such information to the progress reports used by the management in estimating the progress;



INDEPENDENT AUDITOR'S REPORT

Key Audit Matter

How our audit addressed the Key Audit Matter

- For presentation of revenue and related costs generated from cloud services and on-premise software and services 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.



INDEPENDENT AUDITOR'S REPORT

Key Audit Matter

How our audit addressed the Key Audit Matter

Expected credit losses assessment of trade receivables and contract assets

Refer to Notes 4(e) 3.1(b), and 23 to the consolidated financial statements.

As at 31 December 2023, the gross amount of the Group's trade receivables and contract assets amounted to approximately RMB261 million which represented approximately 4% of the total assets of the Group. Management has estimated the expected credit losses ("ECL") on the trade receivables and contract assets and a loss allowance of approximately RMB114 million was made against the trade receivables and contract assets as at 31 December 2023.

Management estimated the ECL on trade receivables and contract assets based on estimation about risk of default and expected credit loss rates. Management applied judgements in making the estimation and selecting the inputs used in the ECL calculation, based on the customers' settlement history, financial position of major customers as well as forward looking information.

We considered this area a key audit matter due to the magnitude of the balance of trade receivables and contract assets as well as the significant judgements and estimates involved in the estimation of the related ECL given the complexity of the methodology and subjectivity of significant assumptions used.

Our procedures to assess the ECL of trade receivables and contract assets include:

- We obtained an understanding of management's internal control and process of the estimation of the ECL on trade receivables and contract assets and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty, complexity and subjectivity.
- We evaluated and tested management's key controls in relation to the estimate of the ECL.
- We assessed the appropriateness of the ECL provisioning methodology adopted by management based on our understanding on the Group's business and credit control process and the credit risk characteristics of the trade receivables and contract assets.
- We tested, on a sample basis, the accuracy of ageing analysis of trade receivables and contract assets by tracing to sales invoices and receipts.
- We challenged the reasonableness of the estimated risk of default and expected credit loss rates by considering past collection information and historical default rates of customers.



INDEPENDENT AUDITOR'S REPORT

Key Audit Matter	How our audit addressed the Key Audit Matter
	<ul style="list-style-type: none"><li data-bbox="798 517 1436 776">• We evaluated the financial position of major customers by checking to relevant information and evaluated the appropriateness of management's assessment of forward looking information with reference to our understanding of the Group's business and industry and external macroeconomic data.<li data-bbox="798 819 1436 883">• We checked the mathematical accuracy of the calculation of ECL. <p data-bbox="798 927 1436 1099">Based on the procedures above, we considered the judgements and estimates made by management in relation to the assessment of the ECL on trade receivables and contract assets were supported by the evidence we obtained.</p>

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.



INDEPENDENT AUDITOR'S REPORT

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 IFRS Accounting Standards 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.



INDEPENDENT AUDITOR'S REPORT

- 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, 19 March 2024

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended 31 December	
		2023 RMB'000	2022 RMB'000
Revenues	6	1,639,644	1,816,357
Cost of sales	7	(336,417)	(337,029)
Gross profit		1,303,227	1,479,328
Selling and marketing expenses	7	(921,689)	(1,006,908)
General and administrative expenses	7	(519,506)	(682,342)
Research and development expenses	7	(643,033)	(816,934)
Net impairment losses on financial assets and contract assets	3.1(b)	(46,091)	(58,329)
Other income	8	66,250	69,533
Other losses, net	9	(2,378)	(250,025)
Operating loss		(763,220)	(1,265,677)
Finance income	11	182,592	108,693
Finance costs	11	(7,104)	(10,321)
Finance income, net		175,488	98,372
Share of losses of investments accounted for using the equity method	19	(1,691)	(1,361)
Loss before income tax		(589,423)	(1,168,666)
Income tax credit	12	2,380	9,454
Loss for the year		(587,043)	(1,159,212)
Loss attributable to:			
Owners of the Company		(585,634)	(1,154,070)
Non-controlling interests		(1,409)	(5,142)
		(587,043)	(1,159,212)
Losses per share for loss attributable to owners of the Company (expressed in RMB per share)			
Basic	13	(0.32)	(0.62)
Diluted	13	(0.32)	(0.62)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended 31 December	
		2023 RMB'000	2022 RMB'000
Loss for the year		(587,043)	(1,159,212)
Other comprehensive loss, net of tax			
<i>Items that may be reclassified to profit or loss</i>			
Currency translation differences from foreign operations		(42,772)	(33,022)
<i>Items that will not be reclassified to profit or loss</i>			
Currency translation differences from the Company		59,408	382,375
Changes in fair value of financial assets at fair value through other comprehensive loss, net of tax	26	(5,259)	(3,021)
Total comprehensive loss for the year		(575,666)	(812,880)
Total comprehensive loss attributable to:			
Owners of the Company		(574,257)	(807,738)
Non-controlling interests		(1,409)	(5,142)
		(575,666)	(812,880)

The notes on pages 114 to 222 are integral parts of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 31 December	
		2023 RMB'000	2022 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	15	224,713	253,799
Investment properties	16	178,646	182,361
Right-of-use assets	17	304,981	404,301
Intangible assets	18	1,996	19,682
Financial assets at fair value through profit or loss	21	77,222	53,387
Financial assets at fair value through other comprehensive income	22	360	6,547
Contract acquisition costs	6	7,639	5,412
Prepayments and other receivables	23	32,477	46,514
Deferred income tax assets	28	23,033	19,942
Investments accounted for using the equity method	19	19,184	20,875
Term deposit with original maturity over three months	24	237,792	–
Restricted cash	24	745	500
Total non-current assets		1,108,788	1,013,320
Current assets			
Inventories		9,536	6,723
Contract assets	6	80,663	56,582
Contract acquisition costs	6	255,337	266,898
Trade receivables	23	66,168	73,506
Prepayments and other receivables	23	55,767	98,606
Financial assets at fair value through profit or loss	21	111,257	29,702
Term deposit with original maturity over three months	24	181,290	2,994,122
Restricted cash	24	260	2,630
Cash and cash equivalents	24	3,972,900	1,642,078
		4,733,178	5,170,847
Assets classified as held for sale		10,252	–
Total current assets		4,743,430	5,170,847
Total assets		5,852,218	6,184,167
EQUITY			
Share capital	25	170	172
Treasury shares	25	(4,492)	(219,501)
Reserves	26	7,408,985	7,207,104
Accumulated losses		(2,470,706)	(1,885,025)
		4,933,957	5,102,750
Non-controlling interests		–	(8,297)
Total equity		4,933,957	5,094,453

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 31 December	
		2023 RMB'000	2022 RMB'000
LIABILITIES			
Non-current liabilities			
Contract liabilities	6	32,013	33,225
Lease liabilities	17	89,919	174,983
Deferred income tax liabilities	28	102	776
Total non-current liabilities		122,034	208,984
Current liabilities			
Trade payables	29	23,762	37,874
Other payables and accruals	30	214,970	225,505
Contract liabilities	6	514,861	567,778
Lease liabilities	17	42,634	49,573
Total current liabilities		796,227	880,730
Total liabilities		918,261	1,089,714
Total equity and liabilities		5,852,218	6,184,167

The notes on pages 114 to 222 are integral parts of these consolidated financial statements.

The consolidated financial statements on pages 106 to 222 were approved for issue by the Board of Directors on 19 March 2024 and were signed on its behalf.

Gao Yu,
Director

Xiao Zhimiao,
Chief Financial Officer

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Attributable to owners of the Company						
	Note	Share capital RMB'000	Treasury shares RMB'000	Reserves RMB'000	Accumulated losses RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
As at 1 January 2023		172	(219,501)	7,207,104	(1,885,025)	5,102,750	(8,297)	5,094,453
Loss for the year		-	-	-	(585,634)	(585,634)	(1,409)	(587,043)
Changes in fair value of financial assets at fair value through other comprehensive loss, net of tax	26	-	-	(5,259)	-	(5,259)	-	(5,259)
Currency translation differences		-	-	16,636	-	16,636	-	16,636
Total comprehensive losses for the year		-	-	11,377	(585,634)	(574,257)	(1,409)	(575,666)
Transactions with owners:								
Issuance of ordinary shares	25(c)	2	-	-	-	2	-	2
Treasury shares	25(c)	-	(2)	-	-	(2)	-	(2)
Appropriation for statutory surplus reserve	26(a)	-	-	47	(47)	-	-	-
Share-based compensation reserve	26	-	-	417,322	-	417,322	-	417,322
Repurchase of the shares of the Company	25(d)	-	(3,638)	-	-	(3,638)	-	(3,638)
Transfer of vested restricted share units from treasury shares	26	-	1	(8,221)	-	(8,220)	-	(8,220)
Cancellation of shares	25(d)	(4)	218,648	(218,644)	-	-	-	-
Disposal of a subsidiary		-	-	-	-	-	9,706	9,706
Total transactions with owners of the Company		(2)	215,009	190,504	(47)	405,464	9,706	415,170
As at 31 December 2023		170	(4,492)	7,408,985	(2,470,706)	4,933,957	-	4,933,957

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Attributable to owners of the Company								
Note	Share capital RMB'000	Treasury shares RMB'000	Reserves RMB'000	Accumulated losses RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000	
As at 1 January 2022	173	(7)	6,664,038	(730,873)	5,933,331	(3,155)	5,930,176	
Loss for the year	-	-	-	(1,154,070)	(1,154,070)	(5,142)	(1,159,212)	
Changes in fair value of financial assets at fair value through other comprehensive loss, net of tax	26	-	(3,021)	-	(3,021)	-	(3,021)	
Currency translation differences	-	-	349,353	-	349,353	-	349,353	
Total comprehensive losses for the year	-	-	346,332	(1,154,070)	(807,738)	(5,142)	(812,880)	
Transactions with owners:								
Issuance of ordinary shares	25(a)	1	-	-	1	-	1	
Treasury shares	25(a)	-	(1)	-	(1)	-	(1)	
Appropriation for statutory surplus reserve	26(a)	-	-	82	(82)	-	-	
Share-based compensation reserve	26	-	-	499,450	-	-	499,450	
Repurchase of the shares of the Company	25(b)	-	(418,054)	-	(418,054)	-	(418,054)	
Transfer of vested restricted share units from treasury shares	26	-	2	(2,329)	(2,327)	-	(2,327)	
Cancellation of shares	25(b)	(2)	198,559	(198,557)	-	-	-	
Dividend distribution to the owners of the Company	14	-	-	(101,912)	-	-	(101,912)	
Total transactions with owners of the Company		(1)	(219,494)	196,734	(82)	(22,843)	(22,843)	
As at 31 December 2022	172	(219,501)	7,207,104	(1,885,025)	5,102,750	(8,297)	5,094,453	

The notes on pages 114 to 222 are integral parts of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Year ended 31 December	
		2023 RMB'000	2022 RMB'000
Cash flows from operating activities			
Cash used in operations	31	(326,765)	(470,874)
Interest received		187,836	99,460
Income taxes refund		–	3,466
Net cash used in operating activities		(138,929)	(367,948)
Cash flows from investing activities			
Payments for purchase of property, plant and equipment		(8,325)	(113,995)
Proceeds from disposal of property, plant and equipment		3,278	1,629
Payments for purchase of intangible assets		(193)	(1,775)
Payments for purchase of financial assets at fair value through profit or loss – wealth management products and debt instruments		(2,544,263)	(2,594,510)
Proceeds from disposal of financial assets at fair value through profit or loss – wealth management products and debt instruments		2,458,049	2,912,390
Payments for purchase of financial assets at fair value through profit or loss – unlisted equity securities		(6,035)	(49,112)
Payments for investments in an associate		–	(11,250)
Payments for prepayments of land use right		–	(151,317)
Disposal of a subsidiary		(36)	–
Proceeds from income of financial assets at fair value through profit or loss		46	9,583
Placement of term deposits with initial terms over three months		(984,574)	(2,994,122)
Receipt from maturity of term deposits with initial terms over three months		3,625,807	3,432,800
Net cash generated from investing activities		2,543,754	440,321

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Year ended 31 December	
		2023 RMB'000	2022 RMB'000
Cash flows from financing activities			
Payments for the repurchase of the shares of the Company		(3,638)	(418,054)
Shares withheld for restricted share units		(8,221)	(2,329)
Dividend paid		–	(101,912)
Principal elements of lease payments		(57,474)	(64,865)
Interest paid		(7,104)	(10,321)
Net cash used in financing activities		(76,437)	(597,481)
Net increase/(decrease) in cash and cash equivalents		2,328,388	(525,108)
Cash and cash equivalents at beginning of the year		1,642,078	2,017,356
Effects of exchange rate changes on cash and cash equivalents		2,434	149,830
Cash and cash equivalents at the end of the year	24	3,972,900	1,642,078

The notes on pages 114 to 222 are integral parts of these consolidated financial statements.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION AND BASIS OF PREPARATION

1.1 General information

Ming Yuan Cloud Group Holdings Limited (the “Company”) was incorporated in the Cayman Islands on 3 July 2019 as an exempted company with limited liability under the Companies Act (Cap. 22, Act 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 25 September 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 cloud services, on-premise software and services 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 19 March 2024.

1.2 Basis of preparation

(i) *Compliance with IFRS and HKCO*

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

(ii) *Historical cost convention*

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 and financial assets at fair value through profit or loss, which are carried at fair values.

The preparation of the consolidated financial statements in conformity with IFRS 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 MATERIAL ACCOUNTING POLICIES

The material 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 New and amended standards and interpretations

(a) *New and amended standards adopted by the Group*

The Group has applied new and amended standards effective for the financial period beginning on 1 January 2023. The adoption of these new and revised standards does not have any significant impact on the consolidated financial statements of the Group.

(b) *New and amended standards and interpretations not yet adopted*

New standards and amendments to existing standards which have been issued but not yet effective and have not been early adopted by the Group are as follows:

		Effective for annual periods beginning on or after
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to IAS 1	Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to IAS 1	Non-current Liabilities with Covenants	1 January 2024
Amendments to IFRS 7 and IAS 7	Supplier finance arrangements	1 January 2024
Amendments to IAS 21	Lack of Exchangeability	1 January 2025

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.2 Subsidiaries

2.2.1 Consolidation

(a) *Subsidiaries controlled through contractual arrangements*

Shenzhen Mingyuan Cloud Technology Co., Ltd. (深圳市明源雲科技有限公司, “Ming Yuan Cloud Technology”), the subsidiary of the Company, obtained the control power on the 100% equity interest in Shenzhen Mingyuan Cloud Procurement Technology Limited (“Ming Yuan Cloud Procurement”) through the contractual arrangement, 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 100% 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;
- Obtain an irrevocable and exclusive right to purchase 100% 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 100% 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.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.2 Subsidiaries (Continued)

2.2.1 Consolidation (Continued)

(a) *Subsidiaries controlled through contractual arrangements (Continued)*

The Group does not have any equity interest in Ming Yuan Cloud Procurement. However, as a result of Contractual Arrangements and New 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 100% controlled structure entity and consolidated the financial position and result of operations of Ming Yuan Cloud Procurement in the consolidated financial statements.

2.3 Financial assets

Impairment

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

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

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 23 for further details.

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.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.3 Financial assets (Continued)

Impairment (Continued)

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).

2.4 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.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.4 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.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.5 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 asset or a contract liability, depending on the relationship between the entity's performance and the customer's payment.

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.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.5 Revenue recognition (Continued)

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 cloud services and on-premise software and services 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.

Cloud services transforms how property developers and other real estate players optimise their procurement, construction, sales, marketing, property asset management, and other property related operations. For on-premise software and services, 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 cloud services 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 on-premise software and services, 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.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.5 Revenue recognition (Continued)

The accounting policy for the Group's revenue sources (Continued)

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.

(a) Cloud services

The Group sells cloud services including software as a service and platform as a service directly to end customers, i.e. the cloud services users, or sells through its regional channel partners. The Group is responsible for delivering the cloud services, paying server fees to external cloud server vendors to ensure the cloud services is accessible and stable, and the Group has discretion in establishing the prices for cloud services. 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 cloud services. 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.

Cloud services 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) On-premise software and services – 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.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.5 Revenue recognition (Continued)

(c) On-premise software and services – implementation and value-added services

By providing 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.

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 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 is 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) On-premise software and services – 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.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.5 Revenue recognition (Continued)

(e) 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 cloud services, 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.

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, interest rate risk and security price 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.

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(i) Foreign exchange risk (Continued)

The carrying amounts of the the Group's foreign currency denominated monetary assets and liabilities at the end of the reporting date are as follows:

	Currency denomination	As at 31 December	
		2023 RMB'000	2022 RMB'000
Cash and cash equivalents	USD	3,023,738	12,068
Term deposits	USD	70,848	3,206,334
		3,094,586	3,218,402

As at 31 December 2023, for the USD financial assets and USD financial liabilities, if the functional currencies had strengthened/weakened by 0.5% against the USD with all other variables held constant, the pre-tax loss for the year ended 31 December 2023 would have been approximately RMB15,473,000 lower/higher.

	Currency denomination	As at 31 December	
		2023 RMB'000	2022 RMB'000
Cash and cash equivalents	RMB	18	627
Other receivable	RMB	2,495,702	2,504,198
Other payable	RMB	(2,543,781)	(2,544,350)
		(48,061)	(39,525)

As at 31 December 2023, for the RMB financial assets and RMB financial liabilities, if the functional currencies had strengthened/weakened by 5% against the RMB with all other variables held constant, the pre-tax loss for the year ended 31 December 2023 would have been approximately RMB2,403,000 higher/lower.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.1 Financial risk factors *(Continued)*

(a) Market risk *(Continued)*

(ii) Interest rate risk

The Group has no significant 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.

(iii) Security price risk

The Group is exposed to equity price risk mainly arising from investments held by the Group that are classified as FVPL (Note 21) and FVOCI (Note 22). The investments are made either for strategic purposes, or for the purpose of achieving investment yield and balancing the Group's liquidity level simultaneously. Each investment is managed by senior management of the Group on a case by case basis. Sensitivity analysis is performed by management to assess the exposure of the Group's financial results. See Note 3.3 for detail.

(b) Credit risk

The Group is exposed to credit risk primarily in relation to its cash and cash equivalents, restricted cash, term deposits, as well as trade and other receivables and contract assets. The carrying amounts of each class of the above financial assets represent the Group's maximum exposure to credit risk in relation to financial 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 banks through a reputable financial institution with acceptable credit rating.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.1 Financial risk factors *(Continued)*

(b) Credit risk (Continued)

(i) Risk management (Continued)

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 based on their financial position, the availability of guarantee from third parties, past experience and other factors, and reviews regularly the recoverable amount of each individual receivable to ensure that adequate impairment losses are made for irrecoverable amounts. The guarantees are mainly buildings. The credit periods granted to customers in different categories differ from 0 to 90 days.

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.

(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

Cash and cash equivalents, restricted cash and term deposits are considered to have low credit risk because they have a low risk of default and the counterparty has a strong capacity to meet its contractual cash flow obligations in the near term. Cash and cash equivalents, restricted cash and term deposits are also subject to the impairment requirements of IFRS 9, while the identified impairment loss was immaterial.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

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, except for the credit impaired trade receivables and contract assets, of which the the expected credit losses have been measured individually.

The loss allowances as at 31 December 2023 and 2022 were determined as follows for both trade receivables and contract assets:

31 December 2023	Up to 3 months	3 to 6 months	6 to 12 months	1 to 2 years	Over 2 years	Total
On individual basis						
Expected loss rate	65%	70%	76%	62%	71%	
Gross carrying amount (RMB'000) - trade receivables	2,135	2,501	4,184	4,708	4,920	18,448
Gross carrying amount (RMB'000) - contract assets	632	121	164	647	4,988	6,552
Loss allowance (RMB'000)	1,811	1,841	3,311	3,306	7,027	17,296
On collective basis						
Expected loss rate	9%	24%	46%	77%	100%	
Gross carrying amount (RMB'000) - trade receivables	35,209	13,855	18,811	31,962	22,068	121,905
Gross carrying amount (RMB'000) - contract assets	65,969	13,498	9,820	14,322	9,991	113,600
Loss allowance (RMB'000)	9,149	6,494	13,192	35,483	32,060	96,378

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

Trade receivables and contract assets (Continued)

31 December 2022	Up to 3 months	3 to 6 months	6 to 12 months	1 to 2 years	Over 2 years	Total
On individual basis						
Expected loss rate	25%	24%	44%	93%	89%	
Gross carrying amount						
(RMB'000) - trade receivables	2,583	2,536	7,974	16,804	2,498	32,395
Gross carrying amount						
(RMB'000) - contract assets	1,260	858	3,114	6,666	656	12,554
Loss allowance (RMB'000)	970	829	4,889	21,731	2,801	31,220
On collective basis						
Expected loss rate	13%	26%	49%	76%	100%	
Gross carrying amount						
(RMB'000) - trade receivables	39,630	16,012	24,435	26,986	8,371	115,434
Gross carrying amount						
(RMB'000) - contract assets	31,724	13,196	20,289	12,888	3,176	81,273
Loss allowance (RMB'000)	9,303	7,464	21,768	30,266	11,547	80,348

The reconciliations of loss allowances for trade receivables and contract assets as at 31 December 2023 and 2022 to the opening loss allowances are as follows:

	Contract assets		Trade receivables	
	Year ended 31 December		Year ended 31 December	
	2023 RMB'000	2022 RMB'000	2023 RMB'000	2022 RMB'000
At the beginning of the year	37,245	24,281	74,323	28,915
Increase in loss allowance recognised in profit or loss during the year	13,264	12,964	24,782	45,408
Receivables written off during the year as uncollectible	(11,020)	–	(24,920)	–
At the end of the year	39,489	37,245	74,185	74,323



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

Trade receivables and contract assets (Continued)

Impairment losses on trade receivables and contract assets are presented as net impairment losses on financial assets and contract assets 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, Fixed-Asset Investment and Total Retail Sales of Consumer Goods as the most relevant factor and adjusts the historical loss rates based on the expected changes of such factors.

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 31 December 2023 and 2022.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

Write-off policy

Financial assets are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include ceasing enforcement activity. Where receivables have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognized 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.

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 31 December 2023					
Trade payables	23,762	–	–	23,762	23,762
Other payables and accruals (excluding salary and staff welfare payables and tax payable)	21,719	–	–	21,719	21,719
Lease liabilities	49,774	49,615	43,941	143,330	132,553
	95,255	49,615	43,941	188,811	178,034

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

	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 31 December 2022					
Trade payables	37,874	–	–	37,874	37,874
Other payables and accruals (excluding salary and staff welfare payables and tax payable)	19,729	–	–	19,729	19,729
Lease liabilities	61,527	61,549	124,160	247,236	224,556
	119,130	61,549	124,160	304,839	282,159

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 lease liabilities, less cash and cash equivalents, restricted cash, term deposits and liquid investments which are investments in wealth management products and investments in debt instruments included in financial assets at FVPL. Total capital is calculated as "equity" as shown in the consolidated statements of financial position plus net debts. As at 31 December 2023 and 2022, the Group has a net cash position.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

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 31 December 2023 and 2022 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).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 31 December 2023				
Financial assets at FVPL				
Investments in wealth management products (Note 21(a))	–	–	136,771	136,771
Investments in unlisted equity securities (Note 21(b))	–	–	51,708	51,708
	–	–	188,479	188,479
Financial assets at FVOCI				
Investments in unlisted equity securities (Note 22)	–	–	360	360
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
As at 31 December 2022				
Financial assets at FVPL				
Investments in wealth management products (Note 21(a))	–	–	29,702	29,702
Investments in unlisted equity securities (Note 21(b))	–	–	53,387	53,387
	–	–	83,089	83,089
Financial assets at FVOCI				
Investments in unlisted equity securities (Note 22)	–	–	6,547	6,547

For the years ended 31 December 2023 and 2022, there was no transfer between Level 1, Level 2 and Level 3.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 31 December 2023 and 2022.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation (Continued)

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 31 December 2023 and 2022.

	Financial assets at FVPL		Financial assets at FVOCI
	Investments in wealth management products RMB'000	Investments in unlisted equity securities RMB'000	Investments in unlisted equity securities RMB'000
As at 1 January 2023	29,702	53,387	6,547
Acquisitions	2,544,263	6,035	–
Transfer (Note 21(b))	–	266	–
Disposals	(2,458,049)	–	–
Unrealised changes in fair value	68	(7,980)	(6,187)
Realised income or gains	20,787	–	–
As at 31 December 2023	136,771	51,708	360
As at 1 January 2022	53,774	16,839	10,101
Acquisitions	2,556,010	44,112	–
Disposals	(2,588,114)	–	–
Unrealised changes in fair value	928	(7,564)	(3,554)
Realised income or gains	7,104	–	–
As at 31 December 2022	29,702	53,387	6,547



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 investments in wealth management products (Note 21(a)) and investments in unlisted equity securities (Note 21(b), Note 22). 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 31 December		Unobservable inputs	Range of inputs at 31 December		Relationship of unobservable inputs to fair value
	2023 RMB'000	2022 RMB'000		2023	2022	
Investment in wealth management products	136,771	29,702	Expected rate of return	2.85%-3.70%	3.79%-3.80%	The higher the expected rate of return, the higher the fair value
Investments in unlisted equity securities included in financial assets at FVPL(*)	51,708	53,387	Expected volatility	53.96%-58.99%	48.12%-54.05%	Increasing the expected volatility by 5% would decrease the fair value by RMB715,000 approximately; and decreasing the expected volatility by 5% would increase the fair value by RMB733,000 approximately
			Risk-free rate	2.22%-2.39%	2.62%-2.73%	The higher the risk-free rate, the lower the fair value
			P/S ratio	6.49-7.17	8.65-11.99	Increasing the P/S ratio by 5% would increase the fair value by RMB928,000 approximately; and decreasing the P/S ratio by 5% would decrease the fair value by RMB954,000 approximately
			Discounts for lack of marketability	25.00%-30.00%	23.69%-30.00%	The higher the DLOM, the lower the fair value

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 31 December		Unobservable inputs	Range of inputs at 31 December		Relationship of unobservable inputs to fair value
	2023	2022		2023	2022	
	RMB'000	RMB'000				
Investments in unlisted equity securities included in financial assets at FVOCI(*)	360	6,547	Expected volatility Risk-free rate P/S ratio Discounts for lack of marketability	n/a n/a n/a n/a	44.31%-48.06% 2.46%-2.52% 6.81-15.71 20.00%-30.00%	n/a n/a n/a n/a

Note: In 2023, investments in unlisted equity securities included in financial assets at FVOCI which fair values were valued based on net asset values of the unlisted companies. 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 years ended 31 December 2023 would have been approximately RMB18,848,000 lower/higher (the loss before income tax for the years ended 31 December 2022 would have been approximately RMB8,309,000 lower/higher).

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 31 December 2023 would have been approximately RMB36,000 lower/higher (the total comprehensive loss before income tax for the year ended 31 December 2022 would have been approximately RMB655,000 lower/higher).



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.3 Fair value estimation *(Continued)*

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

There were no transfers between level 1, 2 and 3 of fair value hierarchy classifications during the years ended 31 December 2023 and 2022.

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

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.

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

Revenue from on-premise 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.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(CONTINUED)*

(c) Gross vs. net assessment in revenue recognition

As disclosed in Note 2.5, the Group provides cloud services and on-premise software and services 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 2.5, 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.

(e) Expected credit losses of 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.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(CONTINUED)*

(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

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. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 SEGMENT INFORMATION (CONTINUED)

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

Cloud services	Including software as a service and platform as a service.
On-premise software and services	On-premise software and services, a business process management software and related services that allow an organisation to use a system of integrated applications to manage the business and automate back-office functions relating to technology, services, and human resources.

Since 1 January 2023, considering the changes that took place in the industry, and to allow the relevant stakeholders to better understand the businesses of the Group in relative terms to other companies of similar industries, the directors of the Company have re-named and re-defined the original operating segments formerly known as “SaaS products” and “ERP solutions” to “Cloud services” and “On-premise software and services” respectively. The CODM assesses the performance of the operating segments mainly based on segment revenues and segment gross profit. The re-naming and redefining of the operating segments have no impact on the comparative figures.

There were no information by segment about total assets, total liabilities, inter-segment revenue, interest revenue, interest expense and other profit and loss items, such as depreciation, amortisation and income tax provided to the CODM, as CODM does not use this information to allocate resources or to evaluate the performance of the operating segments. Substantially all of the businesses of the Group are carried out in the PRC.

The segment information for the year ended 31 December 2023 is as follows:

	Cloud services RMB'000	On-premise software and services RMB'000	Total RMB'000
Revenues	1,338,663	300,981	1,639,644
Cost of sales	(157,551)	(178,866)	(336,417)
Gross profit	1,181,112	122,115	1,303,227

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 SEGMENT INFORMATION (CONTINUED)

The segment information for the year ended 31 December 2022 is as follows:

	Cloud services RMB'000	On-premise software and services RMB'000	Total RMB'000
Revenues	1,426,592	389,765	1,816,357
Cost of sales	(110,133)	(226,896)	(337,029)
Gross profit	1,316,459	162,869	1,479,328

6 REVENUES

The Group's revenues include revenues from cloud services and on-premise software and services. The Group acts as the principal to end customers for sales of cloud services. In respect of on-premise software and services, 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. Revenue is stated net of value added tax ("VAT") in the PRC and comprises the following:

	Year ended 31 December	
	2023 RMB'000	2022 RMB'000
Cloud services	1,338,663	1,426,592
On-premise software and services	300,981	389,765
	1,639,644	1,816,357

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6 REVENUES (CONTINUED)

	Year ended 31 December	
	2023 RMB'000	2022 RMB'000
Cloud services		
– Revenues over time	1,268,087	1,352,876
– Revenues at a point in time	70,576	73,716
On-premise software and services		
– Revenues over time	239,010	317,282
– Revenues at a point in time	61,971	72,483
	1,639,644	1,816,357

Revenue from each individual customer is lower than 10% of the Group's total revenue for the year ended 31 December 2023 and 2022.

(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 31 December	
	2023 RMB'000	2022 RMB'000
Contract assets	120,152	93,827
Less: Loss allowance (Note 3.1)	(39,489)	(37,245)
Total contract assets	80,663	56,582
Contract acquisition costs (iii)	262,976	272,310
Less: non-current portion	(7,639)	(5,412)
	255,337	266,898
Contract liabilities (ii)	546,874	601,003
Less: non-current portion	(32,013)	(33,225)
	514,861	567,778

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 increase of non-completed contracts.

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 decreased as a result of the decline of average commission rate.

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 decreased mainly as a result of the decline of the Group's revenues from on-premise software and services and decrease of advance payment from customers.

(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 31 December	
	2023 RMB'000	2022 RMB'000
Revenue recognised in relation to contract liabilities	478,170	498,859

(iii) Assets recognised from costs to obtain a contract

Management expects the incremental costs, only including sale commissions, as a result of obtaining the contracts are recoverable. The Group has capitalised the amounts and amortised when the related revenue are recognised. For the year ended 31 December 2023, the amount of amortisation was RMB180,384,000 (2022: RMB177,264,000). There was no impairment loss in relation to the costs capitalised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6 REVENUES (CONTINUED)

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

(iv) Unsatisfied long-term contracts

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

	As at 31 December	
	2023 RMB'000	2022 RMB'000
Unsatisfied long-term contracts		
– On-premise software and services	169,460	201,136
– Cloud services	818,827	776,271
	988,287	977,407

The management expects that unsatisfied performance obligations of approximately RMB889,324,000 as at 31 December 2023 (2022: RMB879,695,000) will be recognised as revenue within 1 year. The remaining unsatisfied performance obligations of approximately RMB98,963,000 (2022: RMB97,712,000) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7 EXPENSES BY NATURE

	Year ended 31 December	
	2023 RMB'000	2022 RMB'000
Employee benefit expenses (Note 10)	1,182,525	1,401,969
Commission expenses	418,047	488,865
Share-based compensation expenses (Note 10)	417,322	499,450
Outsourcing expenses	58,432	92,036
Professional and technical service fees	57,086	54,663
Depreciation of right-of-use assets (Note 17)	52,563	68,223
IT and communication charges	48,225	38,968
Depreciation of property, plant and equipment (Note 15)	38,077	40,123
Costs of inventories sold	35,835	32,511
Traveling and entertainment expenses	31,252	28,525
Exhibition and promotion charges	27,764	24,765
Short-term rental and utilities expenses	16,465	27,630
Office expenses	12,221	16,233
Taxes and surcharges	10,362	11,199
Auditor's remuneration	6,845	11,270
– Audit services	4,200	4,380
– Non-audit services	2,645	6,890
Depreciation of investment properties (Note 16)	3,715	1,987
Amortisation of intangible assets (Note 18)	2,599	3,443
Others	1,310	1,353
	2,420,645	2,843,213

No research and development expenses had been capitalised during the years ended 31 December 2023 and 2022.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8 OTHER INCOME

	Year ended 31 December	
	2023 RMB'000	2022 RMB'000
Government grants	20,432	27,228
Dividend and interest income from investments in unlisted equity securities and debt instruments included in financial assets at fair value through profit or loss	46	9,583
VAT refund (a)	7,354	8,488
Rental income	13,172	8,159
Income generated from offline activities and others	4,391	8,043
Income from wealth management products ((b), Note 21(a))	20,855	8,032
	66,250	69,533

- (a) Before 1 April 2019, the applicable VAT rate for sales of computer software was 16%. From 1 April 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 fair value through profit or loss.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9 OTHER LOSSES, NET

	Year ended 31 December	
	2023 RMB'000	2022 RMB'000
Net (losses)/gains on disposal of property, plant and equipment and right of use asset	(7,625)	3,264
Fair value losses on investments in unlisted equity securities included in financial assets at FVPL (Note 21(b))	(7,980)	(7,564)
Fair value losses on investments in debt instruments	–	(12,836)
Goodwill impairment	–	(32,808)
Foreign exchange gains/(losses)	14,141	(199,523)
Disposal of a subsidiary (Note 35)	124	–
Others	(1,038)	(558)
	(2,378)	(250,025)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	Year ended 31 December	
	2023 RMB'000	2022 RMB'000
Salaries, wages, and bonuses	946,260	1,115,249
Pension costs – defined contribution plans (a)	84,894	98,980
Other social security costs, housing benefits and other employee benefits	151,371	187,740
Share-based compensation (Note 27)	417,322	499,450
	1,599,847	1,901,419

(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.

Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post-retirement benefits of its employees.

As at December 31, 2023 and 2022, the Group was not entitled to any forfeited contributions to reduce the Group's future contributions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 31 December 2023 (2022: nil), whose emoluments are reflected in the analysis shown in Note 10(c). The emoluments payable to the remaining 5 individuals during year ended 31 December 2023 (2022: 5) are as follows:

	Year ended 31 December	
	2023 RMB'000	2022 RMB'000
Salaries and wages	4,998	4,448
Bonuses	4,359	2,105
Pension costs – defined contribution plans	226	154
Other social security costs, housing benefits and other employee benefits	323	200
Share-based compensation	95,992	145,219
	105,898	152,126

The emoluments fell within the following bands:

	Number of individuals	
	Year ended 31 December	
	2023	2022
Emoluments bands:		
HKD8,000,001 to HKD8,500,000	–	–
HKD10,500,001 to HKD11,000,000	–	–
HKD13,500,001 to HKD14,000,000	1	2
HKD14,500,001 to HKD15,000,000	1	–
HKD19,000,001 to HKD19,500,000	1	1
HKD19,500,001 to HKD20,000,000	1	1
HKD50,000,001 to HKD50,500,000	1	–
HKD116,000,001 to HKD116,500,000	–	1
	5	5

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS) (CONTINUED)

(b) Five highest paid individuals (Continued)

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 31 December 2023 and 2022.

(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 31 December 2023					
Chairman and executive director:					
Mr. Gao Yu	–	434	46	63	543
Executive directors:					
Mr. Chen Xiaohui	–	434	46	63	543
Mr. Jiang Haiyang	–	566	46	67	679
Mr. Jiang Keyang (i)	–	218	15	22	255
Non-executive directors:					
Mr. Liang Guozhi	–	–	–	–	–
Mr. Yi Feifan (ii)	–	–	–	–	–
Independent non-executive directors:					
Mr. Li Hanhui	90	–	–	–	90
Mr. Zhao Liang	90	–	–	–	90
Ms. Tong Naqiong (iii)	90	–	–	–	90
	270	1,652	153	215	2,290

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 31 December 2022					
Chairman and executive director:					
Mr. Gao Yu	–	432	43	49	524
Executive directors:					
Mr. Chen Xiaohui	–	432	43	49	524
Mr. Jiang Haiyang	–	480	43	49	572
Mr. Jiang Keyang (i)	–	655	43	49	747
Non-executive directors:					
Mr. Liang Guozhi	–	–	–	–	–
Mr. Yi Feifan (ii)	–	–	–	–	–
Independent non-executive directors:					
Mr. Li Hanhui	86	–	–	–	86
Mr. Zhao Liang	86	–	–	–	86
Ms. Zeng Jing (iii)	64	–	–	–	64
Ms. Tong Naqiong (iii)	21	–	–	–	21
	257	1,999	172	196	2,624

Note:

- (i) Mr. Jiang Keyang resigned on 28 March 2023.
- (ii) Mr. Yi Feifan resigned on 28 March 2023.
- (iii) Ms. Zeng Jing resigned on 26 September 2022. Ms. Tong Naqiong was appointed as the Company's independent non-executive director on 26 September 2022.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 31 December 2023 and 2022.

(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 31 December 2023 and 2022.

(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 31 December 2023 and 2022.

(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 31 December 2023 and 2022.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11 FINANCE INCOME, NET

	Year ended 31 December	
	2023 RMB'000	2022 RMB'000
<i>Finance income</i>		
– Interest income from bank deposits	182,592	108,693
<i>Finance costs</i>		
– Interest expenses on lease liabilities	(7,104)	(10,321)
Finance income – net	175,488	98,372

12 INCOME TAX CREDIT

	Year ended 31 December	
	2023 RMB'000	2022 RMB'000
Current income tax	–	131
Deferred income tax (Note 28)	(2,380)	(9,585)
Income tax credit	(2,380)	(9,454)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12 INCOME TAX CREDIT (CONTINUED)

The tax on the Group's loss before income tax differs from the theoretical amount that would arise using the tax rate of 25% for the years ended 31 December 2023 and 2022, being the standard income rate in the PRC. The differences are analysed as follows:

	Year ended 31 December	
	2023 RMB'000	2022 RMB'000
Loss before income tax credit	(589,423)	(1,168,666)
Share of losses of investments accounted for using the equity method	1,691	1,361
Tax calculated at the statutory PRC tax rate of 25%	(146,933)	(291,826)
Tax losses for which no deferred income tax asset was recognised	109,474	171,275
Super deduction for research and development expenses	(61,787)	(144,251)
Utilisation of tax losses previously not recognised	(36,234)	–
Effects of different tax rates in overseas jurisdictions	(31,318)	65,006
Expenses not deductible for tax purpose	116,646	126,353
Income not subject to tax	(10,705)	(35,358)
Effects of preferential tax rates applicable to PRC subsidiaries of the Group	58,477	99,347
Income tax credit	(2,380)	(9,454)



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12 INCOME TAX CREDIT (CONTINUED)

(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.

(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 31 December 2023 and 2022.

(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 31 December 2023 and 2022.

Ming Yuan Cloud Technology was granted the qualification as High and New Technology Enterprise ("HNTE") in 2018 and it has renewed the qualification of HNTE in 2021. Ming Yuan Cloud Technology had qualified to apply the preferential CIT rate of 15% for HNTE for the year ended 31 December 2023 and 2022.

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 2022. In addition, according to Circular 27 and Circular 49, the newly established software enterprises were 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 12.5% for the year ended 31 December 2023 since it was the third year of profitable operation. The application of preferential tax rate stated above is subject to critical estimates of the management of the Group.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12 INCOME TAX CREDIT (CONTINUED)

(d) PRC corporate income tax ("CIT") (Continued)

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"), Ming Yuan Cloud Procurement had qualified to apply the preferential CIT rate of 15% for HNTTE beginning from 1 January 2019 and had renewed the qualification of HNTTE in 2022.

Wuhan Mingyuan Dongli Software Co., Ltd. (武漢明源動力軟件有限公司, "Wuhan Ming Yuan Power") and 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") had qualified to apply the preferential CIT rate of 15% for HNTTE beginning from 1 January 2021.

(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 2023, according to Caishui [2018] No.99 (財稅[2018] 99號, "Circular 99"), an extra 75% of the actual amount of research and development expenses can be deducted before tax. According to Announcement of the Ministry of Finance, the State Taxation Administration and the Ministry of Science and Technology [2022] No. 28, an extra 100% of the actual amount of research and development expenses can be deducted before tax.

From 1 Jan 2023, according to Ministry of Finance State Administration of Taxation Announcement No. 7 of 2023 (財政部稅務總局公告2023年第7號, "Ministry of Finance State Administration of Taxation Announcement No. 7 of 2023"), an Additional 100% 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 2023 and 2022, according to Announcement of the Ministry of Finance, the State Taxation Administration, and the Ministry of Science and Technology [2022] No. 16, they could claim 200% of their actual research and development expenses incurred as tax deductible expenses when determining their assessable profits during the years ended 2023 and 2022 respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12 INCOME TAX CREDIT (CONTINUED)

(f) 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.

13 LOSSES PER SHARE

(a) Basic losses per share

Basic losses per share is calculated by dividing the loss attributable to owners of the Company by the weighted average number of ordinary shares in issue and outstanding during the years ended 31 December 2023 and 2022.

	Year ended 31 December	
	2023	2022
Loss attributable to owners of the Company (RMB'000)	(585,634)	(1,154,070)
Weighted average number of ordinary shares in issue and outstanding (thousand) (Note)	1,837,277	1,847,885
Basic losses per share (in RMB)	(0.32)	(0.62)

Note: The weighted average number of ordinary shares in issue for the year ended 31 December 2023 and 2022 has been determined based on the number of shares in issue, shares transfer of vested restricted share units from treasury shares and shares repurchased.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13 LOSSES PER SHARE *(CONTINUED)*

(b) Diluted losses per share

Diluted losses per share is 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 31 December 2023 and 2022, 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 31 December 2023 and 2022 are the same as basic losses per share.

14 DIVIDENDS

The Board has recommended the declaration and payment of the special dividend of HK\$0.1 (equivalent to RMB0.091) per share out of the share premium, subject to the approval of the shareholders of the Company at the forthcoming annual general meeting. The special dividend proposed has not been recognised as liability in these consolidated financial statements.

The Board did not propose and pay any final dividend for the year ended 31 December 2023.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 1 January 2022							
Cost	112,892	42,806	24,962	1,196	32,807	170,390	385,053
Accumulated depreciation	(7,814)	(23,468)	(11,603)	(510)	(15,971)	-	(59,366)
Net book amount	105,078	19,338	13,359	686	16,836	170,390	325,687
Year ended 31 December 2022							
Opening net book amount	105,078	19,338	13,359	686	16,836	170,390	325,687
Additions	-	1,975	20,866	-	66,854	18,245	107,940
Disposals	-	(540)	(66)	-	-	(1,023)	(1,629)
Transfer to investment properties (Note 16)	-	-	-	-	-	(138,076)	(138,076)
Transfer upon completion	36,771	-	3,085	-	4,987	(44,843)	-
Depreciation charge	(2,398)	(6,461)	(9,176)	(161)	(21,927)	-	(40,123)
Closing net book amount	139,451	14,312	28,068	525	66,750	4,693	253,799
At 31 December 2022							
Cost	149,663	44,241	48,847	1,196	104,648	4,693	353,288
Accumulated depreciation	(10,212)	(29,929)	(20,779)	(671)	(37,898)	-	(99,489)
Net book amount	139,451	14,312	28,068	525	66,750	4,693	253,799

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 1 January 2023							
Cost	149,663	44,241	48,847	1,196	104,648	4,693	353,288
Accumulated depreciation	(10,212)	(29,929)	(20,779)	(671)	(37,898)	-	(99,489)
Net book amount	139,451	14,312	28,068	525	66,750	4,693	253,799
Year ended 31 December 2023							
Opening net book amount	139,451	14,312	28,068	525	66,750	4,693	253,799
Additions	44	524	626	582	5,661	4,825	12,262
Disposals	-	(1,307)	(1,671)	-	(266)	-	(3,244)
Disposal of a subsidiary	-	(27)	-	-	-	-	(27)
Depreciation charge	(2,806)	(7,134)	(9,400)	(179)	(18,558)	-	(38,077)
Closing net book amount	136,689	6,368	17,623	928	53,587	9,518	224,713
At 31 December 2023							
Cost	149,707	26,285	43,556	1,778	110,043	9,518	340,887
Accumulated depreciation	(13,018)	(19,917)	(25,933)	(850)	(56,456)	-	(116,174)
Net book amount	136,689	6,368	17,623	928	53,587	9,518	224,713

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Depreciation of the Group's property, plant and equipment has been recognised as follows:

	Year ended 31 December	
	2023 RMB'000	2022 RMB'000
General and administrative expenses	7,396	8,643
Research and development expenses	17,600	22,453
Selling and marketing expenses	13,081	9,027
	38,077	40,123

(a) Depreciation methods and useful lives

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.

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

See Note 38.4 for the other accounting policies relevant to property, plant and equipment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16 INVESTMENT PROPERTIES

	Buildings RMB'000	Land use right RMB'000	Total RMB'000
Year ended 31 December 2023			
Opening net book amount	180,551	1,810	182,361
Depreciation charge	(3,666)	(49)	(3,715)
Closing net book amount	176,885	1,761	178,646
At 31 December 2023			
Cost	189,564	2,349	191,913
Accumulated depreciation	(12,679)	(588)	(13,267)
Net book amount	176,885	1,761	178,646
Year ended 31 December 2022			
Opening net book amount	44,413	1,859	46,272
Transfer from assets under construction	138,076	–	138,076
Depreciation charge	(1,938)	(49)	(1,987)
Closing net book amount	180,551	1,810	182,361
At 31 December 2022			
Cost	189,564	2,349	191,913
Accumulated depreciation	(9,013)	(539)	(9,552)
Net book amount	180,551	1,810	182,361

The investment property comprises nineteen floors of two buildings located in Wuhan for offices, held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties through rental.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16 INVESTMENT PROPERTIES (CONTINUED)

Investment properties are initially measured at cost, including related transaction costs and where applicable borrowing costs. Subsequently, they are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is computed on a straight-line basis, after considering the estimated residual value (5% of original cost), over the estimated useful lives. The estimated useful lives of the Group's investment properties are 48-50 years.

The fair value of the investment properties as of 31 December 2023 was RMB201,442,000 (2022: RMB210,874,000).

(a) Leasing arrangements

Minimum lease payments receivable on leases of investment properties are as follows:

	<u>As at 31 December</u>	
	2023 RMB'000	2022 RMB'000
Within 1 year (including 1 year.)	12,750	12,367
Between 1 and 2 years (including 2 years)	12,692	12,481
Between 2 and 3 years (including 3 years)	12,948	12,692
Between 3 and 4 years (including 4 years)	8,188	12,948
Between 4 and 5 years (including 5 years)	7,990	8,188
Later than 5 years	91,178	99,168
	145,746	157,844

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17 LEASES

(a) Amounts recognized in the statement of financial position

The consolidated statement of financial position shows the following amounts relating to leases:

	As at 31 December	
	2023 RMB'000	2022 RMB'000
Right-of-use assets		
– Buildings	121,849	216,353
– Land use right	183,132	187,948
	304,981	404,301
Lease liabilities		
– Current	42,634	49,573
– Non-current	89,919	174,983
	132,553	224,556

Additions to the buildings in right-of-use assets for the years ended 31 December 2023 and 2022 were RMB3,421,000 and RMB372,644,000, respectively. Additions to the land use right in right-of-use assets for the years ended 31 December 2023 and 2022 were nil and RMB187,757,000 respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17 LEASES (CONTINUED)

(b) Amounts recognised in profit or loss

The consolidated statement of comprehensive income shows the following amounts relating to leases:

	Year ended 31 December	
	2023 RMB'000	2022 RMB'000
Depreciation charge of right-of-use assets		
– Buildings	52,441	68,101
– Land use right	122	122
	52,563	68,223
Interest expense (included in finance costs)	7,104	10,321

The total cash outflow from financing activities for leases for the years ended 31 December 2023 and 2022 were RM64,578,000 and RMB75,186,000 respectively, and the total cash outflow from operating activities for leases for the years ended 31 December 2023 and 2022 were RMB765,000 and RMB848,000 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 1 months to 60 months. Rental contracts for land are typically made for fixed periods of 45 years to 50 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.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17 LEASES (CONTINUED)

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18 INTANGIBLE ASSETS

	Goodwill RMB'000	Software licenses RMB'000	Total RMB'000
At 1 January 2022			
Cost	45,896	17,146	63,042
Accumulated amortisation	–	(8,680)	(8,680)
Net book amount	45,896	8,466	54,362
Year ended 31 December 2022			
Opening net book amount	45,896	8,466	54,362
Addition	–	1,571	1,571
Impairment	(32,808)	–	(32,808)
Amortisation charge	–	(3,443)	(3,443)
Closing net book amount	13,088	6,594	19,682
At 31 December 2022			
Cost	45,896	18,717	64,613
Accumulated amortisation	–	(12,123)	(12,123)
Accumulated impairment provision	(32,808)	–	(32,808)
Net book amount	13,088	6,594	19,682
Year ended 31 December 2023			
Opening net book amount	13,088	6,594	19,682
Addition	–	170	170
Disposal of a subsidiary	(13,088)	(2,169)	(15,257)
Amortisation charge	–	(2,599)	(2,599)
Closing net book amount	–	1,996	1,996
At 31 December 2023			
Cost	–	15,058	15,058
Accumulated amortisation	–	(13,062)	(13,062)
Accumulated impairment provision	–	–	–
Net book amount	–	1,996	1,996

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18 INTANGIBLE ASSETS (CONTINUED)

(a) Amortisation of the Group's intangible assets has been recognised as follows:

	Year ended 31 December	
	2023 RMB'000	2022 RMB'000
General and administrative expenses	2,007	2,809
Research and development expenses	592	634
	2,599	3,443

19 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	Year ended 31 December	
	2023 RMB'000	2022 RMB'000
Balance at 1 January	20,875	10,986
Addition	–	11,250
Share of losses of an associate	(1,691)	(1,361)
Balance at 31 December	19,184	20,875

The Group has 30% interests in Hangzhou Mingqi Intelligence Technology Limited Company (杭州明啟數智科技有限公司, "Mingqi"), which is accounted for as an associate of the Group as the Group secured a place in Mingqi's board of directors. Mingqi is a private company and there is no quoted market price available for its shares. There is no commitment or contingent liabilities relating to the Group's interest in Mingqi. In the opinion of the directors, Mingqi is immaterial to the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20 FINANCIAL INSTRUMENTS BY CATEGORY

	As at 31 December	
	2023 RMB'000	2022 RMB'000
Financial assets		
Financial assets at amortised cost		
Trade receivables (Note 23)	66,168	73,506
Other receivables (Note 23)	38,125	63,503
Term deposits (Note 24)	419,082	2,994,122
Restricted cash (Note 24)	1,005	3,130
Cash and cash equivalents (Note 24)	3,972,900	1,642,078
	4,497,280	4,776,339
Financial assets at FVPL (Note 21)	188,479	83,089
Financial assets at FVOCI (Note 22)	360	6,547
	4,686,119	4,865,975
Financial liabilities		
Financial liabilities at amortised cost		
Trade payables (Note 29)	23,762	37,874
Other payables and accruals (excluding accrued payroll and employee benefit expenses, VAT and surcharges payable) (Note 30)	21,719	19,729
Lease liabilities (Note 17)	132,553	224,556
	178,034	282,159

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December	
	2023 RMB'000	2022 RMB'000
Investments in wealth management products (a)	136,771	29,702
Investments in unlisted equity securities (b)	51,708	53,387
	188,479	83,089
Less: non-current portion		
Investments in wealth management products (a)	(25,514)	–
Investments in unlisted equity securities (b)	(51,708)	(53,387)
	111,257	29,702

(a) Investments in wealth management products

Movements in investments in wealth management products were as follows:

	Year ended 31 December	
	2023 RMB'000	2022 RMB'000
At the beginning of the year	29,702	53,774
Acquisitions	2,544,263	2,556,010
Disposals	(2,458,049)	(2,588,114)
Unrealised changes in fair value (Note 8)	68	928
Realised income (Note 8)	20,787	7,104
At the end of the year	136,771	29,702

The returns on all of these wealth management products are not guaranteed, and therefore the Group classified 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.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

(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:

	<u>Year ended 31 December</u>	
	2023 RMB'000	2022 RMB'000
At the beginning of the year	53,387	16,839
Acquisitions	6,035	44,112
Transfer (i)	266	–
Unrealised changes in fair value (Note 9)	(7,980)	(7,564)
At the end of the year	51,708	53,387

- (i) On 12 June 2023, the Group disposed 30% equity of a subsidiary, Shenzhen Woxiang Technology Limited Company (深圳市沃享科技有限公司, "Woxiang") to a third party at a cash consideration of RMB300,000. Upon completion the disposal, the Company's equity interest in Woxiang decreased from 56.58% to 26.58%. Pursuant to the agreement, the Group had significant influence in Woxiang and the shares should be redeemed upon request of Ming Yuan Cloud Technology upon occurrence of certain future events. Therefore, these shares are not regarded as a current ownership interest in Woxiang and should be accounted for as financial assets at fair value through profit or loss instead of using the equity method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22 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 investments 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 31 December	
	2023 RMB'000	2022 RMB'000
At the beginning of the year	6,547	10,101
Unrealised changes in fair value (Note 26, 28)	(6,187)	(3,554)
At the end of the year	360	6,547



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23 TRADE RECEIVABLES, PREPAYMENTS AND OTHER RECEIVABLES

	As at 31 December	
	2023 RMB'000	2022 RMB'000
Trade receivables from contracts with customers	140,353	147,829
Less: Loss allowance (Note 3.1)	(74,185)	(74,323)
Trade receivables – net	66,168	73,506
Prepayments to suppliers	32,727	53,790
Prepayments for property, plant and equipment	12,161	19,841
Prepayments for leasehold improvements	–	1,340
Prepayments for employee benefits	5,231	6,646
Total prepayments	50,119	81,617
Rental and other deposits	21,814	26,353
Others	16,348	37,179
Less: Loss allowance(b)	(37)	(29)
Other receivables – net	38,125	63,503
Total trade receivables, prepayments and other receivables	154,412	218,626
Less: Non-current deposits and prepayments	(32,477)	(46,514)
Current portion	121,935	172,112

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23 TRADE RECEIVABLES, PREPAYMENTS AND OTHER RECEIVABLES (CONTINUED)

(a) Trade receivables

	As at 31 December	
	2023 RMB'000	2022 RMB'000
Trade receivables from contracts with customers	140,353	147,829
Less: Loss allowance (Note 3.1(b))	(74,185)	(74,323)
	66,168	73,506

Movements on the Group's loss allowance of trade receivables are disclosed in Note 3.1.

The Group normally allows 0 to 90 days credit period to its customers. Ageing analysis of the trade receivables as at 31 December 2023 and 2022, based on date of recognition, is as follows:

	As at 31 December	
	2023 RMB'000	2022 RMB'000
Ageing		
Up to 3 months	37,344	42,213
3 to 6 months	16,356	18,548
6 months to 1 year	22,995	32,409
1 to 2 years	36,670	43,790
Over 2 years	26,988	10,869
	140,353	147,829

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23 TRADE RECEIVABLES, PREPAYMENTS AND OTHER RECEIVABLES (CONTINUED)

(b) Movements on the Group's loss allowance of other receivables are as follows:

	Year ended 31 December	
	2023 RMB'000	2022 RMB'000
At the beginning of the year	29	71
Impairment provision	7,823	–
Receivables written off during the year as uncollectible	(7,815)	–
Reversal of impairment provision	–	(42)
At the end of the year	37	29

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.

24 CASH AND CASH EQUIVALENTS

	As at 31 December	
	2023 RMB'000	2022 RMB'000
Cash at bank and on hand (i)	4,392,987	4,639,330
Less: Restricted cash (ii)	(1,005)	(3,130)
Term deposits (iii)	(419,082)	(2,994,122)
Cash and cash equivalents	3,972,900	1,642,078

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24 CASH AND CASH EQUIVALENTS (CONTINUED)

(i) Cash at bank and on hand was denominated in the following currencies:

	As at 31 December	
	2023 RMB'000	2022 RMB'000
RMB	1,287,327	1,759,927
USD	3,094,585	2,875,107
HKD	11,075	4,296
	4,392,987	4,639,330

(ii) The restricted cash were pledged to banks as required by certain customers' contracts' implementation of the Group.

(iii) An analysis of the Group's term deposits by currencies is as follows:

	As at 31 December	
	2023 RMB'000	2022 RMB'000
Included in non-current assets:		
RMB term deposits over 1 year	237,792	–
Included in current assets:		
RMB term deposits over 3 months to 1 year	110,442	130,000
USD term deposits over 3 months to 1 year	70,848	2,864,122
	181,290	2,994,122
	419,082	2,994,122

As at 31 December 2023, the term deposits carried the interest rates of 2.60% to 5.65% per annum.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25 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 31 December 2022 and 2023	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 1 January 2022	1,968,593	197	173	-	173
Issuance of ordinary shares (a)	13,090	1	1	-	1
Cancellation of shares (b)	(22,157)	(2)	(2)	-	(2)
Less: Treasury shares (a)	(148,074)	(15)	-	(219,501)	(219,501)
As at 31 December 2022	1,811,452	181	172	(219,501)	(219,329)
As at 1 January 2023	1,959,526	196	172	-	172
Issuance of ordinary shares (c)	27,233	2	2	-	2
Cancellation of shares (d)	(44,443)	(4)	(4)	-	(4)
Less: Treasury shares (c)	(92,145)	(9)	-	(4,492)	(4,492)
As at 31 December 2023	1,850,171	185	170	(4,492)	(4,322)

- (a) On 30 May 2022 and 8 December 2022, the Company allotted and issued total 13,089,993 ordinary shares to MYC Marvellous Limited. The issuance resulted in the increase in share capital of RMB1,000 and the ordinary shares issued were also presented as treasury shares.
- (b) During the year ended 31 December 2022, the Group repurchased a total of 66,684,000 ordinary shares that listed on the Stock Exchange of Hong Kong Limited at a total cash consideration of RMB418,054,000. The total of 22,157,000 shares were cancelled on 4 July 2022, and result in the decrease in the Company's share capital.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25 SHARE CAPITAL (CONTINUED)

Issued: (Continued)

- (c) On 19 May 2023, 4 August 2023 and 30 November 2023, the Company allotted and issued total 27,232,775 ordinary shares to MYC Marvellous Limited. The issuance resulted in the increase in share capital of RMB2,000 and the ordinary shares issued were also presented as treasury shares.
- (d) During the year ended 31 December 2023, the Group repurchased a total of 1,373,000 ordinary shares that were listed on the Stock Exchange of Hong Kong Limited at a total cash consideration of RMB3,638,000. The total of 44,443,000 shares were cancelled on 16 March 2023 and 30 November 2023, resulting in the decrease in the Company's share capital.

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 until the shares are cancelled or reissued and other reserve. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

26 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
At 1 January 2022	7,559,582	-	(412,931)	227,444	(710,057)	6,664,038
Changes in fair value of financial assets at FVOCI, net of tax (Note 22)	-	-	-	-	(3,021)	(3,021)
Appropriation for statutory surplus reserve (a)	-	82	-	-	-	82
Share-based compensation expenses (Note 27)	-	-	-	499,450	-	499,450
Transfer of vested restricted share units from treasury shares (Note 27)	101,750	-	-	(104,079)	-	(2,329)
Cancellation of shares	(198,557)	-	-	-	-	(198,557)
Dividend distribution to the owners of the Company	(101,912)	-	-	-	-	(101,912)
Currency translation differences	-	-	349,353	-	-	349,353
At 31 December 2022	7,360,863	82	(63,578)	622,815	(713,078)	7,207,104
At 1 January 2023	7,360,863	82	(63,578)	622,815	(713,078)	7,207,104
Changes in fair value of financial assets at FVOCI, net of tax (Note 22)	-	-	-	-	(5,259)	(5,259)
Appropriation for statutory surplus reserve (a)	-	47	-	-	-	47
Share-based compensation expenses (Note 27)	-	-	-	417,322	-	417,322
Transfer of vested restricted share units from treasury shares (Note 27)	387,724	-	-	(395,945)	-	(8,221)
Cancellation of shares	(218,644)	-	-	-	-	(218,644)
Dividend distribution to the owners of the Company	-	-	-	-	-	-
Currency translation differences	-	-	16,636	-	-	16,636
At 31 December 2023	7,529,943	129	(46,942)	644,192	(718,337)	7,408,985



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

26 RESERVES (CONTINUED)

(a) 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.

27 SHARE-BASED COMPENSATION

2020 Share incentive plan

On 29 March 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 31 March 2020, the shares held by MYC Marvellous Limited were subdivided into 74,840,800 shares.

On 10 April 2020, 8 July 2021, 29 October 2021 and 1 November 2021, the Company granted restricted share units ("RSUs") to the Group's employees (the "Grantees") subject to the 2020 Share Incentive Plan, representing 43,743,004 ordinary shares of par value HKD0.0001 each in the share capital of the Company. The RSUs awarded are either subject to a vesting scale in tranches from the grant date over a certain service period on condition that employees remain in service, or vested on the grant date. 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.

On 11 January 2022, 24 August 2022 and 14 November 2022, the Company granted RSUs to the Grantees, representing 26,794,019 ordinary shares 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 with certain 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.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27 SHARE-BASED COMPENSATION (CONTINUED)

2020 Share incentive plan (Continued)

On 17 January 2023 and 15 November 2023, the Company granted RSUs to the Grantees, representing 1,817,655 ordinary shares 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 with certain performance requirements. Once the vesting conditions underlying the respective RSUs are met and the RSUs are vested, the shares shall be subject to applicable restrictions in the award and any legal restrictions.

2021 Share Award Scheme

On 11 June 2021, the board of directors of the Company passed a resolution, according to which an aggregate number of ordinary shares of the Company, not exceed 5% of total number of issued shares as at 11 June 2021, may be awarded to eligible persons.

On 1 July 2021, the Company granted RSUs to the Grantees, representing 41,443,996 ordinary shares 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 with certain 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.

On 30 May 2022, 14 November 2022 the Company granted RSUs to the Grantees, representing 13,089,993 ordinary shares 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 with certain 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.

On 28 April 2023, 7 July 2023 and 15 November 2023 the Company granted Award Shares to the Grantees, representing 27,628,775 ordinary shares of par value HKD0.0001 each in the share capital of the Company. The Award Shares are subject to a vesting scale in tranches from the grant date over a certain service period, on condition that employees remain in service with certain performance requirements. Once the vesting conditions underlying the respective Award Shares are met and the Award Shares are vested, the shares shall be subject to applicable restrictions in the award and any legal restrictions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27 SHARE-BASED COMPENSATION (CONTINUED)

2021 Share Option Scheme

On 11 June 2021, the shareholders of the Company passed a resolution to approve the adoption of a share option scheme (the Share Option Scheme) and to authorise the board of directors of the Company to grant options thereunder to eligible participants. The percentage of the total issued shares of the Company that may be issued upon exercise of the share options to be granted under the Share Option Scheme shall not exceed 5% as at 11 June 2021.

On 17 January 2023, the Company granted a total of 41,200,000 Share Options to 59 employees of the Group, representing 1 ordinary share of par value HKD0.0001 each in the share capital of the Company. The share options 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 with certain performance requirements. Once the vesting conditions underlying the respective share options are met and the share options are vested, the shares shall be subject to applicable restrictions in the award and any legal restrictions.

The share-based compensation expenses recognised during the years ended 31 December 2023 and 2022 are summarised in the following table:

	Year ended 31 December	
	2023 RMB'000	2022 RMB'000
Share-based compensation expenses	417,322	499,450

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 31 December 2023 and 2022, the Expected Retention Rate was assessed to be 96%.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27 SHARE-BASED COMPENSATION (CONTINUED)

Expected retention rate (Continued)

(a) RSUs

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)
Outstanding as at 1 January 2022	60,909,797	23.23
Granted during the year	39,884,012	7.07
Vested during the year	(23,860,000)	4.61
Lapsed/Forfeited	(11,031,735)	20.52
Outstanding as at 31 December 2022	65,902,074	20.76
Outstanding as at 1 January 2023	65,902,074	20.76
Granted during the year	29,446,430	3.26
Vested during the year	(29,927,836)	13.23
Lapsed/Forfeited	(9,925,955)	14.10
Outstanding as at 31 December 2023	55,494,713	16.72

The fair value of RSUs granted in 2023 and 2022 was calculated based on the market price of the Company's shares at the respective grant date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27 SHARE-BASED COMPENSATION (CONTINUED)

Expected retention rate (Continued)

(b) Share options

Movements in the number of share options granted and the respective weighted average grant date fair value per share option are as follows:

	Number of share options	Weighted average grant date fair value per share option (RMB)
Outstanding as at 1 January 2023	–	–
Granted during the year	41,200,000	3.88
Lapsed/Forfeited	(200,000)	3.88
Outstanding as at 31 December 2023	41,000,000	3.88

Share options outstanding at the end of the year have the following expiry date and exercise price:

Grant date	Expiry date	Exercise price
17 January 2023	17 January 2033	HKD8.20



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27 SHARE-BASED COMPENSATION (CONTINUED)

Expected retention rate (Continued)

(b) Share options (Continued)

The fair value of share options granted was determined using the Binomial Option Pricing Model by an independent appraiser based on significant unobservable inputs. These inputs include:

Description	Fair value of share options granted	Unobservable inputs	Range of unobservable inputs	Relationship of Unobservable inputs to fair value
Share options	HKD185,396,000 (equivalent to RMB159,560,000)	Volatility	59.37%	The higher the volatility, the higher the fair value
		Risk-free interest rate	3.13%	The higher the risk-free interest rate, the higher the fair value
		Dividend yield	0.00%	The higher the dividend yield, the lower the fair values

The fair value of share options is subject to a number of assumptions and the limitation of the model. There were no significant inter-relationships between unobservable inputs that materially affect fair values.

The expected price volatility is based on the historic volatility (based on the remaining life of the options), adjusted for any expected changes to future volatility due to publicly available information.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28 DEFERRED INCOME TAX

The analysis of deferred income tax assets and deferred income tax liabilities is as follows:

	As at 31 December	
	2023 RMB'000	2022 RMB'000
Deferred income tax assets:		
– Deferred income tax assets to be recovered after more than 12 months	17,606	27,572
– Deferred income tax assets to be recovered within 12 months	23,839	24,261
Total deferred income tax assets	41,445	51,833
Set-off of deferred income tax liabilities pursuant to set-off provision	(18,412)	(31,891)
Net deferred income tax assets	23,033	19,942
Deferred income tax liabilities:		
– Deferred income tax liability to be recovered after more than 12 months	(11,273)	(25,076)
– Deferred income tax liability to be recovered within 12 months	(7,241)	(7,591)
Total deferred income tax liabilities	(18,514)	(32,667)
Set-off of deferred income tax assets pursuant to set-off provision	18,412	31,891
Net deferred income tax liabilities	(102)	(776)



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 1 January 2022 RMB'000	Credited/ (charged) to profit or loss RMB'000	Credited to Reserves RMB'000	As at 31 December 2022 RMB'000
The balance comprises temporary differences attributable to:				
Deferred income tax assets				
– Financial assets at FVPL	26	1,184	–	1,210
– Financial assets at FVOCI	360	–	533	893
– Lease liabilities	14,341	18,397	–	32,738
– Impairment provisions	8,033	8,959	–	16,992
	22,760	28,540	533	51,833
Deferred income tax liabilities				
– Intangible assets	(488)	(134)	–	(622)
– Right-of-use assets	(13,224)	(18,294)	–	(31,518)
– Financial assets at FVPL	–	(303)	–	(303)
– Interest receivable	–	(224)	–	(224)
	(13,712)	(18,955)	–	(32,667)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28 DEFERRED INCOME TAX (CONTINUED)

	As at 1 January 2023 RMB'000	Credited/ (charged) to profit or loss RMB'000	Disposal of a subsidiary RMB'000	Credited to Reserves RMB'000	As at 31 December 2023 RMB'000
The balance comprises temporary differences attributable to:					
Deferred income tax assets					
– Financial assets at FVPL	1,210	1,130	–	–	2,340
– Financial assets at FVOCI	893	–	–	928	1,821
– Lease liabilities	32,738	(12,189)	(722)	–	19,827
– Impairment provisions	16,992	596	(131)	–	17,457
	51,833	(10,463)	(853)	928	41,445
Deferred income tax liabilities					
– Intangible assets	(622)	–	622	–	–
– Right-of-use assets	(31,518)	12,606	688	–	(18,224)
– Financial assets at FVPL	(303)	13	–	–	(290)
– Interest receivable	(224)	224	–	–	–
	(32,667)	12,843	1,310	–	(18,514)

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.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28 DEFERRED INCOME TAX (CONTINUED)

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:

	<u>Year ended 31 December</u>	
	2023 RMB'000	2022 RMB'000
Tax losses expiring:		
Within 5 years	132,590	1,165,673
Over 5 years	2,070,936	508,896
	2,203,526	1,674,569

Deferred income tax liabilities of RMB6,477,000 and RMB75,000 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 31 December 2023 and 2022, 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

	<u>As at 31 December</u>	
	2023 RMB'000	2022 RMB'000
Trade payables to third parties	23,762	37,874

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29 TRADE PAYABLES (CONTINUED)

As at 31 December 2023 and 2022, the ageing analysis of the trade payables based on date of recognition are as follows:

	As at 31 December	
	2023 RMB'000	2022 RMB'000
Ageing:		
Up to 3 months	15,509	37,874
3 to 6 months	473	–
6 months to 1 year	2,141	–
Over 1 year	5,639	–
	23,762	37,874

30 OTHER PAYABLES AND ACCRUALS

	As at 31 December	
	2023 RMB'000	2022 RMB'000
Accrued payroll and employee benefit expenses	187,764	197,489
VAT and surcharges payable	5,487	8,287
Commissions payable to regional channel partners	7,144	5,928
Accrued auditor's remuneration	4,200	4,982
Deposits from regional channel partners	1,652	1,672
Others	8,723	7,147
	214,970	225,505

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 CASH FLOW INFORMATION

(a) Cash used in operations

	<u>Year ended 31 December</u>	
	2023 RMB'000	2022 RMB'000
Loss before income tax	(589,423)	(1,168,666)
Adjustments for:		
Depreciation of right-of-use assets	52,563	68,223
Depreciation of property, plant and equipment	38,077	40,123
Depreciation of investment properties	3,715	1,987
Net impairment losses on financial assets and contract assets	46,091	58,329
Goodwill impairment	–	32,808
Finance income – net	(175,488)	(98,372)
Net exchange difference	(14,141)	199,523
Amortisation of intangible assets	2,599	3,443
Net losses/(gains) on disposals of property, plant and equipment	7,625	(3,264)
Share-based compensation	417,322	499,450
Share of losses of an associate	1,691	1,361
Disposal of a subsidiary	(121)	–
Fair value losses on financial assets at FVPL	7,980	20,400
Income from wealth management products	(20,901)	(17,615)
Operating cashflows before movements in working capital	(222,411)	(362,270)
Change in working capital:		
Trade receivables	(28,208)	(39,334)
Contract acquisition costs	9,333	11,898
Contract assets	(37,373)	13,438
Restricted cash	2,125	(2,280)
Prepayments and other receivables	5,369	(27,564)
Inventories	(2,811)	(5,983)
Trade payables	(14,105)	(28,188)
Contract liabilities	(52,098)	(32,089)
Other payables and accruals	13,414	1,498
Cash used in operations	(326,765)	(470,874)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 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 (Note 17(a)) and the share-based compensation described in Note 2 for the years ended 31 December 2023 and 2022.

(c) Net cash reconciliation

This section sets out an analysis of net cash and the movements in net cash for the years ended 31 December 2023 and 2022.

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Cash and cash equivalents	3,972,900	1,642,078
Restricted cash	1,005	3,130
Term deposits	419,082	2,994,122
Liquid investments (Note i)	136,771	29,702
Lease liabilities	(132,553)	(224,556)
Net cash	4,397,205	4,444,476

- (i) Liquid investments comprise the Group's investments in wealth management products included in financial assets at FVPL. See Note 21(a) for details.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 CASH FLOW INFORMATION (CONTINUED)

(c) Net cash reconciliation (Continued)

	Cash and cash equivalent RMB'000	Restricted cash RMB'000	Term deposits RMB'000	Liquid investments RMB'000	Lease liabilities RMB'000	Total RMB'000
Net cash as at 1 January 2022	2,017,356	850	3,432,800	352,387	(103,041)	5,700,352
Cash flows	(525,108)	2,280	(438,678)	(323,613)	64,865	(1,220,254)
Foreign exchange adjustments	149,830	–	–	–	–	149,830
Fair value changes	–	–	–	928	–	928
Non-cash movement	–	–	–	–	(186,380)	(186,380)
Net cash as at 31 December 2022	1,642,078	3,130	2,994,122	29,702	(224,556)	4,444,476
Net cash as at 1 January 2023	1,642,078	3,130	2,994,122	29,702	(224,556)	4,444,476
Cash flows	2,328,388	(2,125)	(2,641,233)	107,001	64,578	(143,391)
Foreign exchange adjustments	2,434	–	47,938	–	–	50,372
Fair value changes	–	–	–	68	–	68
Non-cash movement	–	–	18,255	–	27,425	45,680
Net cash as at 31 December 2023	3,972,900	1,005	419,082	136,771	(132,553)	4,397,205

32 COMMITMENTS

(a) Capital commitments

The Group mainly has capital commitments with respect to assets under construction, leasehold improvements and land use right. As at 31 December 2023, no capital expenditure contracted for at the end of the years but not recognised as liabilities (2022: RMB11,811,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

32 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 31 December	
	2023 RMB'000	2022 RMB'000
Within 1 year	113	254

33 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 and joint 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 31 December 2023 and 2022:

Key management personnel compensation

	Year ended 31 December	
	2023 RMB'000	2022 RMB'000
Salaries, wages, and bonuses	6,068	4,130
Pension costs – defined contribution plans	334	261
Other social security costs, housing benefits and other employee benefits	451	310
Share-based compensation	50,599	95,711
	57,452	100,412

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

34 NOTES TO THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Note	As at 31 December	
		2023 RMB'000	2022 RMB'000
ASSETS			
Non-current assets			
Interests in subsidiaries	(a)	2,142,846	1,694,359
Current assets			
Prepayments and other receivables		2,543,816	2,560,085
Term deposits		70,848	2,864,122
Cash and cash equivalents	(b)	3,024,303	10,390
Total current assets		5,638,967	5,434,597
Total assets		7,781,813	7,128,956
EQUITY			
Share capital	25	170	172
Treasury shares	25	(2,736)	(217,748)
Reserves	(c)	8,617,044	8,316,427
Accumulated losses	(c)	(884,723)	(1,010,132)
Total equity		7,729,755	7,088,719
LIABILITIES			
Current liabilities			
Other payables and accruals	(d)	52,058	40,237
Total liabilities		52,058	40,237
Total equity and liabilities		7,781,813	7,128,956

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

34 NOTES TO THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

(a) Interests in subsidiaries

	As at 31 December	
	2023 RMB'000	2022 RMB'000
Amounts due from subsidiaries (i)	1,710,478	1,180,078
Investments in a subsidiary (ii)	15,046	14,831
Share-based compensation	417,322	499,450
	2,142,846	1,694,359

(i) It represents the amounts due from Ming Yuan Cloud Investment and the Company does not intend to collect in near future.

(ii) It represents the cost of investments in Earl Dazzle amounting to USD2,121,000.

(b) Cash and cash equivalents

	As at 31 December	
	2023 RMB'000	2022 RMB'000
Cash at bank (i)	3,024,303	10,390

(i) Cash at bank was denominated in the following currencies:

	As at 31 December	
	2023 RMB'000	2022 RMB'000
RMB	18	50
USD	3,022,400	6,070
HKD	1,885	4,270
	3,024,303	10,390

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

34 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 1 January 2022	7,508,524	(749,579)
Profit for the year	–	(260,553)
Dividend distribution to the owners of the company	(107,107)	–
Share-based compensation expenses (Note 26)	499,450	–
Transfer of vested restricted share units from treasury shares (Note 26)	(2,329)	–
Cancellation of shares (Note 26)	(198,557)	–
Currency translation differences	616,446	–
As at 31 December 2022	8,316,427	(1,010,132)
As at 1 January 2023	8,316,427	(1,010,132)
Profit for the year	–	125,409
Dividend distribution to the owners of the company	–	–
Share-based compensation expenses (Note 26)	417,322	–
Transfer of vested restricted share units from treasury shares (Note 26)	(8,221)	–
Cancellation of shares (Note 26)	(218,644)	–
Currency translation differences	110,160	–
As at 31 December 2023	8,617,044	(884,723)

(d) Other payables and accruals

	As at 31 December	
	2023 RMB'000	2022 RMB'000
Amounts due to subsidiaries	52,058	40,152
Others	–	85
	52,058	40,237

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

35 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 31 December	
				2023	2022
Directly held:					
Ming Yuan Cloud Investment	BVI/ 10 July 2019 limited liability company	Investment holding/ BVI	USD0.01/ USD0.01	100.00%	100.00%
Earl Dazzle	BVI/ 20 December 2016 limited liability company	Investment holding/ BVI	USD2/ USD2	100.00%	100.00%
Everlasting Light Investment	BVI/ 9 November 2023 limited liability company	Investment holding/ BVI	USD0.01/ USD0.01	100.00%	/
Indirectly held:					
Ming Yuan Cloud Technology PTE.LTD (SINGAPORE)	Singapore/ 14 August 2023 limited liability company	Investment holding, Cloud services, On-premise software and services/ Singapore	SGD1/ SGD1	100.00%	/
Polaris Cloud	Hong Kong/ 22 July 2019 limited liability company	Investment holding/ Hong Kong	HKD10,000/ HKD10,000	100.00%	100.00%
Viscount Dazzle	Hong Kong/ 1 February 2017 limited liability company	Investment holding/ Hong Kong	HKD1/ HKD1	100.00%	100.00%
Northern Lights Cloud	PRC/ 6 September 2019 wholly-foreign-owned enterprise	Investment holding/ PRC	USD294,000,000/ USD294,000,000	100.00%	100.00%
Ming Yuan Cloud Technology	PRC/ 27 November 2003 limited liability company	Investment holding, Cloud services, On-premise software and services/PRC	RMB1,831,644,737/ RMB1,831,544,870	100.00%	100.00%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

35 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 31 December	
				2023	2022
Indirectly held:					
Ming Yuan Cloud Client	PRC/ 30 July 2014 limited liability company	Investment holding and Cloud services/ PRC	RMB10,700,000/ RMB10,700,000	100.00%	100.00%
Gyrfalcon Digital Marketing Service Co., Ltd. (深圳市海東青 數字營銷服務有限公司)	PRC/ 25 July 2018 limited liability company	Cloud services/ PRC	RMB10,000,000/ RMB1,000,000	100.00%	100.00%
Ming Yuan Cloud Procurement	PRC/ 22 April 2014 limited liability company	Cloud services/ PRC	RMB8,888,889/ RMB8,888,889	100.00%	100.00%
Ming Yuan Cloud Space	PRC/ 6 August 2015 limited liability company	Cloud services/ PRC	RMB10,000,000/ RMB10,000,000	100.00%	100.00%
Wuhan Ming Yuan Power	PRC/ 8 April 2008 limited liability company	On-premise software and services/ PRC	RMB211,000,000/ RMB211,000,000	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/ 24 November 2010 limited liability company	On-premise software and services/ PRC	RMB42,000,000/ RMB42,000,000	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/ 8 March 2016 limited liability company	Investment holding and technology services/ PRC	RMB50,000,000/ RMB50,000,000	100.00%	100.00%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

35 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 31 December	
				2023	2022
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/ 30 September 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/ 12 July 2016 limited liability company	On-premise software and services/ PRC	RMB20,000,000/ RMB20,000,000	100.00%	100.00%
Mingyuan Cloud Technology (Hong Kong) Limited	Hong Kong/ 13 November 2018 limited liability company	Technology services/ Hong Kong	USD10,000/ USD10,000	100.00%	100.00%
Ming Yuan Cloud Chain	PRC/ 12 April 2019 limited liability company	Cloud services/ PRC	RMB101,111,111/ RMB90,500,000	100.00%	100.00%
Beijing Mingyuan Cloud Xinchuang Technology Co., Ltd. (北京明源雲 新創科技有限公司)	PRC/ 23 April 2023 limited liability company	Investment holding/ PRC	RMB10,000,000/ RMB10,000,000	100.00%	100.00%
Chengdu Jingjian Technology Limited (成都市境見科技 有限公司, “Jingjian”)	PRC/ 29 March 2021 limited liability company	Cloud services/ PRC	RMB10,000,000/ Nil	100.00%	100.00%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

35 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 31 December	
				2023	2022
Indirectly held:					
Wuhan Mingyuan Cloud Creative Technology Limited. (武漢明源雲 創新科技有限公司, "Wuhan Ming Yuan Cloud Creative Technology")	PRC/ 8 October 2021 limited liability company	Investment holding/ PRC	RMB960,000,000/ RMB318,510,000	100%	100.00%
Wuhan Mingyuan Cloud Intelligence Technology Limited. (武漢明源雲 數智科技有限公司, "Wuhan Ming Yuan Cloud Intelligence")	PRC/ 8 October 2021 limited liability company	Investment holding/ PRC	RMB960,000,000/ RMB318,510,000	100%	100.00%
Wuhan Mingyuan Cloud Xinchu Technology Limited. (武漢明源雲 新楚科技有限公司, "Wuhan Ming Yuan Cloud Xinchu")	PRC/ 27 August 2021 wholly-foreign-owned enterprise	Investment holding/ PRC	USD300,000,000/ USD130,000,000	100%	100.00%
Hainan Mingyuan Cloud Navigation Technology Limited. (海南明源雲 領航科技有限公司)	PRC/ 2 April 2021 limited liability company	Investment holding/ PRC	RMB40,000,000/ RMB40,000,000	100%	100.00%
Woxiang (i)	PRC/ 01 March 2013 limited liability company	SaaS products/ PRC	RMB5,305,868/ RMB5,305,868	N/A	56.58%
On trust:					
MYC Marvellous Limited	BVI/ 25 February 2020 limited liability company	Employee stock holding platform/ BVI	USD1/ USD1	100%	100.00%

- (i) On 12 June 2023, 30% equity interest in Woxiang was disposed of by the Group at a cash consideration of RMB300,000. After the transaction, the Group lost control of Woxiang and the remaining 26.58% equity was accounted for as financial assets at fair value through profit or loss(Note(21)(b)). This transaction resulting a gain of approximately RMB124,000 recognized in other losses, net(Note(9)). The difference between the consideration received and the then cash balance of Woxiang of RMB36,000 was the net cash out from disposal of a subsidiary.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

36 CONTINGENT LIABILITIES

The Group had no material contingent liabilities outstanding as at 31 December 2023 and 2022.

37 SUBSEQUENT EVENTS

The Group does not have significant events after 31 December 2023 which may result in adjustments or additional disclosure to be made in this financial report.

38 OTHER ACCOUNTING POLICY

38.1 Subsidiaries

38.1.1 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) 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 IFRS.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

38 OTHER ACCOUNTING POLICY (CONTINUED)

38.1 Subsidiaries (Continued)

38.1.1 Consolidation (Continued)

(b) 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.

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.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

38 OTHER ACCOUNTING POLICY (CONTINUED)

38.1 Subsidiaries (Continued)

38.1.1 Consolidation (Continued)

(b) Business Combination (Continued)

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.

(c) 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.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

38 OTHER ACCOUNTING POLICY (CONTINUED)

38.1 Subsidiaries (Continued)

38.1.2 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.

38.2 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.

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.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

38 OTHER ACCOUNTING POLICY (CONTINUED)

38.2 Associates (Continued)

Investments in associates (Continued)

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 losses of investments accounted for using the equity method" 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.

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

38.3 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).



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

38 OTHER ACCOUNTING POLICY (CONTINUED)

38.3 Foreign currency translation (Continued)

(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.

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.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

38 OTHER ACCOUNTING POLICY (CONTINUED)

38.4 Property, plant and equipment

The Group's material accounting policy for property, plant and equipment is explained in Note 15.

Subsequent costs of property, plant and equipment 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.

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 38.6).

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.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

38 OTHER ACCOUNTING POLICY (CONTINUED)

38.5 Intangible assets

(a) Software licenses

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 31 December 2023 and 2022.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

38 OTHER ACCOUNTING POLICY (CONTINUED)

38.5 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.

38.6 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.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

38 OTHER ACCOUNTING POLICY (CONTINUED)

38.7 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.

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 20 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.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

38 OTHER ACCOUNTING POLICY (CONTINUED)

38.7 Financial assets (Continued)

(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.

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.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

38 OTHER ACCOUNTING POLICY (CONTINUED)

38.7 Financial assets (Continued)

(c) Measurement (Continued)

Debt instruments (Continued)

- 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”.

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.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

38 OTHER ACCOUNTING POLICY (CONTINUED)

38.7 Financial assets (Continued)

(d) 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.

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.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

38 OTHER ACCOUNTING POLICY (CONTINUED)

38.7 Financial assets (Continued)

(e) 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.

38.8 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.

38.9 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.

38.10 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.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

38 OTHER ACCOUNTING POLICY (CONTINUED)

38.10 Current and deferred income tax (Continued)

(b) *Deferred income tax*

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.

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.

38.11 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.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

38 OTHER ACCOUNTING POLICY (CONTINUED)

38.11 Employee benefits (Continued)

(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.

(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.

38.12 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.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

38 OTHER ACCOUNTING POLICY (CONTINUED)

38.12 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, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third party financing; and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

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.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

38 OTHER ACCOUNTING POLICY (CONTINUED)

38.12 Leases (Continued)

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.

38.13 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.

38.14 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).



DEFINITIONS

In this report, the following expressions have the meanings set out below unless the context otherwise requires:

“2023 Interim Report”	the interim report of the Company for the six months ended 30 June 2023
“AGM”	the annual general meeting of the Company
“Articles of Association”	the articles of association of the Company, as amended from time to time
“Audit Committee”	the audit committee of the Board
“Award(s)”	in the context of Share Award Scheme, an award granted by the Board to a Selected Participant, which may vest in the form of Award Shares or the actual selling price of the Award Shares in cash, as the Board may determine in accordance with the terms of the scheme rules; or in the context of Share Incentive Plan, an Option, RSU, restricted share, or other share-based award or right granted or sold pursuant to terms of the Share Incentive Plan
“Award Letter”	a letter issued by the Company to each Selected Participant in such form as the Board or the committee of the Board or person(s) to which the Board has delegated its authority may from time to time determine, specifying the grant date, the number of Award Shares underlying the Award, the vesting criteria and conditions, and the vesting date and such other details as they may consider necessary
“Board”, “our Board” or “Board of Directors”	the board of directors of our Company
“CG Code”	the Corporate Governance Code set out in Appendix C1 to the Listing Rules
“Chairman”	the chairman of the Board
“Change in Expected Timeline”	has the meaning ascribed to it under the section headed “USE OF NET PROCEEDS FROM THE GLOBAL OFFERING” in this report
“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



DEFINITIONS

“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 3 July 2019
“Consolidated Affiliated Entity”	the entity that we control through contractual arrangements
“Director(s)”	the director(s) of our Company
“Forthcoming Annual General Meeting”	the forthcoming annual general meeting of the Company which is scheduled to take place on 10 May 2024, further details of which will be included in a notice to be dispatched
“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
“IFRS”	IFRS Accounting Standards
“Latest Practicable Date”	10 April 2024, 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”	25 September 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
“MYC Marvellous”	MYC Marvellous Limited, a limited liability company incorporated in the British Virgin Islands and a special purpose vehicle wholly owned by TMF Trust (HK) Limited, the trustee appointed by the Company for the administration of the relevant share schemes of the Company



DEFINITIONS

“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 30 July 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 22 April 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 6 August 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 27 November 2003, one of our wholly-owned subsidiaries
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix C3 to the Listing Rules
“Net Proceeds”	has the meaning ascribed to it under the section headed “USE OF NET PROCEEDS FROM THE GLOBAL OFFERING” in this report
“Nomination Committee”	the nomination committee of the Board
“Option(s)”	in the context of Share Incentive Plan, an option to subscribe for Shares as granted pursuant to the Share Incentive Plan; or in the context of Share Option Scheme, the right to subscribe for a specified number of Shares in issue at the subscription price pursuant to the terms of the Share Option Scheme
“Prospectus”	the prospectus of our Company, dated 15 September 2020, in relation to the Global Offering



DEFINITIONS

“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 31 December 2023
“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 of our Company with a nominal value of HK\$0.0001 each
“Shareholder(s)”	holder(s) of our Shares
“Share Premium Account”	the share premium account of the Company, the amount standing to the credit of which was approximately RMB7,408,985,000 as at 31 December 2023 based in the audited consolidated financial statements of the Company for the Reporting Period
“Special Dividend”	the declaration and payment of HK\$0.1 (equivalent to RMB0.091) per Share out of the Share Premium Account, subject to the approval by the Shareholders at the Forthcoming Annual General Meeting and the conditions set forth in the section headed “Dividends” in this annual report
“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
“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
“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 On-premise Software and Services, we generate revenues from direct sales to our paying end group customers and sales to our regional channel partners, and in respect of Cloud Services, 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 PaaS Platform”	a low-code PaaS platform launched by the Group for aPaaS Capacity, iPaaS Capacity, bpmPaaS Capacity, DaaS Capacity and Technology Innovation