

明源雲

明源雲集團控股有限公司

MING YUAN CLOUD GROUP HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 909

2021 INTERIM REPORT



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Non-executive Directors

Mr. Liang Guozhi
Mr. Yi Feifan

Independent Non-executive Directors

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

REGISTERED OFFICE

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

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN PRC

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

PRINCIPAL SHARE REGISTRAR

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

HONG KONG SHARE REGISTRAR

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

CORPORATE INFORMATION

INDEPENDENT AUDITOR

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

HONG KONG LEGAL ADVISER

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

COMPLIANCE ADVISER

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

AUTHORIZED REPRESENTATIVES

Mr. Gao Yu
Mr. Jiang Keyang

JOINT COMPANY SECRETARIES

Mr. Jiang Keyang
Ms. Szeto Kar Yee Cynthia

PRINCIPAL BANKS

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

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

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

STOCK CODE

909

COMPANY'S WEBSITE

www.mingyuanyun.com

FINANCIAL HIGHLIGHTS

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June	
	2021 <i>RMB'000</i> (Unaudited)	2020 <i>RMB'000</i> (Unaudited)
Revenues	973,698	670,715
Gross profit	773,733	529,403
Operating profit	126,055	132,683
Profit before income tax	186,905	94,046
Profit for the period	187,516	85,337
Adjusted EBITDA	155,567	170,834
Adjusted net income	193,542	145,834

FINANCIAL HIGHLIGHTS

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 30 June 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
ASSETS		
Non-current assets	309,549	262,330
Current assets	7,149,911	7,209,836
Total assets	7,459,460	7,472,166
LIABILITIES		
Non-current liabilities	48,832	59,276
Current liabilities	846,604	843,354
Total liabilities	895,436	902,630
EQUITY		
Capital and reserves attributable to the Company's equity holders	6,509,587	6,538,793
Non-controlling interests	54,437	30,743
Total equity	6,564,024	6,569,536
Total equity and liabilities	7,459,460	7,472,166

Overall financial data

Revenue was RMB973.7 million, representing a year-on-year increase of 45.2%

Adjusted net income was RMB193.5 million, representing an increase of 32.7%



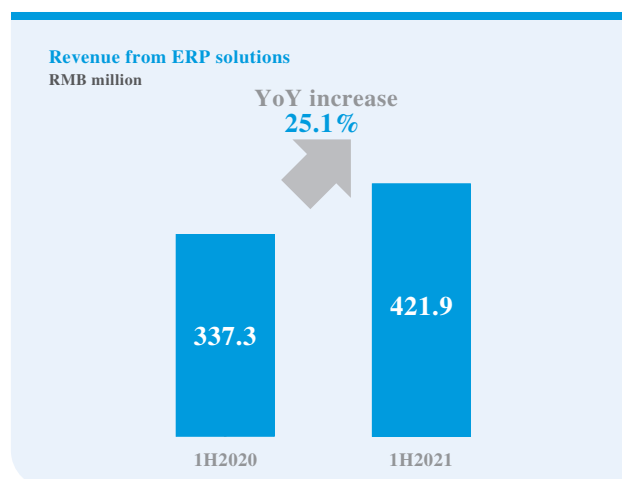
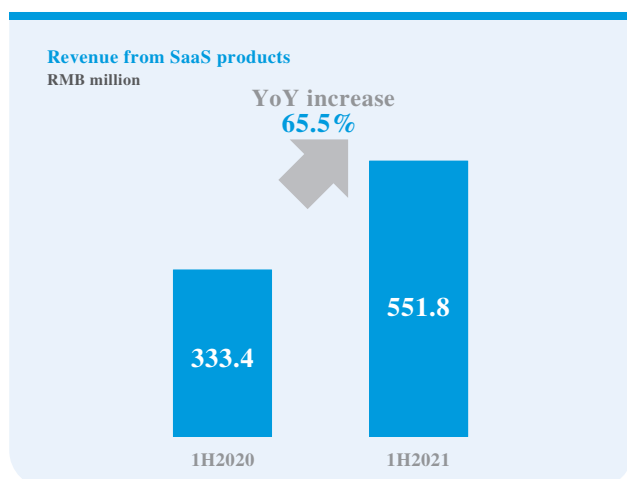
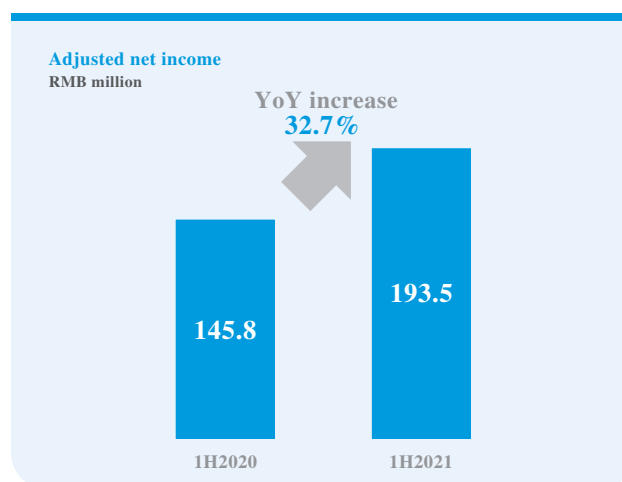
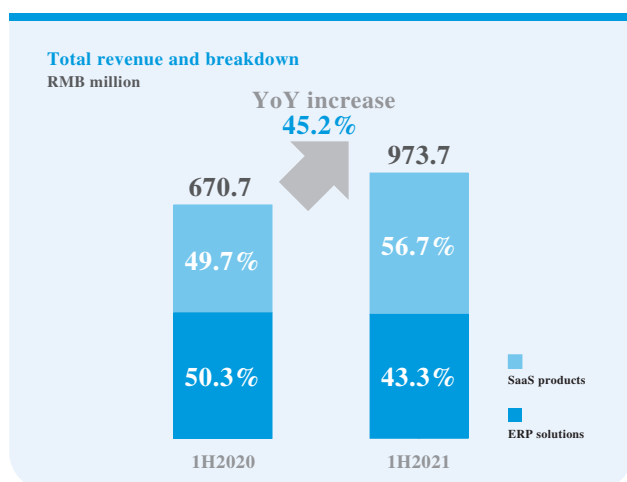
SaaS products

Revenue was RMB551.8 million, representing a year-on-year increase of 65.5% and accounting for 56.7%

ERP solutions

Revenue was RMB421.9 million, representing a year-on-year increase of 25.1% and accounting for 43.3%

FINANCIAL HIGHLIGHTS



- For the six months ended 30 June 2021, the total revenue of the Company was RMB973.7 million, representing an increase of 45.2% as compared with RMB670.7 million for the six months ended 30 June 2020, and the adjusted net income for the six months ended 30 June 2021 was RMB193.5 million, representing an increase of 32.7% as compared with RMB145.8 million for the six months ended 30 June 2020. The revenue from SaaS products grew rapidly by 65.5% and accounted for 56.7% of overall business revenue of the Company. The revenue from ERP solutions grew steadily by 25.1% year on year and accounted for 43.3% of overall business revenue of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

According to the National Bureau of Statistics, the real estate industry in China was stable in the first half of 2021. The sales of commercial housing were RMB9.3 trillion, representing an increase of 38.9%; it increased by 31.4% over the first half of 2019, and rose by 14.7% based on a two-year average growth. The floor space of commercial housing sold was 0.89 billion square meters, representing a year-on-year increase of 27.7%; it increased by 17.0% over the first half of 2019, and rose by 8.1% based on a two-year average growth.

Under the guidance of the industry trend and policy, property developers, and participants in both upstream and downstream industry chains became more deeply aware of the strategic value of digital upgrade for the sustainable development of enterprises, thus elevating digital upgrade to corporate-level strategies one after another and significantly increasing their relevant investment in various aspects, which brings good opportunities for the development of the Company.

BUSINESS REVIEW

Our Products and Service

We specialize in providing enterprise-grade SaaS products and ERP solutions for property developers and other industry participants in the real estate value chain in China, to help them achieve delicate and digitalized business operations. Capitalizing on the powerful scalability, connectivity of our Skyline Open Platform and integration with software solutions, our SaaS products and ERP solutions enable our customers to carry out their businesses internally and with their business partners, in a more efficient and intelligent manner. Going forward, we will actively cover the upstream and downstream of the real estate value chain through an increasingly rich product matrix, and incorporate previously fragmented product lines into four major segments, namely customer management, supply chain management, existing market management and development management. Customer management corresponds to our CRM Cloud business. Supply chain management includes our Construction Cloud business and Procurement Cloud business. Existing market management includes our Asset Management Cloud, Property Management Cloud, and Commercial Management Cloud (雲商業). Development management corresponds to our ERP solution business.

In 2018, 2019, 2020 and the six months ended 30 June 2021, the number of Top 100 property developers who cooperated with us was 92, 96, 97 and 96 respectively. For the six months ended 30 June 2020 and the six months ended 30 June 2021, the Company cooperated with approximately 3,600 and 5,200 property developer customers respectively.

MANAGEMENT DISCUSSION AND ANALYSIS



SaaS products

In the first half of 2021, our SaaS product business achieved rapid growth. Revenue from SaaS products increased significantly by 65.5% from RMB333.4 million for the six months ended 30 June 2020 to RMB551.8 million for the six months ended 30 June 2021, and accounted for 56.7% of the total revenue of the Company. CRM Cloud, as the most mature SaaS product of the Company, continued to grow strongly, with the revenue increasing significantly by 82.1% from RMB235.0 million for the six months ended 30 June 2020 to RMB428.0 million for the six months ended 30 June 2021. The revenue from the remaining SaaS products also continued to grow rapidly.

CRM Cloud

In the first half of 2021, CRM Cloud saw a rapid growth in its average revenue per user while maintaining a relatively high market penetration rate. With improved products and services, CRM Cloud provided developers with various digital tools to help enhance their customer acquisition and optimize site management of property sales offices. Enabling a facilitated communication among home buyers, property consultants and third-party sales agents and brokers, CRM Cloud greatly improved buyer experience, enhanced customer acquisition capacity and sales conversion efficiency of property developers, and, as a result, effectively reduced developers' marketing and transaction costs.

In 2018, 2019, 2020 and the six months ended 30 June 2021, the number of property sales offices in China equipped with CRM Cloud was approximately 5,900, 8,700, 15,000 and 16,200 respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

Construction Cloud

In the first half of 2021, Construction Cloud focused on helping property developers improve their quality by digital means and rapidly improve their penetration rate in construction sites. Construction Cloud is the first vendor in the industry to realize the whole-cycle quality digitalization solutions covering house construction, acceptance inspection, handover, move-in and maintenance.

In 2018, 2019, 2020 and the six months ended 30 June 2021, the number of Construction Cloud's serving construction sites in China was approximately 1,100, 2,100, 4,100 and 6,000 respectively.

Procurement Cloud

In the first half of 2021, Procurement Cloud further optimized online supplier sourcing, online connection and negotiation, bidding and procurement and other businesses for property developers, thus improving their stickiness in using the platform, and achieving a steady increase in the average revenue per user. Meanwhile, in terms of suppliers, Procurement Cloud acquired many supplier customers, by focusing on two major types of suppliers, namely material and equipment suppliers, and providing them with more comprehensive services including brand promotion, marketing activities and digital marketing.

In 2018, 2019, 2020 and the six months ended 30 June 2021, there were approximately 1,900, 2,000, 2,800 and 3,100 property developers with access to Procurement Cloud respectively; there were approximately 48,000, 61,000, 71,000 and 83,000 suppliers with access to Procurement Cloud respectively.

Existing Market

The existing market business consists of Asset Management Cloud, Property Management Cloud and Commercial Management Cloud, which are respectively oriented towards different existing asset types. Asset Management Cloud focuses on the asset management market, providing online asset management digitization solutions for asset owners, mainly state-owned enterprises, based on overall business plans of customers. Property Management Cloud focuses on the property management market, and helps property management companies simplify management processes, improve operational efficiency and reduce costs. The total area under management of Asset Management Cloud and Property Management Cloud increased by 113.5% from approximately 89 million square meters in the six months ended 30 June 2020 to approximately 190 million square meters in the six months ended 30 June 2021. Commercial Management Cloud focuses on commercial management markets including shopping malls, and helps commercial management companies improve their efficiency in reaching merchants and consumers and their capabilities to serve merchants and consumers, through digital means. In March 2021, the Company completed its investment in Shenzhen Woxiang Technology Co., Ltd. (深圳市沃享科技有限公司, "Woxiang") for shareholding. The number of Commercial Management Cloud's serving shopping malls increased by 56.2% from 73 for the six months ended 30 June 2020 to 114 for the six months ended 30 June 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

ERP solutions

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

In the first half of 2021, revenue from ERP solutions maintained steady growth. Revenue from ERP solutions increased by 25.1% from RMB337.3 million for the six months ended 30 June 2020 to RMB421.9 million for the six months ended 30 June 2021.

Skyline Open Platform

In November 2020, the Company launched Skyline Open Platform, a powerful enterprise-grade PaaS platform. With a focus on the five major independent capacities of "aPaaS Capacity, iPaaS Capacity, bpmPaaS Capacity, DaaS Capacity and Technology Innovation", Skyline Open Platform provides more than 10 core capability areas, including "modeling platform, mobile platform, BPM process platform, data analysis platform, big data management platform, integrated and open platform, AIoT platform, DevOps platform, monitoring platform, developer community and AppExchange", and supports rapid development, easy deployment, implementation and management of applications. Compared with traditional applications, Skyline Open Platform supports users in fully developing "user interface, business logic, process services and data services" through "no-code and low-code" methods, and improves productivity through cross-platform portability for users. Through Skyline Open Platform, the Company can develop high-quality SaaS products and update products in a short time, so as to cater for the changing customer demand and technological innovation. The Company also makes the functions of Skyline Open Platform available for IT teams of its customers, third-party property developers and business partners, so as to encourage them to provide innovative applications to customers. We believe that this will enrich our product functions and the technological ecosystem of our Group.

MANAGEMENT DISCUSSION AND ANALYSIS

During the Reporting Period, in order to meet the needs of business development, the Company newly established development business service teams including “platform solution, AppExchange operation and customer success”. Adhering to its philosophy of leading technologies, the Company will continuously increase its investments in new products and technologies including “mobile platform, data analysis platform, data asset management platform, AppExchange and ecological service, DevCloud platform and MKS Cloud” in the future.

Our Sales and Distribution Network

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

We dedicate direct sales force to serving customers in tier-1 cities to establish long-standing relationships with leading and large property developers headquartered in these cities. As at 30 June 2021, our direct sales force consisted of more than 350 employees with good knowledge about our products, technology and the real estate industry and extensive professional experience. We organize our direct sales force by geographic locations and customer accounts to maximize sales efficiency.

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

Our Development Strategy

As a SaaS product and ERP solution provider focusing on the real estate ecological chain in China, the Company is committed to promoting the digital upgrade of the real estate ecological chain in China. With profound industry knowledge and unremitting product innovation, the Company specializes in providing enterprise-grade SaaS products and ERP solutions for property developers and other industry participants in the real estate ecological chain in China. We help enterprises build a symbiotic and win-win ecosystem and continuously promote the construction of the industrial ecosystem based on Skyline Open Platform.

MANAGEMENT DISCUSSION AND ANALYSIS

The Company's business strategies include:

- to increase investments in SaaS business to cover more scenarios and industry players in the real estate value chain in order to ensure the long-term rapid growth of SaaS business;
- to further deepen the cooperation with Top 100 property developers through Skyline Open Platform and Business Analytical System;
- to continue penetrating more low-tier cities with the goal of reaching 100 cities throughout the year;
- to rely on existing products to launch comprehensive solutions suitable for central and local state-owned enterprises, and to fully develop the SOE market; and
- to build an industrial cooperation ecosystem via co-ventures/investments/mergers and acquisitions, etc., based on comprehensively increasing investments in Skyline Open Platform.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

During the Reporting Period, we consolidated our leading position in the two business segments and achieved outstanding financial performance, due to our excellent technical and product innovation capabilities and continuous investment in the two aspects, the nationwide business partner network, and the professional and experienced management team.

Revenues

Our total revenue increased by 45.2% from RMB670.7 million for the six months ended 30 June 2020 to RMB973.7 million for the six months ended 30 June 2021, due to the increase in revenues generated from both of our SaaS products and ERP solutions as a result of our continuous business expansion and enhanced reputation among our existing and prospective customers. The proportion of revenue from SaaS products increased from 49.7% for the six months ended 30 June 2020 to 56.7% for the six months ended 30 June 2021. The following table sets forth a breakdown of our revenue by business segment for the periods indicated.

	Six months ended 30 June		Change %
	2021 <i>RMB'000</i> <i>(Unaudited)</i>	2020 <i>RMB'000</i> <i>(Unaudited)</i>	
SaaS products	551,843	333,383	65.5
ERP solutions	421,855	337,332	25.1
Total	973,698	670,715	45.2

MANAGEMENT DISCUSSION AND ANALYSIS

SaaS products

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

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

	Six months ended 30 June				Change %
	2021 RMB (Unaudited)	%	2020 RMB (Unaudited)	%	
	<i>(RMB in thousands, except percentages)</i>				
CRM Cloud	427,965	77.6	234,955	70.4	82.1
Construction Cloud	78,957	14.3	69,194	20.8	14.1
Asset Management Cloud	22,421	4.1	17,902	5.4	25.2
Procurement Cloud	20,029	3.6	11,332	3.4	76.7
Others	2,471	0.4	–	–	–
Total	551,843	100.0	333,383	100.0	65.5

The revenue from our SaaS products significantly increased by 65.5% from RMB333.4 million for the six months ended 30 June 2020 to RMB551.8 million for the six months ended 30 June 2021, mainly due to (i) full recognition in the market and higher acceptance of our cloud-based products resulting from years of promotion of our cloud-based products and the better establishment of the effective connection between developers and many parties such as customers, contractors and suppliers through our cloud-based products during the COVID-19 outbreak; (ii) the provision by the Company of more types of products to meet the demand of developers and customers; and (iii) successful cross-selling between SaaS products and ERP solutions among our existing customers.

The amount of the Company's outstanding long-term SaaS contracts (exclusive of tax) increased by 50.8% from RMB559.2 million as at 30 June 2020 to RMB843.5 million as at 30 June 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

ERP solutions

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

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

	2021		2020		Change
	RMB	%	RMB	%	
	<i>(Unaudited)</i>		<i>(Unaudited)</i>		
	<i>(RMB in thousands, except percentages)</i>				
Software licensing	140,257	33.2	101,955	30.2	37.6
Implementation services	43,830	10.4	45,270	13.4	(3.2)
Product support services	87,507	20.7	62,463	18.5	40.1
Value-added services	150,261	35.7	127,644	37.9	17.7
Total	421,855	100.0	337,332	100.0	25.1

Revenues generated from our ERP solutions increased by 25.1% from RMB337.3 million for the six months ended 30 June 2020 to RMB421.9 million for the six months ended 30 June 2021, mainly due to (i) the significant increase in the revenue from software licensing sales as compared with the first half of 2020 as a result of the further strengthening by the Company of the development of businesses with industry-leading enterprises and businesses in third and lower-tier cities, with the alleviation of the impact of the pandemic on the economy; (ii) a slight decrease in implementation revenue in the year as compared with the same period of last year as a result of the pandemic and uneven distribution of ERP contract signature dates; and (iii) we continuously improved our product support service capabilities, strengthened centralized management and provided more value-added service products, which increased the revenue from our product support services and value-added services.

MANAGEMENT DISCUSSION AND ANALYSIS

Cost of Sales

Our cost of sales increased by 41.5% from RMB141.3 million for the six months ended 30 June 2020 to RMB200.0 million for the six months ended 30 June 2021.

SaaS products

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

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

	Six months ended 30 June				Change %
	2021 RMB (Unaudited)	%	2020 RMB (Unaudited)	%	
	<i>(RMB in thousands, except percentages)</i>				
Employee benefit expenses	16,427	3.0	9,507	2.9	72.8
Costs of inventories sold	27,935	5.1	14,476	4.3	93.0
IT and communication charges	10,449	1.9	6,619	2.0	57.9
Taxes and surcharges	2,181	0.4	1,314	0.4	66.0
Total	56,992	10.4	31,916	9.6	78.6

Our cost of sales for SaaS products increased by 78.6% from RMB31.9 million for the six months ended 30 June 2020 to RMB57.0 million for the six months ended 30 June 2021. The increase was mainly due to (i) the increase in the cost of hardware sold, (ii) the increase in employee benefit expenses, and (iii) the increase in the cost of data cloud services acquired to meet the growth of the cloud business.

MANAGEMENT DISCUSSION AND ANALYSIS

ERP solutions

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

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

	Six months ended 30 June				
	2021		2020		Change
	RMB	%	RMB	%	%
	<i>(Unaudited)</i>		<i>(Unaudited)</i>		
	<i>(RMB in thousands, except percentages)</i>				
Employee benefit expenses	93,249	22.1	73,161	21.7	27.5
Outsourcing expenses	45,100	10.7	31,668	9.4	42.4
Costs of inventories sold	355	0.1	284	0.1	25.0
Professional and technical service fees	101	0.0	1,025	0.3	(90.1)
Taxes and surcharges	4,168	1.0	3,258	1.0	27.9
Total	142,973	33.9	109,396	32.5	30.7

Our cost of sales for ERP solutions increased by 30.7% from RMB109.4 million for the six months ended 30 June 2020 to RMB143.0 million for the six months ended 30 June 2021, primarily driven by the increases in employee benefit expenses and outsourcing expenses, which are consistent with the increase of revenue during the same period.

MANAGEMENT DISCUSSION AND ANALYSIS

Gross Profit

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

	Six months ended 30 June				Change %
	2021		2020		
	RMB'000 (Unaudited)	%	RMB'000 (Unaudited)	%	
SaaS products	494,851	89.7	301,467	90.4	64.1
ERP solutions	278,882	66.1	227,936	67.6	22.4
Total	773,733	79.5	529,403	78.9	46.2

We reported gross profit of RMB773.7 million for the six months ended 30 June 2021, representing an increase of 46.2% as compared to that of RMB529.4 million for the six months ended 30 June 2020. Gross profit from our SaaS products increased by 64.1% from RMB301.5 million for the six months ended 30 June 2020 to RMB494.9 million for the six months ended 30 June 2021. Gross profit from our ERP solutions increased by 22.4% from RMB227.9 million for the six months ended 30 June 2020 to RMB278.9 million for the six months ended 30 June 2021. The gross profit margin of SaaS products decreased from 90.4% for the six months in 2020 to 89.7% for the six months in 2021, mainly due to the increase in the cost of hardware sold and the employee benefit expenses.

Selling and Marketing Expenses

Our selling and marketing expenses increased by 67.7% from RMB229.7 million for the six months ended 30 June 2020 to RMB385.3 million for the six months ended 30 June 2021. The proportion of selling and marketing expenses to the total revenue increased from 34.2% for the six months ended 30 June 2020 to 39.6% for the six months ended 30 June 2021, due to (i) an increase in the commission expenses as a result of the increase in the revenue from SaaS products, and (ii) the increasing human resources investment by the Company in the sales team to support the business development. If the effect of dealer commission expenses is excluded, our selling and marketing expenses will increase by 75.2% from RMB107.5 million for the six months ended 30 June 2020 to RMB188.3 million for the six months ended 30 June 2021, and the proportion of selling and marketing expenses after excluding the effect of dealer commission expenses to the total revenue will increase from 16.0% to 19.3%.

MANAGEMENT DISCUSSION AND ANALYSIS

General and Administrative Expenses

Our general and administrative expenses increased by 10.1% from RMB73.6 million for the six months ended 30 June 2020 to RMB81.0 million for the six months ended 30 June 2021, mainly due to the increase in the number and compensation levels of managers. The proportion of general and administrative expenses to the total revenue decreased from 11.0% to 8.3%, mainly due to the improvement in the per capita efficiency by optimizing its organization and talent structure.

Research and Development Expenses

The Company continuously invests in the development of new products and technologies as in the past. In 2021, the total research and development expenses of the Company further increased, our research and development expenses increased by 71.9% from RMB148.2 million for the six months ended 30 June 2020 to RMB254.8 million for the six months ended 30 June 2021, mainly due to the increase in the number and compensation levels of research and development staff. The number of research and development staff of the Company increased by 65.8% from 1,061 as at 30 June 2020 to 1,759 for the six months ended 30 June 2021.

Net Impairment Losses on Financial Assets and Contract Assets

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

We had a net impairment loss of RMB3.8 million for the six months ended 30 June 2020 compared to a net impairment loss of RMB6.9 million for the six months ended 30 June 2021, primarily because we increased our accrued impairment losses on our contract assets as the size of our contract assets and trade receivables increased in the Reporting Period.

MANAGEMENT DISCUSSION AND ANALYSIS

Other Income

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

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

	Six months ended 30 June		Change %
	2021 <i>RMB'000</i> <i>(Unaudited)</i>	2020 <i>RMB'000</i> <i>(Unaudited)</i>	
Government grants	13,071	19,199	(31.9)
Income from wealth management products	10,056	9,625	4.5
VAT refund	11,586	7,958	45.6
Income generated from offline activities and others	9,157	4,730	93.6
Dividend income from investments in unlisted equity securities included in financial assets at fair value through profit or loss	1,214	624	94.6
	45,084	42,136	7.0

We recorded other income of RMB45.1 million for the six months ended 30 June 2021, as compared to that of RMB42.1 million for the six months ended 30 June 2020, primarily due to a significant increase of RMB4.4 million in income generated from offline activities and others for the six months ended 30 June 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

Other Gains, Net

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

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

	Six months ended 30 June		Change %
	2021 <i>RMB'000</i> <i>(Unaudited)</i>	2020 <i>RMB'000</i> <i>(Unaudited)</i>	
Fair value (losses)/gains on investments in redeemable preferred shares	(3,263)	14,527	(122.5)
Foreign exchange gains	28,512	1,499	1,802.1
Investment deemed disposal gains	10,095	–	–
Termination of leases	503	235	114.0
Fair value (losses)/gains on investments in unlisted equity securities included in financial assets at fair value through profit or loss <i>(Note 18(b), Note 18(d))</i>	(658)	87	(856.3)
Other	(4)	–	–
	35,185	16,348	115.2

Our other gains, net increased by 115.2% from RMB16.3 million for the six months ended 30 June 2020 to RMB35.2 million for the six months ended 30 June 2021, primarily due to an increase of RMB27.0 million in foreign exchange gains.

MANAGEMENT DISCUSSION AND ANALYSIS

Operating Profit

As a result of the foregoing, we had an operating profit of RMB126.1 million for the six months ended 30 June 2021, compared to an operating profit of RMB132.7 million for the six months ended 30 June 2020. For our SaaS products, we had operating loss of RMB26.1 million for the six months ended 30 June 2021, compared to operating loss of RMB11.6 million for the six months ended 30 June 2020. For our ERP solutions, our operating profit decreased from RMB151.1 million for the six months ended 30 June 2020 to RMB134.2 million for the six months ended 30 June 2021.

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

	Six months ended 30 June		Change %
	2021 <i>RMB'000</i> <i>(Unaudited)</i>	2020 <i>RMB'000</i> <i>(Unaudited)</i>	
SaaS products	(26,122)	(11,565)	125.9
ERP solutions	134,187	151,139	(11.2)
Unallocated items	17,990	(6,891)	(361.1)
Total	126,055	132,683	(5.0)

Finance Income

Our finance income increased from RMB711,000 for the six months ended 30 June 2020 to RMB62.0 million for the six months ended 30 June 2021, primarily due to an increase in interest income from bank deposits.

Finance Costs

The Company's finance costs are interest expenses on our lease liabilities. Our finance costs increased from RMB980,000 for the six months ended 30 June 2020 to RMB1.2 million for the six months ended 30 June 2021, primarily due to an increase in interest expenses on lease liabilities.

Fair Value Changes of Convertible Redeemable Preferred Shares

We recorded fair value losses of convertible redeemable preferred shares of RMB38.4 million for the six months ended 30 June 2020, while nil for the six months ended 30 June 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

Profit before Income Tax

As a result of the foregoing, we had a profit before income tax of RMB186.9 million for the six months ended 30 June 2021, compared with a profit before income tax of RMB94.0 million for the six months ended 30 June 2020.

Income Tax Expense

Our income tax expense decreased from RMB8.7 million for the six months ended 30 June 2020 to RMB-0.6 million for the six months ended 30 June 2021, primarily due to the reversal of deferred income tax expense.

Profit for the Period

As a result of the foregoing, we reported a profit of approximately RMB187.5 million for the six months ended 30 June 2021, representing an increase of approximately 119.7%, compared to the profit of approximately RMB85.3 million for the six months ended 30 June 2020.

For our SaaS products, we reported a loss of RMB26.9 million for the six months ended 30 June 2021, representing an increase of approximately RMB14.7 million, or 120.5%, compared to the loss of RMB12.2 million for the six months ended 30 June 2020.

For our ERP solutions, we reported a profit of RMB138.3 million for the six months ended 30 June 2021, representing a decrease of approximately RMB4.5 million, or 3.2%, compared to the profit of RMB142.8 million for the six months ended 30 June 2020.

Non-IFRS measures

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

MANAGEMENT DISCUSSION AND ANALYSIS

EBITDA and adjusted EBITDA

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

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

	For the six months ended		
	30 June		
	2021 <i>RMB'000</i> <i>(Unaudited)</i>	2020 <i>RMB'000</i> <i>(Unaudited)</i>	Change %
Reconciliation of operating income and adjusted EBITDA			
Operating income for the period	126,055	132,683	(5.0)
Add:			
Depreciation of right-of-use assets	13,483	11,297	19.4
Depreciation of property, plant and equipment	8,608	4,148	107.5
Amortization of intangible assets	1,395	577	141.8
EBITDA	149,541	148,705	0.6
Add:			
Share-based compensation	6,026	7,520	(19.9)
Listing expenses	–	14,609	(100.0)
Adjusted EBITDA	155,567	170,834	(8.9)

MANAGEMENT DISCUSSION AND ANALYSIS

Adjusted net income

We define adjusted net income as net income for the period adjusted by adding back net losses upon financial liabilities at fair value through profit or loss transferred to equity, fair value changes of convertible redeemable preferred shares, dividends paid to holders of financial liabilities at fair value through profit or loss, share-based compensation and listing expenses.

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

	For the six months ended		
	30 June		
	2021	2020	Change
	RMB'000	RMB'000	%
	(Unaudited)	(Unaudited)	
Reconciliation of net income and adjusted net income			
Net income for the period	187,516	85,337	119.7
Fair value changes of convertible redeemable preferred shares	–	38,368	(100.0)
Share-based compensation	6,026	7,520	(19.9)
Listing expenses	–	14,609	(100.0)
Adjusted net income	193,542	145,834	32.7

MANAGEMENT DISCUSSION AND ANALYSIS

Liquidity and Capital Resources

We have historically funded our cash requirements principally from cash generated from our business operations, bank borrowings, 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. As of 30 June 2021, we had cash and cash equivalents of RMB2,567.8 million and did not have any banking facilities.

Capital Management and Gearing Ratio

In order to maintain or adjust the capital structure, we may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt. We monitor capital on basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as liquid liabilities, which are financial liabilities measured at Fair Value through Profit or Loss (“**FVPL**”) (including convertible redeemable preferred shares), and lease liabilities, less cash and cash equivalents, restricted cash, and liquid investments which are investments in wealth management products included in financial assets at FVPL. Total capital is calculated as “equity” as shown in the interim condensed consolidated statements of financial position plus net debts. Our gearing ratio as of 30 June 2021 was nil as we did not have long-term borrowing.

Capital Commitment

As of 30 June 2021, we had capital commitments with respect to assets under construction of nil.

Contingent Liabilities

As of 30 June 2021, we did not have any material contingent liabilities.

Pledge of Assets

As of 30 June 2021, we did not pledge any of our assets.

MANAGEMENT DISCUSSION AND ANALYSIS

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 United States dollar and the Hong Kong dollar in exchange of Renminbi. Therefore, foreign exchange risk primarily arose from our recognized assets and liabilities when receiving or to receive foreign currencies from, or paying or to pay foreign currencies to, overseas business partners. During the Reporting Period, we did not adopt any long-term contracts, currency borrowings or other means to hedge our foreign currency exposure. However, management of our Group will monitor foreign exchange risks and hedge the major foreign currency risks when necessary.

MATERIAL ACQUISITIONS, DISPOSALS AND SIGNIFICANT INVESTMENTS

As of 30 June 2021, we did not hold any significant investments. For the six months ended 30 June 2021, there were no material acquisitions, disposals or significant investment of the Company.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

As of 30 June 2021, we did not have plans for material investments and capital assets.

EMPLOYEES

As of 30 June 2021, we had 3,947 employees in total.

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

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

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

SUBSEQUENT EVENT

Details of significant events occurring after the Reporting Period are set out in note 31 to the consolidated financial statements.

OTHER INFORMATION

CORPORATE GOVERNANCE

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 Corporate Governance Code (the “**CG Code**”) as set out in Appendix 14 to the Listing Rules as its own code of corporate governance.

During the Reporting Period, the Board is of the opinion that Company had complied with all code provisions set out in the CG code.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors’ securities transactions. The Company having made specific enquiries with the Directors, all of the Directors confirmed that he/she had complied with the required standards as set out in the Model Code during the Reporting Period.

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 with the Model Code by the employees was noted by the Company as of 30 June 2021.

CHANGES TO DIRECTORS’ INFORMATION

There was no change to any information required to be disclosed in relation to any Director pursuant to paragraphs (a) to (e) and (g) under Rule 13.51(2) of the Listing Rules since the publication of the 2020 Annual Report of the Company.

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2021 (for the six months ended 30 June 2020: Nil).

OTHER INFORMATION

AUDIT COMMITTEE

The Board has established the Audit Committee which comprises three independent non-executive Directors, namely Ms. Zeng Jing (曾靜) (Chairperson), Mr. Li Hanhui (李漢輝) and Mr. Zhao Liang (趙亮). Ms. Zeng Jing, being the chairperson of the Audit Committee, is appropriately qualified as required under Rules 3.10(2) and 3.21 of the Listing Rules. The Audit Committee has also adopted written terms of reference which clearly set out its duties and obligations (the terms of reference are available on the websites of the Company and Stock Exchange).

The Audit Committee has jointly reviewed with the management of the Company the accounting principles and policies adopted by the Company and discussed internal control and financial reporting matters (including the review of the unaudited interim financial information for the six months ended 30 June 2021) of the Group. The Audit Committee considered that the interim financial information is in compliance with the applicable accounting standards, laws and regulations.

REVIEW OF INTERIM FINANCIAL INFORMATION

The independent auditor of the Company, namely PricewaterhouseCoopers, has carried out a review of the interim financial information in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". The comparative information for the interim condensed consolidated statement of financial position is based on the audited financial statement as of 31 December 2020. The comparative information for the interim condensed consolidated statements of comprehensive income, changes in equity and cash flows, and the related explanatory notes, for the six months period ended 30 June 2021 have been reviewed.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June 2021, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information publicly available to the Company and within the knowledge of our Directors, our Directors confirmed that the Company had maintained a sufficient amount of public float for its Shares as required under Rule 8.08 of the Listing Rules during the Reporting Period.

OTHER INFORMATION

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

As of 30 June 2021, we did not have plans for material investments and capital assets.

USE OF 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. Our Company intends to apply such net proceeds in accordance with the purposes as set out in the Prospectus. The details of intended application of net proceeds from the Global Offering are set out as follows:

Item	Approximate % of total net proceeds	Net proceeds from the Global Offering <i>(HK\$ million)</i>	Utilized as at 30 June 2021 <i>(HK\$ million)</i>	Unutilized as at 30 June 2021 <i>(HK\$ million)</i>	Expected timeline of full utilization of the unutilized proceeds
Further upgrade and enhance the functionalities and features of our existing SaaS products					
(a) Hire and train more high-quality IT specialists, technology architects, software developers and examiners, as well as SaaS product managers	18.0%	1,243.86	50.55	1,193.31	Before 31 December 2023
(b) Purchase from qualified suppliers advanced equipment, infrastructure and applications	6.0%	414.62	17.60	397.02	Before 31 December 2023
(c) Invest in product development to introduce new SaaS products	6.0%	414.62	–	414.62	Before 31 December 2023
Enhance research and development efforts in cutting-edge technologies					
(a) Develop our proprietary key fundamental technologies that support product innovation	8.0%	552.82	26.70	526.12	Before 31 December 2023
(b) Develop our own technology infrastructure	12.0%	829.24	40.06	789.18	Before 31 December 2023

OTHER INFORMATION

Item	Approximate % of total net proceeds	Net proceeds from the Global Offering <i>(HK\$ million)</i>	Utilized as at 30 June 2021 <i>(HK\$ million)</i>	Unutilized as at 30 June 2021 <i>(HK\$ million)</i>	Expected timeline of full utilization of the unutilized proceeds
Further upgrade and enhance the functionalities and features of our cloud-based ERP solutions					
(a) Enhance our existing product support and value-added service capabilities	6.0%	414.62	4.90	409.72	Before 31 December 2023
(b) Expand our existing ERP modules and functions to cover more internal business and operational processes of property developers	4.0%	276.41	–	276.41	Before 31 December 2023
Enhance our sales and marketing capabilities and strengthen our brand reputation					
(a) Expand, retain and train our direct sales force	3.0%	207.31	62.02	145.29	Before 31 December 2023
(b) Establish an interactive, knowledge-sharing platform with leading property developers	2.0%	138.21	0.35	137.86	Before 31 December 2023
(c) Enhance our branding and marketing activities to acquire new customers	3.0%	207.31	5.10	202.21	Before 31 December 2023
(d) Invest to strengthen and expand our regional channel partner network	2.0%	138.21	1.06	137.15	Before 31 December 2023
Selectively pursue strategic investments and acquisitions	20.0%	1,382.06	26.45	1,355.61	Before 31 December 2023
Working capital and general corporate purposes	10.0%	691.03	–	691.03	Before 31 December 2023
Total	100.0%	6,910.32	234.79	6,675.53	

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.

OTHER INFORMATION

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

As at 30 June 2021, the interests and/or short positions (if applicable) of our Directors and the chief executive of our Company in the Shares, underlying Shares and debentures of the Company or any of its 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 Position in the Shares

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

Notes:

- (1) As at 30 June 2021, GHTongRui Investment Limited directly held 395,523,600 Shares in our Company. GHTongRui Investment Limited is 99% held by MYTongRui Holdings Limited, which is in turn wholly-owned by TMF (Cayman) Ltd., the trustee of the family trust established by Mr. Gao (as the settlor) with him and his family members being the beneficiaries. Accordingly, Mr. Gao is deemed to be interested in the total number of Shares held by GHTongRui Investment Limited.
- (2) As at 30 June 2021, HengXinYuan Investment Limited directly held 296,644,800 Shares in our Company. HengXinYuan Investment Limited is 99% held by SunshineMorning Holdings Limited, which is in turn wholly-owned by TMF (Cayman) Ltd., the trustee of the family trust established by Mr. Chen (as the settlor) with him and his family members being the beneficiaries. Accordingly, Mr. Chen is deemed to be interested in the total number of Shares held by HengXinYuan Investment Limited.
- (3) As at 30 June 2021, 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 30 June 2021, there were 1,927,149,990 Shares in issue.

OTHER INFORMATION

Interests in Associated Corporations

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

Save as disclosed above and to the best knowledge of our Directors, none of the Directors or chief executive of our Company had or was deemed to have any interest or short positions in the Shares, underlying Shares or debentures of our Company or any of its associated corporations as at 30 June 2021.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as otherwise disclosed in this report, at no time during the six months ended 30 June 2021 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 spouses 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.

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

As at 30 June 2021, 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:

OTHER INFORMATION

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	395,523,600	20.52%
MYTongRui Holdings Limited ⁽¹⁾	Interest in controlled corporation	395,523,600	20.52%
HengXinYuan Investment Limited ⁽²⁾	Beneficial interest	296,644,800	15.39%
SunshineMorning Holdings Limited ⁽²⁾	Interest in controlled corporation	296,644,800	15.39%
LINGFAN Investment Limited ⁽³⁾	Beneficial interest	186,826,600	9.69%
Mindfree Holdings Limited ⁽³⁾	Interest in controlled corporation	186,826,600	9.69%
TMF (Cayman) Ltd. ⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾	Trustee of 4 trusts	927,316,000	48.12%
MYC United Power Investment Holdings Limited ⁽⁵⁾	Beneficial interest	117,133,000	6.08%
MYC Brilliant Alliance Investment Holdings Limited ⁽⁵⁾	Beneficial interest	101,879,600	5.29%

OTHER INFORMATION

Notes:

- (1) GHTongRui Investment Limited is 99% held by MYTongRui Holdings Limited, which is in turn wholly-owned by TMF (Cayman) Ltd., the trustee of the family trust established by Mr. Gao (as the settlor) with him and his family members being the beneficiaries. Accordingly, MYTongRui Holdings Limited is deemed to be interested in the total number of Shares held by GHTongRui Investment Limited.
- (2) HengXinYuan Investment Limited is 99% held by SunshineMorning Holdings Limited, which is in turn wholly-owned by TMF (Cayman) Ltd., the trustee of the family trust established by Mr. Chen (as the settlor) with him and his family members being the beneficiaries. Accordingly, SunshineMorning Holdings Limited is deemed to be interested in the total number of Shares held by HengXinYuan Investment Limited.
- (3) LINGFAN Investment Limited is 99% held by Mindfree Holdings Limited, which is in turn wholly-owned by TMF (Cayman) Ltd., the trustee of the family trust established by Mr. Jiang (as the settlor) with him and his family members being the beneficiaries. Accordingly, Mindfree Holdings Limited is deemed to be interested in the total number of Shares held by LINGFAN Investment Limited.
- (4) TMF (Cayman) Ltd. is deemed to be interested in the total number of Shares held by each of GHTongRui Investment Limited, HengXinYuan Investment Limited and LINGFAN Investment Limited as noted above, as well as JIABAOSZ Investment Limited. JIABAOSZ Investment Limited beneficially holds 48,321,000 of our issued Shares and is 99% held by JINBAOSZ Holdings Limited, which is in turn wholly-owned by TMF (Cayman) Ltd., the trustee of the family trust established by Mr. Yao Wu (as the settlor) with him and his family members being the beneficiaries.
- (5) Each of MYC United Power Investment Holdings Limited and MYC Brilliant Alliance Investment Holdings Limited has confirmed the number of shares interested as at 30 June 2021.
- (6) As at 30 June 2021, there were 1,927,149,990 Shares in issue.

Save as disclosed above and to the best knowledge of our Directors, as at 30 June 2021, 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.

OTHER INFORMATION

SHARE INCENTIVE PLAN

We adopted a share incentive plan (the “**Share Incentive Plan**”) on 29 March 2020 in order to motivate, attract and encourage certain officers, managers, employees, directors and other eligible persons. The terms of the Share Incentive Plan are not subject to the provisions of Chapter 17 of the Listing Rules. 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.

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.

Type 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**”).

Eligible Participants

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 under the Share Incentive Plan, to take up an Award to subscribe for Shares:

- (1) any full-time executives, officers, managers or employees of our Company or any of its subsidiaries or controlled affiliates, or any entities designated by them, who had attained the requisite seniority and performance grade and/or targets as may be determined by the Board from time to time;
- (2) any directors and supervisors (including non-executive directors and independent non-executive directors) of our Company or any of its subsidiaries or controlled affiliates, or any entities designated by them; and
- (3) any advisor, consultant, distributor, contractor, customer, supplier, agent, business partner, joint venture business partner, strategic partner, service provider or other third parties who the Board considers, in its sole discretion, has contributed or will contribute to our Group.

OTHER INFORMATION

Maximum Number of Shares to be Granted

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

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.

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).

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.

OTHER INFORMATION

Details of Options, Share Purchase Rights and RSUs

As of 30 June 2021, 39 of our employees, who are not Directors or members of the senior management of our Company, had been granted an aggregate of 20,600,000 RSUs under the Share Incentive Plan to subscribe for an aggregate of 20,600,000 Shares, representing approximately 1.07% of the issued share capital of our Company, among which, an aggregate of 3,600,000 RSUs to subscribe for an aggregate of 3,600,000 Shares had been vested, representing approximately 0.19% of the issued share capital of our Company.

Save as disclosed above, since the adoption of the Share Incentive Plan and up to 30 June 2021, no Awards had been granted or agreed to be granted, vested, exercised, released or cancelled pursuant to the Share Incentive Plan.

For further details, please refer to the section headed “Appendix IV – Statutory and General Information – D. Share Incentive Plan” of the Prospectus, and note 24 to the consolidated financial statements.

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. The terms of the Share Award Scheme are not subject to the provisions of Chapter 17 of the Listing Rules. 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.

OTHER INFORMATION

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 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 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.

OTHER INFORMATION

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).

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:

- (1) the end of the period of ten years commencing on the 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
- (2) 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.

OTHER INFORMATION

Details of Awards

On 1 July 2021, the Board resolved to grant 41,443,996 Award Shares pursuant to the Share Award Scheme to 391 employees of the Group, none of whom is a connected person of the Company, a Director, chief executive or substantial shareholder of the Company, or an associate of any of them. On 15 July 2021, the Company allotted and issued a total of 41,433,996 new Shares to MYC Marvellous Limited pursuant to the General Mandate, representing approximately 2.15% of the issued Shares as of 15 July 2021. MYC Marvellous Limited is a special purpose vehicle wholly owned by TMF Trust (HK) Limited which is the trustee appointed by the Company for the purpose of administering the Share Award Scheme. Please refer to the announcement of the Company dated 1 July 2021 for details. As of the date of this report, none of the 41,443,996 award shares had been vested.

Save as disclosed above, since the adoption of the Share Award Scheme and up to the date of this report, no Awards had been granted or agreed to be granted, vested, transferred, released, forfeited or repurchased pursuant to the Share Award Scheme.

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. As the Share Option Scheme involves the grant of options, the Share Option Scheme must comply with the relevant requirements of Chapter 17 of the Listing Rules.

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.

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.

OTHER INFORMATION

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.

OTHER INFORMATION

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:

- (1) 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
- (2) 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
 - (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,

OTHER INFORMATION

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 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.

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

Since the adoption of the Share Option Scheme and up to the date of this report, no option had been granted or agreed to be granted by the Company under the Share Option Scheme.

OTHER INFORMATION

COMPETING INTERESTS

Our Directors are not aware of any business or interest of our Directors or the controlling shareholders (as defined in the Listing Rules) of the Company nor any of their respective associates (as defined in the Listing Rules) that competed or might compete, either directly or indirectly, with the business of the Group and any other conflicts of interest which any such person had or might have with the Group during the six months ended 30 June 2021.

By order of the Board
Ming Yuan Cloud Group Holdings Limited
GAO Yu
Chairman

Shenzhen, PRC, 25 August 2021

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

INTRODUCTION

We have reviewed the interim financial information set out on pages 47 to 97 which comprises the interim condensed consolidated statements of financial position of Ming Yuan Cloud Group Holdings Limited (the “Company”) and its subsidiaries (together, the “Group”) as at 30 June 2021 and the interim condensed consolidated statements of comprehensive income, the interim condensed consolidated statements of changes in equity and the interim condensed consolidated statements of cash flows for the six months then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 “Interim Financial Reporting”. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information of the Group is not prepared, in all material respects, in accordance with International Accounting Standard 34 “Interim Financial Reporting”.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 25 Aug 2021

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2021

	Note	Six months ended 30 June	
		2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Revenues	8	973,698	670,715
Cost of sales	9	(199,965)	(141,312)
Gross profit		773,733	529,403
Selling and marketing expenses	9	(385,320)	(229,684)
General and administrative expenses	9	(80,956)	(73,570)
Research and development expenses	9	(254,807)	(148,192)
Net impairment losses on financial assets and contract assets	20	(6,864)	(3,758)
Other income	10	45,084	42,136
Other gains, net	11	35,185	16,348
Operating profit		126,055	132,683
Finance income		62,018	711
Finance costs		(1,168)	(980)
Finance income/(costs), net		60,850	(269)
Fair value changes of convertible redeemable preferred shares		–	(38,368)
Profit before income tax		186,905	94,046
Income tax credit/(expense)	12	611	(8,709)
Profit for the period		187,516	85,337
Profit attributable to:			
Owners of the Company		165,306	69,994
Non-controlling interests		22,210	15,343
		187,516	85,337
Earnings per share for profit attributable to owners of the Company (expressed in RMB per share)			
Basic	13	0.09	0.05
Diluted	13	0.09	0.05

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2021

	Note	Six months ended 30 June	
		2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Profit for the period		187,516	85,337
Other comprehensive loss, net of tax			
<i>Items that will not be reclassified to profit or loss</i>			
Currency translation differences		(64,770)	(4,589)
Changes in fair value of financial assets at fair value through other comprehensive loss, net of tax		(1,909)	(3,636)
Total comprehensive income for the period		120,837	77,112
Total comprehensive income attributable to:			
Owners of the Company		98,627	61,769
Non-controlling interests		22,210	15,343
		120,837	77,112

The accompanying notes on pages 54 to 97 form an integral part of this interim financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

	Note	As at 30 June 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	15	147,828	150,067
Investment properties	16	30,307	–
Right-of-use assets		53,469	62,665
Intangible assets	17	53,992	3,464
Financial assets at fair value through profit or loss	18	6,740	25,730
Financial assets at fair value through other comprehensive income	19	9,879	12,000
Contract acquisition costs	8	490	490
Prepayments and other receivables	20	4,204	6,705
Deferred income tax assets		2,090	659
Restricted cash		550	550
Total non-current assets		309,549	262,330
Current assets			
Inventories		371	418
Contract assets	8	94,598	48,034
Contract acquisition costs	8	280,562	191,449
Trade receivables	20	61,767	29,850
Prepayments and other receivables	20	61,744	51,431
Income tax recoverable		534	15,820
Financial assets at fair value through profit or loss	18	507,008	300,700
Term deposits	22	3,575,500	1,812,750
Cash and cash equivalents	21	2,567,827	4,759,384
Total current assets		7,149,911	7,209,836
Total assets		7,459,460	7,472,166
EQUITY			
Share capital	23	170	170
Treasury shares	23	(6)	(6)
Reserves		6,940,765	7,001,418
Accumulated losses		(431,342)	(462,789)
		6,509,587	6,538,793
Non-controlling interests		54,437	30,743
Total equity		6,564,024	6,569,536

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

	Note	As at 30 June 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
LIABILITIES			
Non-current liabilities			
Contract liabilities	8	25,390	25,338
Lease liabilities		22,899	33,872
Deferred income tax liabilities		543	66
Total non-current liabilities		48,832	59,276
Current liabilities			
Trade payables	25	47,303	42,837
Other payables and accruals	26	136,391	224,004
Contract liabilities	8	632,707	548,938
Lease liabilities		30,203	27,575
Total current liabilities		846,604	843,354
Total liabilities		895,436	902,630
Total equity and liabilities		7,459,460	7,472,166

The accompanying notes on pages 54 to 97 form an integral part of this interim financial information.

The interim financial information on pages 47 to 97 were approved and authorized for issue by the Board of Directors on 25 August 2021 and were signed on its behalf.

Gao Yu
Director

Jiang Keyang
Director

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021

	Note	Attributable to owners of the Company					Non-controlling interests	Total equity
		Share capital	Treasury Shares	Reserves	Retained earnings	Total		
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
(Unaudited)								
As at 1 January 2021		170	(6)	7,001,418	(462,789)	6,538,793	30,743	6,569,536
Profit for the period		-	-	-	165,306	165,306	22,210	187,516
Changes in fair value of financial assets at fair value through other comprehensive loss, net of tax		-	-	(1,909)	-	(1,909)	-	(1,909)
Currency translation differences		-	-	(64,770)	-	(64,770)	-	(64,770)
Total comprehensive income for the period		-	-	(66,679)	165,306	98,627	22,210	120,837
Transactions with owners:								
Share-based compensation reserve	24	-	-	6,026	-	6,026	-	6,026
Non-controlling interests arising from acquisition of a subsidiary	28	-	-	-	-	-	1,484	1,484
Dividend distribution		-	-	-	(133,859)	(133,859)	-	(133,859)
Total transactions with owners of the Company		-	-	6,026	(133,859)	(127,833)	1,484	(126,349)
As at 30 June 2021		170	(6)	6,940,765	(431,342)	6,509,587	54,437	6,564,024

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021

	Note	Attributable to owners of the Company				Total RMB'000	Non- controlling interests RMB'000	Total equity RMB'000
		Share capital RMB'000	Treasury Shares RMB'000	Reserves RMB'000	Retained earnings RMB'000			
(Unaudited)								
As at 1 January 2020		107	–	12,694	253,684	266,485	4,467	270,952
Profit for the period		–	–	–	69,994	69,994	15,343	85,337
Changes in fair value of financial assets at fair value through other comprehensive loss, net of tax		–	–	(3,636)	–	(3,636)	–	(3,636)
Currency translation differences		–	–	(4,589)	–	(4,589)	–	(4,589)
Total comprehensive income for the period		–	–	(8,225)	69,994	61,769	15,343	77,112
Transactions with owners:								
Issuance of ordinary shares	23(b)	17	–	–	–	17	–	17
Treasury shares	23(b)	–	(7)	–	–	(7)	–	(7)
Share-based compensation reserve	24	–	–	7,520	–	7,520	–	7,520
Dividend distribution to non-controlling interests		–	–	–	–	–	(5,248)	(5,248)
Total transactions with owners of the Company		17	(7)	7,520	–	7,530	(5,248)	2,282
As at 30 June 2020		124	(7)	11,989	323,678	335,784	14,562	350,346

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2021

	Note	For the six months ended 30 June	
		2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Cash flows from operating activities			
Cash (used in)/generated from operations		(64,174)	50,420
Interest received		62,018	711
Income taxes refund/(paid)		15,154	(6,442)
Net cash generated from operating activities		13,826	44,689
Cash flows from investing activities			
Payments for purchase of property, plant and equipment		(29,025)	(14,798)
Payments for purchase of intangible assets		(2,292)	(798)
Payments for purchase of financial assets at fair value through profit or loss		(1,888,319)	(1,561,830)
Placement of term deposits with initial terms under three months		(1,762,750)	–
Payments for acquisition of a subsidiary	28	(10,554)	–
Proceeds from disposal of financial assets at fair value through profit or loss		1,684,611	1,081,430
Proceeds from income of financial assets at fair value through profit or loss		10,056	5,997
Payments for other investing activities		(10,626)	–
Net cash used in investing activities		(2,009,727)	(489,999)
Cash flows from financing activities			
Capital injection from owners of the Company	23(b)	–	10
Transactions with non-controlling interests		–	46
Dividend paid	14	(133,859)	–
Dividend paid to the non-controlling interests in a subsidiary		–	(5,248)
Principal elements of lease payments		(20,156)	(10,640)
Listing expenses paid as financing activities		(954)	(2,065)
Interest paid		(1,168)	(980)
Net cash used in financing activities		(156,137)	(18,877)
Net decrease in cash and cash equivalents			
Cash and cash equivalents at beginning of the period		4,759,384	732,207
Effects of exchange rate changes on cash and cash equivalents		(39,519)	1,926
Cash and cash equivalents at the end of the period	21	2,567,827	269,946

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

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 Law (Cap. 22, Law 3 of 1961 as consolidated and revised) of the Cayman Islands. The address of the Company’s registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

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

The interim financial information for the six months ended 30 June 2021 (“**Interim Financial Information**”) is presented in Renminbi (“**RMB**”), unless otherwise stated, and was approved for issue by the Company on 25 August 2021.

2 BASIS OF PREPARATION

This Interim Financial Information has been prepared in accordance with the International Accounting Standard 34 “Interim Financial Reporting”. This Interim Financial Information should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2020 (“**2020 Financial Statements**”), which have been prepared in accordance with International Financial Reporting Standards (“**IFRSs**”) issued by International Accounting Standards Board.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the 2020 Financial Statements, as described in those annual consolidated financial statements, except for the adoption of amended IFRSs effective as of 1 January 2021 and the accounting policies of goodwill and investment properties described in Note 3.2 below. Income tax expense was recognised based on management’s estimate of the annual income tax rate expected for the full financial year.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 New standards, amendments to standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations have been issued and are effective for annual periods beginning on or after 1 January 2022 and have not been early adopted by the Group.

		Effective for annual periods beginning on or after
Amendments to IFRS 3	Reference to the conceptual framework	1 January 2022
Amendments to IAS 16	Proceeds before intended use	1 January 2022
Amendments to IAS 37	Cost of fulfilling a contract	1 January 2022
Annual improvements project	Annual improvements 2018-2020 cycle	1 January 2022
IFRS 17	Insurance contracts	1 January 2023
Amendments to IAS 1	Classification of liabilities as current or non-current	1 January 2023
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

The Group will adopt the above new or revised standards, amendments and interpretations to existing standards as and when they become effective. Management has performed preliminary assessment and does not anticipate any significant impact on the Group's financial position and results of operations upon adopting these standards, amendments to standards and interpretations to the existing IFRSs.

3.2 Accounting policies of goodwill and investment properties

3.2.1 Investment properties

Investment properties, principally freehold office buildings, are held for long-term rental yields and are not occupied by the Group. 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 years.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Accounting policies of goodwill and investment properties (Continued)

3.2.2 Intangible assets

(a) Goodwill

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of Interim Financial Information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this Interim Financial Information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the 2020 Financial Statements.

5 SIGNIFICANT CHANGES IN PRINCIPAL SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATES

Save for those disclosed in Note 28, there was no significant change in principal subsidiaries of the Group during the six months ended 30 June 2021.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

6 FINANCIAL RISK MANAGEMENT

6.1 Financial risk factors

The Interim Financial Information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the 2020 Financial Statements.

There have been no significant changes in the risk factors and management policies since the year ended 31 December 2020.

(a) 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 Total RMB'000
(Unaudited)					
At 30 June 2021					
Trade payable	47,303	–	–	47,303	47,303
Other payables and accruals (excluding salary and staff welfare payables and taxes payable)	7,223	–	–	7,223	7,223
Lease liabilities	31,755	20,073	3,425	55,253	53,102
	86,281	20,073	3,425	109,779	107,628

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

6 FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1 Financial risk factors (Continued)

(a) 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 Total RMB'000
(Audited)					
At 31 December 2020					
Trade payable	42,837	–	–	42,837	42,837
Other payables and accruals (excluding salary and staff welfare payables and tax payable)	24,809	–	–	24,809	24,809
Lease liabilities	29,515	26,660	8,267	64,442	61,447
	97,161	26,660	8,267	132,088	129,093

6.2 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 30 June 2021 and 31 December 2020, the Group has a net cash position.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

6 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

6.3 Fair value estimation

6.3.1 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 30 June 2021 and 31 December 2020 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 INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

6 FINANCIAL RISK MANAGEMENT (CONTINUED)

6.3 Fair value estimation (Continued)

6.3.1 Fair value hierarchy (Continued)

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
(Unaudited)				
As at 30 June 2021				
Financial assets at FVPL				
Investments in wealth management products (Note 18(a))	–	–	190,750	190,750
Investments in unlisted equity securities (Note 18(b))	–	–	6,740	6,740
Investments in debt instruments (Note 18(d))	316,258	–	–	316,258
	316,258	–	197,490	513,748
Financial assets at Fair Value through Other Comprehensive Income (FVOCI)				
Investments in unlisted equity securities (Note 19)	–	–	9,879	9,879
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
(Audited)				
As at 31 December 2020				
Financial assets at FVPL				
Investments in wealth management products (Note 18(a))	–	–	300,700	300,700
Investments in unlisted equity securities (Note 18(b))	–	–	6,740	6,740
Investments in redeemable preferred shares (Note 18(c))	–	–	18,990	18,990
	–	–	326,430	326,430
Financial assets at FVOCI				
Investments in unlisted equity securities (Note 19)	–	–	12,000	12,000

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

6 FINANCIAL RISK MANAGEMENT (CONTINUED)

6.3 Fair value estimation (Continued)

6.3.2 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 six months ended 30 June 2021 and 2020.

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

6.3.3 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 six months ended 30 June 2021.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

6 FINANCIAL RISK MANAGEMENT (CONTINUED)

6.3 Fair value estimation (Continued)

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

	Financial assets at FVPL			Financial assets at FVOCI
	Investments in wealth management products RMB'000	Investments in unlisted equity securities RMB'000	Investments in redeemable preferred shares RMB'000	Investments in unlisted equity securities RMB'000
(Unaudited)				
As 1 January 2021	300,700	6,740	18,990	12,000
Acquisitions	1,571,400	–	–	–
Disposals	(1,684,611)	–	(15,754)	–
Unrealised changes in fair value	–	–	–	(2,121)
Realised gains/(losses)	3,261	–	(3,236)	–
As at 30 June 2021	190,750	6,740	–	9,879

6.3.4 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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

6 FINANCIAL RISK MANAGEMENT (CONTINUED)

6.3 Fair value estimation (Continued)

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

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 18(a)), investments in unlisted equity securities (Note 18(b), Note 19) and investments in redeemable preferred shares (Note 18(c)). As these instruments are not traded in an active market, their fair values have been determined by using various applicable valuation techniques, including option pricing and equity allocation model, discounted cash flow model and market approach etc.

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

Description	Fair value		Unobservable inputs	Range of inputs		Relationship of unobservable inputs to fair value
	at 30 June	at 31 December		at 30 June	at 31 December	
	2021	2020		2021	2020	
	RMB'000	RMB'000				
Investment in wealth management products	190,750	300,700	Expected rate of return	1.00%-4.50%	2.02%-3.73%	The higher the expected rate of return, the higher the fair value
Investments in unlisted equity securities included in financial assets at FVPL(*)	6,740	6,740	N/A	N/A	N/A	N/A

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

6 FINANCIAL RISK MANAGEMENT (CONTINUED)

6.3 Fair value estimation (Continued)

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

Description	Fair value		Unobservable inputs	Range of inputs		Relationship of unobservable inputs to fair value
	at 30 June	at 31 December		at 30 June	at 31 December	
	2021	2020		2021	2020	
	RMB'000	RMB'000				
Investments in unlisted equity securities included in financial assets at FVOCI	9,879	12,000	Expected volatility	39.95%	36.00%	The higher the expected volatility, the higher the fair value
			Risk-free rate	2.64%	2.81%	The higher the risk-free rate, the higher the fair value
			P/S ratio	1.19-3.6	3.8-13.65	The higher the P/S ratio, the higher the fair value
			Discounts for lack of marketability	20.00%	20.00%	The higher the DLOM, the lower the fair value
Investments in redeemable preferred shares	-	18,990	Expected volatility	-	55.00%	N/A
			Risk-free rate	-	2.96%	N/A
			P/S ratio	-	8.48	N/A
			Discounts for lack of marketability	-	28.00%	N/A

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

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

There were no transfers between level 1, 2 and 3 of fair value hierarchy classifications during the six months ended 30 June 2021.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

7 SEGMENT INFORMATION

The chief operating decision-maker (“**CODM**”) has been identified as executive directors of the Company. The executive directors review the Group’s internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

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

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

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

The segment information for the six months ended 30 June 2021 (unaudited) is as follows:

	SaaS products RMB’000	ERP solutions RMB’000	Unallocated items RMB’000	Total RMB’000
Revenues	551,843	421,855	–	973,698
Gross profit	494,851	278,882	–	773,733
Operating (loss)/profit	(26,122)	134,187	17,990	126,055
Finance income	369	3,436	58,213	62,018
Finance costs	(523)	(645)	–	(1,168)
Finance (costs)/income – net	(154)	2,791	58,213	60,850
(Loss)/profit before income tax	(26,276)	136,978	76,203	186,905
Income tax (expense)/credit	(673)	1,284	–	611
Segment results	(26,949)	138,262	76,203	187,516

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

7 SEGMENT INFORMATION (CONTINUED)

The segment information for the six months ended 30 June 2020 (unaudited) is as follows:

	SaaS products RMB'000	ERP solutions RMB'000	Unallocated items RMB'000	Total RMB'000
Revenues	333,383	337,332	–	670,715
Gross profit	301,467	227,936	–	529,403
Operating (loss)/profit	(11,565)	151,139	(6,891)	132,683
Finance income	35	676	–	711
Finance costs	(354)	(626)	–	(980)
Finance (costs)/income – net	(319)	50	–	(269)
Fair value changes of convertible redeemable preferred shares	–	–	(38,368)	(38,368)
(Loss)/profit before income tax	(11,884)	151,189	(45,259)	94,046
Income tax expense	(355)	(8,354)	–	(8,709)
Segment results	(12,239)	142,835	(45,259)	85,337

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

8 REVENUES

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

	<u>Six months ended 30 June</u>	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
SaaS products	551,843	333,383
ERP solutions		
– Revenue from rendering of value-added services	150,261	127,644
– Revenue from software licensing	140,257	101,955
– Revenue from rendering of product support services	87,507	62,463
– Revenue from rendering of implementation services	43,830	45,270
	973,698	670,715

	<u>Six months ended 30 June</u>	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
SaaS products		
– Revenues over time	516,058	312,977
– Revenues at a point in time	35,785	20,406
ERP solutions		
– Revenues over time	281,598	235,377
– Revenues at a point in time	140,257	101,955
	973,698	670,715

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

8 REVENUES (CONTINUED)

(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 30 June 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
Contract assets	103,036	52,083
Less: Loss Allowance (Note 20)	(8,438)	(4,049)
Total contract assets	94,598	48,034
Contract acquisition costs	281,052	191,939
Less: non-current portion	(490)	(490)
	280,562	191,449
Contract liabilities	658,097	574,276
Less: non-current portion	(25,390)	(25,338)
	632,707	548,938

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

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

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

9 EXPENSES BY NATURES

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Employee benefit expenses	533,595	337,889
Share-based compensation (Note 24)	6,026	7,520
Commission expenses	196,990	122,168
Outsourcing expenses	49,802	35,587
Costs of inventories sold	28,290	14,760
Professional and technical service fees	19,313	9,216
Traveling and entertainment expenses	16,771	8,759
IT and communication charges	14,985	10,728
Depreciation of right-of-use assets	13,483	11,297
Office expenses	10,860	3,058
Exhibition and promotion charges	9,101	3,533
Depreciation of property, plant and equipment (Note 15)	8,608	4,148
Taxes and surcharges	6,349	4,572
Short-term rental and utilities expenses	4,361	4,283
Amortization of intangible assets	1,395	577
Listing expenses	–	14,609
Others	1,119	54
	921,048	592,758

No research and development expenses had been capitalised for the six months ended 30 June 2021 and 2020.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

10 OTHER INCOME

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Government grants	13,071	19,199
VAT refund	11,586	7,958
Income from wealth management products	10,056	9,625
Income generated from offline activities and others	9,157	4,730
Dividend income from investments in unlisted equity securities included in financial assets at FVPL	1,214	624
	45,084	42,136

11 OTHER GAINS, NET

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Fair value (losses)/gains on investments in redeemable preferred shares (Note 18(c))	(3,263)	14,527
Investment deemed disposal gains	10,095	–
Foreign exchange gains	28,512	1,499
Fair value (losses)/gains on investments in unlisted equity securities included in financial assets at FVPL (Note 18(b), Note 18(d))	(658)	87
Termination of leases	503	235
Others	(4)	–
	35,185	16,348

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

12 INCOME TAX EXPENSE

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Current income tax	131	6,395
Deferred income tax	(742)	2,314
Income tax credit/(expense)	(611)	8,709

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the tax rate of 25% for the six months ended 30 June 2021 and 2020, being the standard income tax rate in the PRC. The differences are analyzed as follows:

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Profit before income tax expense	186,905	94,046
Tax calculated at the statutory PRC tax rate of 25%	46,726	23,512
Tax losses for which no deferred income tax asset was recognised	16,599	13,721
Super deduction for research and development expenses	(35,429)	(20,771)
Utilisation of tax losses previously not recognised	–	(6,541)
Effects of different tax rates in overseas jurisdictions	(21,785)	13,100
Expenses not deductible for tax purpose	2,225	233
Effects of preferential tax rates applicable to PRC subsidiaries of the Group	(8,947)	(14,545)
Income tax credit/(expense)	(611)	8,709

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

12 INCOME TAX EXPENSE (CONTINUED)

(a) 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. For the year ending 31 December 2021, according to Caishui [2018] No. 99 (財稅[2018] 99號), an extra 75% of the actual amount of research and development expenses can be deducted before tax.

For those companies which were granted the qualification as “Small and Medium-sized Sci-tech Enterprise” during the financial years for the six months ended 30 June 2021, they could claim 175% of their research and development expenses so incurred as tax deductible expenses when determining their assessable profits during the six months ended 30 June 2021.

(b) 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 six months ended 30 June 2021.

According to Cai Shui [2012] No. 27 (財稅[2012] 27號), key software enterprises that have not benefited from the preferential treatment of tax exemption in the current year may be subjected to a lower CIT rate of 10%. In 2016, Cai Shui [2016] No. 49 (財稅[2016] 49號), is released in order to further clarify the criteria for enterprises to qualify as key software enterprises. Based on management’s assessment, Shenzhen Mingyuan Cloud Technology Co., Ltd. (深圳市明源雲科技有限 公司, “**Ming Yuan Cloud Technology**”) will probably meet those requirements for the year ending 31 December 2021. Therefore, Ming Yuan Cloud Technology used a preferential CIT rate of 10% for the six months ended 30 June 2021.

Ming Yuan Cloud Client had also applied to the relevant tax bureau and was granted the qualification as High and New Technology Enterprise (“**HNTE**”) in 2016 and it has renewed the qualification of HNTE in 2019. According to Cai Shui [2012] No. 27 (財稅[2012] 27號) and Cai Shui [2016] No. 49 (財稅[2016] 49號), the newly established software enterprises are 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. Based on management’s assessment, it is highly probable that Ming Yuan Cloud Client will meet the requirements for tax exemption of HNTE. Therefore, Ming Yuan Cloud Client was estimated to use a preferential corporate income tax rate of 0% for the six months ended 30 June 2021 since it was the second year of profitable operation.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

13 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the six months ended 30 June 2021 and 2020.

(a) Basic earnings per share

	Six months ended 30 June	
	2021 (Unaudited)	2020 (Unaudited)
Profit attributable to owners of the Company (RMB'000)	165,306	69,994
Weighted average number of ordinary shares in issue (thousand)	1,855,144	1,331,850
Basic earnings per share (in RMB)	0.09	0.05

(b) Diluted earnings per share

Diluted earnings per share are calculated by adjusting the weighted average number of shares outstanding to assume conversion of all dilutive potential shares.

During the six months ended 30 June 2020, the Group had two categories of potential ordinary shares which were the convertible redeemable preferred shares, and the restricted share units as mentioned in Note 24. The convertible redeemable preferred shares were anti-dilutive for the six months ended 30 June 2020 because their conversion to ordinary shares would increase the earnings per share. The restricted share units were dilutive for the six months ended 30 June 2020 because their conversion to ordinary shares would decrease the earnings per share.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

13 EARNINGS PER SHARE (CONTINUED)

(b) Diluted earnings per share (Continued)

During the six months ended 30 June 2021, the Group had a category of potential ordinary shares which was the restricted share units as mentioned in Note 24. The restricted share units were dilutive for the six months ended 30 June 2021 as their conversion to ordinary shares would decrease the earnings per share.

	Six months ended 30 June	
	2021 (Unaudited)	2020 (Unaudited)
Profit attributable to owners of the Company (RMB'000)	165,306	69,994
Weighted average number of shares outstanding to assume conversion of all dilutive potential shares (thousand)	1,871,693	1,333,713
Diluted earnings per share (in RMB)	0.09	0.05

14 DIVIDENDS

Dividends of RMB133,859,000 were paid for the year ended 31 December 2020. The Company did not propose any interim dividend for the six months ended 30 June 2021.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

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
(Unaudited)							
At 1 January 2021							
Cost	35,081	30,569	13,177	1,214	18,271	92,434	190,746
Accumulated depreciation	(6,291)	(18,092)	(7,194)	(349)	(8,753)	-	(40,679)
Net book amount	28,790	12,477	5,983	865	9,518	92,434	150,067
Six months ended 30 June 2021							
Opening net book amount	28,790	12,477	5,983	865	9,518	92,434	150,067
Acquisition of subsidiary	-	65	-	-	-	-	65
Additions	5,165	6,900	9,255	-	6,497	7,357	35,174
Disposals	(239)	(5)	(461)	(5)	-	-	(710)
Transfer to Investment properties	(28,424)	-	-	-	-	-	(28,424)
Transfer upon completion	99,791	-	-	-	-	(99,791)	-
Depreciation charge	(472)	(2,442)	(1,932)	(80)	(3,418)	-	(8,344)
Closing net book amount	104,611	16,995	12,845	780	12,597	-	147,828
At 30 June 2021							
Cost	111,374	37,529	21,971	1,209	24,768	-	196,851
Accumulated depreciation	(6,763)	(20,534)	(9,126)	(429)	(12,171)	-	(49,023)
Net book amount	104,611	16,995	12,845	780	12,597	-	147,828

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

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
(Unaudited)							
At 1 January 2020							
Cost	35,081	23,942	8,759	789	9,138	72,849	150,558
Accumulated depreciation	(5,549)	(15,781)	(5,498)	(750)	(4,697)	–	(32,275)
Net book amount	29,532	8,161	3,261	39	4,441	72,849	118,283
Six months ended 30 June 2020							
Opening net book amount	29,532	8,161	3,261	39	4,441	72,849	118,283
Additions	–	1,507	1,972	–	3,711	6,608	13,798
Depreciation charge	(348)	(1,447)	(665)	–	(1,688)	–	(4,148)
Closing net book amount	29,184	8,221	4,568	39	6,464	79,457	127,933
At 30 June 2020							
Cost	35,081	25,449	10,731	789	12,849	79,457	164,356
Accumulated depreciation	(5,897)	(17,228)	(6,163)	(750)	(6,385)	–	(36,423)
Net book amount	29,184	8,221	4,568	39	6,464	79,457	127,933

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

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
General and administrative expenses	6,569	2,775
Research and development expenses	2,039	1,373
	8,608	4,148

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

16 INVESTMENT PROPERTIES

	Buildings RMB'000	Land use right RMB'000	Total RMB'000
(Unaudited)			
At 1 January 2021			
Cost	–	–	–
Accumulated depreciation	–	–	–
Net book amount	–	–	–
Six months ended 30 June 2021			
Opening net book amount	–	–	–
Transfer from Property, plant and equipment	28,668	–	28,668
Transfer from Right-of-use assets	–	1,903	1,903
Depreciation charge	(244)	(20)	(264)
Closing net book amount	28,424	1,883	30,307
At 30 June 2021			
Cost	28,668	1,903	30,571
Accumulated depreciation	(244)	(20)	(264)
Net book amount	28,424	1,883	30,307

The investment property comprises four floors of a building located in Wuhan Guanggu High-Tech Development Zone 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 INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

17 INTANGIBLE ASSETS

The intangible assets held by the group increased primarily as a result of the acquisition of Woxiang. See note 28 for further information.

	Goodwill RMB'000	Software licenses RMB'000	Total RMB'000
(Unaudited)			
At 1 January 2021			
Cost	–	8,986	8,986
Accumulated amortisation	–	(5,522)	(5,522)
Net book amount	–	3,464	3,464
Six months ended 30 June 2021			
Opening net book amount	–	3,464	3,464
Additions	–	2,197	2,197
Acquisition of a subsidiary	45,896	3,830	49,726
Disposals	–	–	–
Amortisation charge	–	(1,395)	(1,395)
Closing net book amount	45,896	8,096	53,992
At 30 June 2021			
Cost	45,896	15,013	60,909
Accumulated amortisation	–	(6,917)	(6,917)
Net book amount	45,896	8,096	53,992

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

18 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 30 June 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
Investments in wealth management products (a)	190,750	300,700
Investments in unlisted equity securities (b)	6,740	6,740
Investments in redeemable preferred shares (c)	–	18,990
Investments in debt instruments (d)	316,258	–
	513,748	326,430
Less: non-current portion		
Investments in unlisted equity securities (b)	(6,740)	(6,740)
Investments in redeemable preferred shares (c)	–	(18,990)
	507,008	300,700

(a) Investment in wealth management products

Movements in investment in wealth management products were as follows:

	Six months ended 30 June 2021 RMB'000 (Unaudited)	Six months ended 30 June 2020 RMB'000 (Unaudited)
At the beginning of the period	300,700	90,000
Acquisitions	1,571,400	1,561,830
Disposals	(1,684,611)	(1,087,427)
Unrealised changes in fair value	–	3,628
Realised income	3,261	5,997
At the end of the period	190,750	574,028

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

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

(a) Investment in wealth management products (Continued)

The returns on all of these wealth management products are not guaranteed, and therefore the Group designated them as financial assets at FVPL. Unrealised changes in fair value and realised income of these financial assets are recognised in “other income” in the consolidated statements of comprehensive income. For the fair value estimation, please refer to Note 6.3 for details.

As at 30 June 2021 and 31 December 2020, all wealth management products are mature within 1 year.

(b) Investments in unlisted equity securities

The Group’s investments in unlisted equity securities included in financial assets at FVPL represent the investment in certain privately owned companies. For the fair value estimation, please refer to Note 6.3 for details.

Movements of investments in unlisted equity securities included in financial assets at FVPL were as follows:

	Six months ended 30 June 2021 RMB’000 (Unaudited)	Six months ended 30 June 2020 RMB’000 (Unaudited)
At the beginning of the period	6,740	1,723
Unrealised changes in fair value	–	87
At the end of the period	6,740	1,810

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

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

(c) Investments in redeemable preferred shares

The Group's investments in redeemable preferred shares represent the investment in certain privately owned companies with redeemable terms. For the fair value estimation, please refer to Note 6.3 for details.

Movements of investments in redeemable preferred shares were as follows:

	Six months ended 30 June 2021 RMB'000 (Unaudited)	Six months ended 30 June 2020 RMB'000 (Unaudited)
At the beginning of the period	18,990	34,440
Acquisitions	–	–
Disposals	(15,754)	–
Unrealised changes in fair value	–	14,527
Realised gains on previously held interest	(3,236)	–
At the end of the period	–	48,967

On 30 October 2018, Ming Yuan Cloud Technology acquired 19.9% redeemable preferred shares in Woxiang at a consideration of RMB12,000,000. Pursuant to the agreement, the Group had significant influence in Woxiang and the redeemable preferred shares should be redeemed upon request of Ming Yuan Cloud Technology by Woxiang and its controlling owner at principal and interest of 10% annual interest rate of the initial consideration upon occurrence of certain future events. Therefore, these redeemable preferred shares are not regarded as a current ownership interest in Woxiang and should be accounted for as financial assets at FVPL using IFRS 9 instead of using the equity method.

As at 31 December 2020, the Company held 19.9% of the issued shares in Woxiang, which engaged in commercial real estate digital solutions. Then the Company acquired additional equity interest in Woxiang on January 2021 and February 2021 but not yet obtained the control. And on 8 March 2021, the Company further acquired additional 10.46% from other shareholders at a cash consideration of RMB11,382,000, and after the transaction, the Company held 56.58% interest in Woxiang and then obtained the control of Woxiang (Note 28).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

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

(d) Investments in debt instruments

Movements in investment in debt instruments were as follows:

	Six months ended 30 June 2021 RMB'000 (Unaudited)	Six months ended 30 June 2020 RMB'000 (Unaudited)
At the beginning of the period	–	–
Additions	316,916	–
Disposals	–	–
Unrealised changes in fair value	(658)	–
Realised gains	–	–
At the end of the period	316,258	–

Note: They represented investments in publicly traded corporate bonds/debentures which had quoted prices in active markets. Therefore, they are classified as Level 1 financial instruments.

19 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

The Group's investments in financial assets at FVOCI are all investments in unlisted equity securities, which represent the investment in certain privately owned companies. For the fair value estimation, please refer to Note 6.3 for details.

Movements of investments in unlisted equity securities were as follows:

	Six months ended 30 June 2021 RMB'000 (Unaudited)	Six months ended 30 June 2020 RMB'000 (Unaudited)
At the beginning of the period	12,000	32,183
Unrealised changes in fair value	(2,121)	(4,040)
At the end of the period	9,879	28,143

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

20 TRADE RECEIVABLES, PREPAYMENTS AND OTHER RECEIVABLES

	As at 30 June 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
Trade receivables from contracts with customers	69,711	35,428
Less: Allowance for impairment	(7,944)	(5,578)
Trade receivables – net	61,767	29,850
Prepayments to suppliers	32,718	18,739
Prepayments for employee benefits	4,418	4,788
Prepayments	37,136	23,527
Rental and other deposits	12,389	7,861
Receivable from disposal of a financial asset at FVPL	–	19,800
Interest receivables from bank deposits	9,969	4,575
Others	6,609	2,425
Less: Allowance for impairment of other receivables	(155)	(52)
Other receivables – net	28,812	34,609
Trade receivables, prepayments and other receivables	127,715	87,986
Less: Non-current deposits	(4,204)	(6,705)
Current portion	123,511	81,281

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

20 TRADE RECEIVABLES, PREPAYMENTS AND OTHER RECEIVABLES (CONTINUED)

(a) Trade receivables

	As at 30 June 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
Trade receivables from contracts with customers	69,711	35,428
Less: Allowance for impairment	(7,944)	(5,578)
	61,767	29,850

The Group normally allows 0 to 90 days credit period to its customers. Aging analysis of the trade receivables as at 30 June 2021 and 31 December 2020, based on date of recognition, is as follows:

	As at 30 June 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
Aging		
Up to 3 months	40,936	23,030
3 to 6 months	11,455	3,316
6 months to 1 year	9,949	3,618
1 to 2 years	6,958	3,432
Over 2 years	413	2,032
	69,711	35,428

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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

20 TRADE RECEIVABLES, PREPAYMENTS AND OTHER RECEIVABLES (CONTINUED)

(a) Trade receivables (Continued)

The expected loss rates are based on the payment profiles of sales over a period of 12 months before 30 June 2021 and the corresponding historical credit losses experienced within these periods. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

On that basis, the loss allowance as at 30 June 2021 and 31 December 2020 was determined as follows for both trade receivables and contract assets:

30 June 2021	Up to 3 months	3 to 6 months	6 to 12 months	1 to 2 years	Over 2 years	Total
(Unaudited)						
Expected loss rate	4.73%	9.20%	17.32%	40.49%	100.00%	
Gross carrying amount (RMB'000)						
– trade receivables	40,936	11,455	9,949	6,958	413	69,711
Gross carrying amount (RMB'000)						
– contract assets	69,581	21,128	7,719	4,608	–	103,036
Loss allowance (RMB'000)	5,229	2,998	3,060	4,682	413	16,382
31 December 2020	Up to 3 months	3 to 6 months	6 to 12 months	1 to 2 years	Over 2 years	Total
(Audited)						
Expected loss rate	4.00%	11.00%	20.00%	43.00%	100.00%	
Gross carrying amount (RMB'000)						
– trade receivables	23,030	3,316	3,618	3,432	2,032	35,428
Gross carrying amount (RMB'000)						
– contract assets	41,228	5,623	2,687	2,521	24	52,083
Loss allowance (RMB'000)	2,843	952	1,242	2,534	2,056	9,627

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

20 TRADE RECEIVABLES, PREPAYMENTS AND OTHER RECEIVABLES (CONTINUED)

(a) Trade receivables (Continued)

The loss allowances for trade receivables and contract assets as at 30 June 2021 and 30 June 2020 reconcile to the opening loss allowances as follows:

	Contract assets		Trade receivables	
	Six months ended 30 June 2021 RMB'000 (Unaudited)	Six months ended 30 June 2020 RMB'000 (Unaudited)	Six months ended 30 June 2021 RMB'000 (Unaudited)	Six months ended 30 June 2020 RMB'000 (Unaudited)
At the beginning of the period	4,049	1,715	5,578	3,275
Increase in loss allowance recognised in profit or loss during the period	4,389	3,124	2,366	649
Receivables written off during the period as uncollectible	–	–	–	–
At the end of the period	8,438	4,839	7,944	3,924

Impairment losses on trade receivables and contract assets are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

(b) 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 since the directors of the Company believe that there has been no significant increase in credit risk since initial recognition.

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 INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

21 CASH AND CASH EQUIVALENTS

	As at 30 June 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
Cash at bank and on hand (a)	2,568,377	4,759,934
Less: Restricted cash (b)	(550)	(550)
Cash and cash equivalents	2,567,827	4,759,384

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

	As at 30 June 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
RMB	1,830,580	756,235
USD	444,424	2,350,862
HKD	293,373	1,652,837
	2,568,377	4,759,934

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

22 TERM DEPOSITS

	As at 30 June 2021 RMB'000	As at 31 December 2020 RMB'000
Term deposits	3,575,500	1,812,750

- (a) This represented the Group's term deposits placed in two stated-owned banks through a reputable financial institution with maturities under three months, which is redeemable on demand and denominated in RMB.

23 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 1 January 2020	370,987	371	9,013	9
Share Sub-Division on 31 March 2020 (c)	3,338,888	–	81,112	–
Conversion of convertible redeemable preferred shares into ordinary shares (e)	90,125	9	(90,125)	(9)
As at 31 December 2020	3,800,000	380	–	–
As at 1 January and 30 June 2021	3,800,000	380	–	–

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

23 SHARE CAPITAL (CONTINUED)

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 2020	121,990	122	107	–	107
Issuance of ordinary shares (b)	18,679	19	17	–	17
Share Sub-Division on 31 March 2020 (c)	1,266,021	–	–	–	–
Issuance of new shares upon listing (d)	430,334	43	38	–	38
Conversion of convertible redeemable preferred shares into ordinary shares (e)	90,125	9	8	–	8
Less: Treasury shares (b)	(72,005)	(7)	–	(6)	(6)
As at 31 December 2020	1,855,144	186	170	(6)	164
As at 1 January and 30 June 2021	1,855,144	186	170	(6)	164

(a) The Company was incorporated in the Cayman Islands on 3 July 2019 with authorized share capital of HKD380,000 divided into 380,000,000 shares of a par value of HKD0.001 each, among which 370,987,481 are designated as ordinary shares of a par value of HKD0.001 each, and 9,012,519 are designated as Preferred Shares of a par value of HKD0.001 each.

(b) The Company allotted and issued 11,194,800 and 7,484,080 ordinary shares to Beijing Chenchuang Management Consultation Center (Limited Partnership) (北京宸創管理諮詢中心) (有限合夥) and MYC Marvellous Limited on 30 March 2020, respectively. Effective from 31 March 2020, the shares held by MYC Marvellous Limited were subdivided into 74,840,800 shares which were presented as treasury shares as MYC Marvellous Limited is controlled by the Company. During the year ended 31 December 2020, 2,835,000 ordinary shares of the Company held by MYC Marvellous Limited were transferred to the Grantees upon vesting and deducted from treasury shares.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

23 SHARE CAPITAL (CONTINUED)

Issued: (Continued)

- (c) Pursuant to a shareholder's written resolution dated 29 March 2020, with effect from 31 March 2020, each issued and unissued ordinary share and Series A Preferred Share of HKD0.001 par value of the Company be subdivided into 10 shares of HKD0.0001 par value each, such that the authorized share capital of the Company be changed from HKD380,000 divided into 380,000,000 shares of a par value of HKD0.001 each to HKD380,000 divided into 3,800,000,000 shares with a par value of HKD0.0001 each (the "Share Sub-Division"). The Share Sub-Division was effective from 31 March 2020.
- (d) Upon completion of the initial public offering ("IPO"), the Group issued 430,334,000 new ordinary shares (including shares issued on exercise of over-allotment option) at par value of HKD0.0001 per share for cash consideration of HKD16.50 each, and raised gross proceeds of approximately HKD7,100,511,000 (equivalent to approximately RMB6,225,071,000). The respective share capital amount was approximately RMB38,000 and share premium arising from the issuance was approximately RMB6,225,033,000.
- (e) On 25 September 2020, all of the 90,125,190 convertible and redeemable preferred shares were converted into the same number of ordinary shares. The fair value of the Preferred Shares immediately before the conversion was RMB1,307,071,000, and the conversion resulted in the increase in share capital of RMB8,000 and share premium of approximately RMB1,307,063,000.

24 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 were 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, the Company granted restricted share units ("RSUs") to the Group's employees (the "Grantees") subject to the 2020 Share Incentive Plan, representing 1 ordinary share of par value HKD0.0001 each in the share capital of the Company. The RSUs awarded are subject to a vesting scale in tranches from the grant date over a certain service period, on condition that employees remain in service without any performance requirements. Once the vesting conditions underlying the respective RSUs are met and the RSUs are released, the shares shall be subject to applicable restrictions in the award and any legal restrictions.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

24 SHARE-BASED COMPENSATION (CONTINUED)

Details of RSUs are as follows:

Grant date	Number of RSUs	Vesting condition
10 April 2020	3,600,000	Vested on the date on which the shares of the Company are listed on the Stock Exchange of Hong Kong Limited (the "Listing Date").
10 April 2020	17,500,000	30% are to be vested two years from the Listing Date 30% are to be vested three years from the Listing Date 20% are to be vested four years from the Listing Date 20% are to be vested five years from the Listing Date

The exercise price is RMB0.42 per share and will be deducted from the transaction price when the employees dispose of the shares.

The share-based compensation expenses recognised during the six months ended 30 June 2021 and 2020 are summarised in the following table:

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Share-based compensation expenses	6,026	7,520

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 statements of comprehensive income. As at 30 June 2021 and 31 December 2020, the Expected Retention Rate was assessed to be 96%.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

24 SHARE-BASED COMPENSATION (CONTINUED)

2020 share incentive plan (Continued)

Expected retention rate (Continued)

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 31 December 2020	17,500,000	2.50
Granted during the six months ended 30 June 2021	–	–
Outstanding as at 30 June 2021	17,500,000	2.50

The fair value of each RSU at the grant dates is determined by reference to the fair value of the underlying ordinary shares on the date of grant.

25 TRADE PAYABLES

	As at 30 June 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
Trade payables to third parties	47,303	42,837

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

25 TRADE PAYABLES (CONTINUED)

As at 30 June 2021 and 31 December 2020, the aging analysis of the trade payables based on invoice date were are follows:

	As at 30 June 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
Aging		
Up to 3 months	47,303	42,837

26 OTHER PAYABLES AND ACCRUALS

	As at 30 June 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
Accrued payroll and employee benefit expenses	103,718	175,269
VAT and surcharges payable	25,450	23,926
Commissions payable to regional channel partners	2,588	2,149
Deposits from regional channel partners	1,548	1,465
Operating expenses advanced by employees	40	4,980
Accrued listing expenses	–	4,306
Accrued auditor's remuneration	–	4,914
Others	3,047	6,995
	136,391	224,004

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

27 COMMITMENTS

(a) Capital commitments

The Group mainly has capital commitments with respect to assets under construction. Significant capital expenditure contracted for at the end of the reporting period but not recognised as liabilities were as follows:

	As at 30 June 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
Assets under construction	–	13,478

(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 30 June 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
Within 1 year	–	114

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

28 BUSINESS COMBINATION

As at 31 December 2020, the Company held 19.9% of the issued shares in Woxiang, which engaged in commercial real estate digital solutions. Then the Company acquired additional equity interest in Woxiang on January 2021 and February 2021 but not yet obtained the control. And on 8 March 2021, the Company further acquired additional 10.46% from other shareholders at a cash consideration of RMB11,382,000, and after the transaction, the Company held 56.58% interest in Woxiang and then obtained the control of Woxiang. The acquisition is expected to increase the Group's market share of digital solutions through economies of scale.

Details of the purchase consideration, the net assets acquired and goodwill are as follows:

	RMB'000
Purchase consideration	
Cash paid	11,382
Fair value of previously held interest	35,876
Total purchase consideration	47,258

The assets and liabilities recognised as a result of the acquisition are as follows:

	Fair value RMB'000
Cash and cash equivalents	828
Property, plant and equipment	65
Deposits, prepayments and other receivables	2,578
Trade receivables	367
Trade payables	(16)
Deferred income	(1)
Wage payable	(3,897)
Contract liabilities	(334)
Intangible assets	3,830
Deferred tax liabilities	(574)
Less: non-controlling interest	(1,484)
Add: goodwill	45,896
	47,258

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

28 BUSINESS COMBINATION (CONTINUED)

(i) Acquisition-related costs

Acquisition-related costs included in administrative expenses in profit or loss are nil.

(ii) Revenue and profit contribution

The acquired business contributed revenues of RMB1,298,000 and net loss of RMB3,306,000 to the Group for the period from 8 March 2021 to 30 June 2021. If the acquisition had occurred on 1 January 2021, consolidated revenue and consolidated profit after tax for the six months ended 30 June 2021 would have been RMB974,249,000 and RMB184,637,000 respectively.

29 SIGNIFICANT RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, control the other party or exercise significant influence over the other party in making financial and operation decisions. Parties are also considered to be related if they are subject to common control. Members of key management and their close family members of the Group are also considered as related parties.

Save as disclosed elsewhere in this report, the directors of the Company are of the view that the following parties were related parties that had transactions or balances with the Group for the six months ended 30 June 2021 and 2020:

(a) Key management personnel compensation

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Salaries, wages, and bonuses	2,478	1,767
Pension costs – defined contribution plans	111	46
Other social security costs, housing benefits and other employee benefits	153	116
	2,742	1,929

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

30 CONTINGENT LIABILITIES

The Group had no material contingent liabilities outstanding as at 30 June 2021.

31 SUBSEQUENT EVENTS

On 1 July 2021, the Company granted a total of 41,443,996 RSUs to 391 employees of the Group, representing 1 ordinary share of par value HKD0.0001 each in the share capital of the Company. The RSUs awarded are subject to a vesting scale in tranches from the grant date over a certain service period, on condition that employees remain in service 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. The fair value of the underlying shares is approximately RMB1.3 billion with reference to the closing price of the previous trading date. Around 17% of the share-based compensation expenses attributable to the RSUs will be recognised during the second half of the year ending 31 December 2021.

In July 2021, Ming Yuan Cloud Technology entered into a purchase agreement to acquire 30% equity interests in Hangzhou Mingqi Shuzhi Technology Limited (杭州明啟數智科技有限公司), a solution provider of intelligent community, at a consideration of RMB22,500,000.

In July 2021, the Group acquired 2% equity interests in Shanghai Pinlan Data Technology Limited (上海品覽數據科技有限公司), a developer of AI platforms for architectural design, at a consideration of RMB5,000,000.

In August 2021, Ming Yuan Cloud Technology entered into an agreement with the non-controlling shareholders of Shenzhen Mingyuan Yunke Electronic Commerce Co., Ltd. ("**Ming Yuan Cloud Client**") to acquire 29.906541% equity interests in Ming Yuan Cloud Client, at the consideration of RMB598,130,841.17. Upon completion of the acquisition, Ming Yuan Cloud Client will become an indirect wholly-owned subsidiary of the Company.

DEFINITIONS

In this report, unless the context otherwise requires, the following terms have the following meanings. These terms and their definitions may not correspond to any industry standard definitions, and may not be directly comparable to similarly titled terms adopted by other companies operating in the same industries as our 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”	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 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
“Adoption Date”	11 June 2021, when Share Award Scheme was approved and adopted by the Board and Share Option Scheme approved and adopted by the Shareholders
“Board” or “our Board” or “Board of Directors”	the board of Directors
“Chairman”	the chairman of the Board
“China” or “PRC”	the People’s Republic of China, for the purposes of this report only, excluding Hong Kong, Macau Special Administrative Region and Taiwan
“Company” or “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

DEFINITIONS

“Director(s)”	the director(s) of our Company
“General Mandate”	a general unconditional mandate granted to the Directors at the annual general meeting of the Company held on 11 June 2021, under which the maximum number of Shares that can be issued and allotted are 385,429,998 Shares
“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 Dollar, the lawful currency of Hong Kong
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“IFRS”	International Financial Reporting Standards
“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, as amended, supplemented or otherwise modified from time to time
“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
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules
“Option”	in the context of Share Incentive Plan, an option to subscribe for Shares as granted pursuant to the 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 Scheme

DEFINITIONS

“Prospectus”	the prospectus of our Company, dated 15 September 2020, in relation to the Global Offering
“Reporting Period”	for the six months ended 30 June 2021
“RMB” or “Renminbi”	Renminbi Yuan, the lawful currency of China
“Selected Participant(s)”	any eligible person approved for participation in the Share Award Scheme and who has been granted any Award pursuant to the Share Award Scheme
“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
“Share Award Scheme”	the share award scheme of the Company approved and adopted by the Board on 11 June 2021, in its present form or as amended from time to time in accordance with the Share Award Scheme
“Share Incentive Plan”	the share incentive plan of the Company approved and adopted by the Board on 29 March 2020, in its present form or as amended from time to time in accordance with the Share Incentive Plan
“Shareholder(s)”	holder(s) of our Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“U.S.”	United States of America
“USD” or “US\$” or “US dollars”	United States Dollar, the lawful currency of the U.S.
“%”	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

“AI”	artificial intelligence
“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
“cloud-based”	applications, services or resources made available to users on demand via the Internet from a cloud computing provider’s servers with access to shared pools of configurable resources
“COVID-19”	coronavirus disease 2019, a disease caused by a novel virus designated as severe acute respiratory syndrome coronavirus 2
“CRM”	customer relationship management, a strategy for managing an organization’s relationships and interactions with customers and potential customers
“customer entity”	a legal entity which subscribes for our software solutions by entering into contracts with us or our regional channel partners (who are responsible for marketing and selling our software solutions in designated geographic locations), as the case may be, and uses such software solutions, during the relevant period
“data analytics”	the use of advanced analytic techniques against very large, diverse data sets to uncover hidden patterns, unknown correlations, market trends, customer preferences, and other useful information that can help organizations make more informed business decisions
“DevOps platform”	a platform that combines software development and information technology operations to shorten the cycle of building and delivering features, fixes and updates to users while keeping software solutions reliable, scalable and secure
“ERP”	enterprise resource planning, a business process management software that allows an organization to use a system of integrated applications to manage the business and digitalize back-office functions relating to technology, services, and human resources

GLOSSARY OF TECHNICAL TERMS

“PaaS”	platform as a service, a category of cloud computing services that provides a platform and environment to allow property developers to build applications over the Internet
“paying end group customer”	a legal entity that (i) is the largest shareholder of a customer entity with at least 30% of voting interests of such customer entity; (ii) is the largest shareholder owning at least 30% of voting interests of a legal entity that owns at least 50% of voting interests of a customer entity; or (iii) owns at least 50% of voting interests of a legal entity that owns at least 30% of voting interests of a customer entity, together with such affiliated customer entities, are deemed as one paying end group customer. For avoidance of doubt, in respect of ERP solutions, we generate revenues from direct sales to our paying end group customers and sales to our regional channel partners, and in respect of SaaS products, we generate revenues from sales to our paying end group customers both directly and through our regional channel partners
“SaaS”	software as a service, a cloud-based software licensing and delivery model in which software and associated data are centrally hosted
“Skyline Open Platform”	a low-code PaaS platform launched by the Group for aPaaS Capacity, iPaaS Capacity, bpmPaaS Capacity, DaaS Capacity and Technology Innovation
“Top 100 property developers”	top 100 property developer groups in China by sales value during a given period, according to a report published by China Real Estate Information Corporation in 2021