明源雲

Stock Code:909

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

ANNUAL REPORT 2021

深 耕 数 字 科 技 · 引 领 产 业 升 级

CONTENTS

BOARD OF DIRECTORS

Executive Directors

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

Non-executive Directors

Mr. Liang Guozhi
Mr. Yi Feifan

Independent Non-executive Directors

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

REGISTERED OFFICE

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

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

PRINCIPAL SHARE REGISTRAR

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

HONG KONG SHARE REGISTRAR

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

INDEPENDENT AUDITOR

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

HONG KONG LEGAL ADVISER

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

COMPLIANCE ADVISOR

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

AUTHORIZED REPRESENTATIVES

Mr. Gao Yu
Mr. Jiang Keyang

JOINT COMPANY SECRETARIES

Mr. Jiang Keyang
Ms. Szeto Kar Yee Cynthia

PRINCIPAL BANKS

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

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

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

STOCK CODE

909

COMPANY WEBSITE

www.mingyuanyun.com

	Year ended December 31,				
	2021	2020	2019	2018	2017
			(RMB'000)		
Revenues	**2,184,490**	1,705,276	1,263,969	912,795	579,608
Gross profit	**1,751,129**	1,339,722	994,569	735,680	460,285
Operating (loss)/profit	**(626,771)**	326,456	244,091	180,299	88,592
(Loss)/profit before income tax	**(503,554)**	(650,086)	242,378	178,392	83,282
(Loss)/profit for the year	**(495,918)**	(668,200)	231,649	163,034	72,802
Adjusted EBITDA	**233,060**	422,278	276,674	201,488	124,461
Adjusted net income	**307,234**	382,690	235,920	163,034	96,259

	Year ended December 31,				
	2021	2020	2019	2018	2017
			(RMB'000)		
ASSETS					
Non-current assets	**659,098**	262,330	246,200	236,784	185,043
Current assets	**6,313,699**	7,209,836	988,488	549,958	458,415
Total assets	**6,972,797**	7,472,166	1,234,688	786,742	643,458
LIABILITIES					
Non-current liabilities	**94,170**	59,276	49,085	48,934	33,789
Current liabilities	**948,451**	843,354	914,651	439,811	272,467
Total liabilities	**1,042,621**	902,630	963,736	488,745	306,256
EQUITY					
Equity attributable to owners of the Company	**5,933,331**	6,538,793	266,485	302,556	347,663
Non-controlling interests	**(3,155)**	30,743	4,467	(4,559)	(10,461)
Total equity	**5,930,176**	6,569,536	270,952	297,997	337,202
Total equity and liabilities	**6,972,797**	7,472,166	1,234,688	786,742	643,458

Overall financial data

Revenue was RMB2,184.5 million in 2021, representing a year-on-year increase of 28.1%.

Adjusted net income was RMB307.2 million in 2021, representing a year-on-year decrease of 19.7%.

SaaS products

Revenue was RMB1,337.7 million in 2021, representing a year-on-year increase of 53.5% and accounting for 61.2% of the total revenue.

SaaS products were applied to approximately 16,600 sites and approximately 7,500 construction sites in 2021, representing a year-on-year increase of approximately 11% and 83%.

ERP solutions

Revenue was RMB846.8 million in 2021, representing a year-on-year increase of 1.5% and accounting for 38.8% of the total revenue.

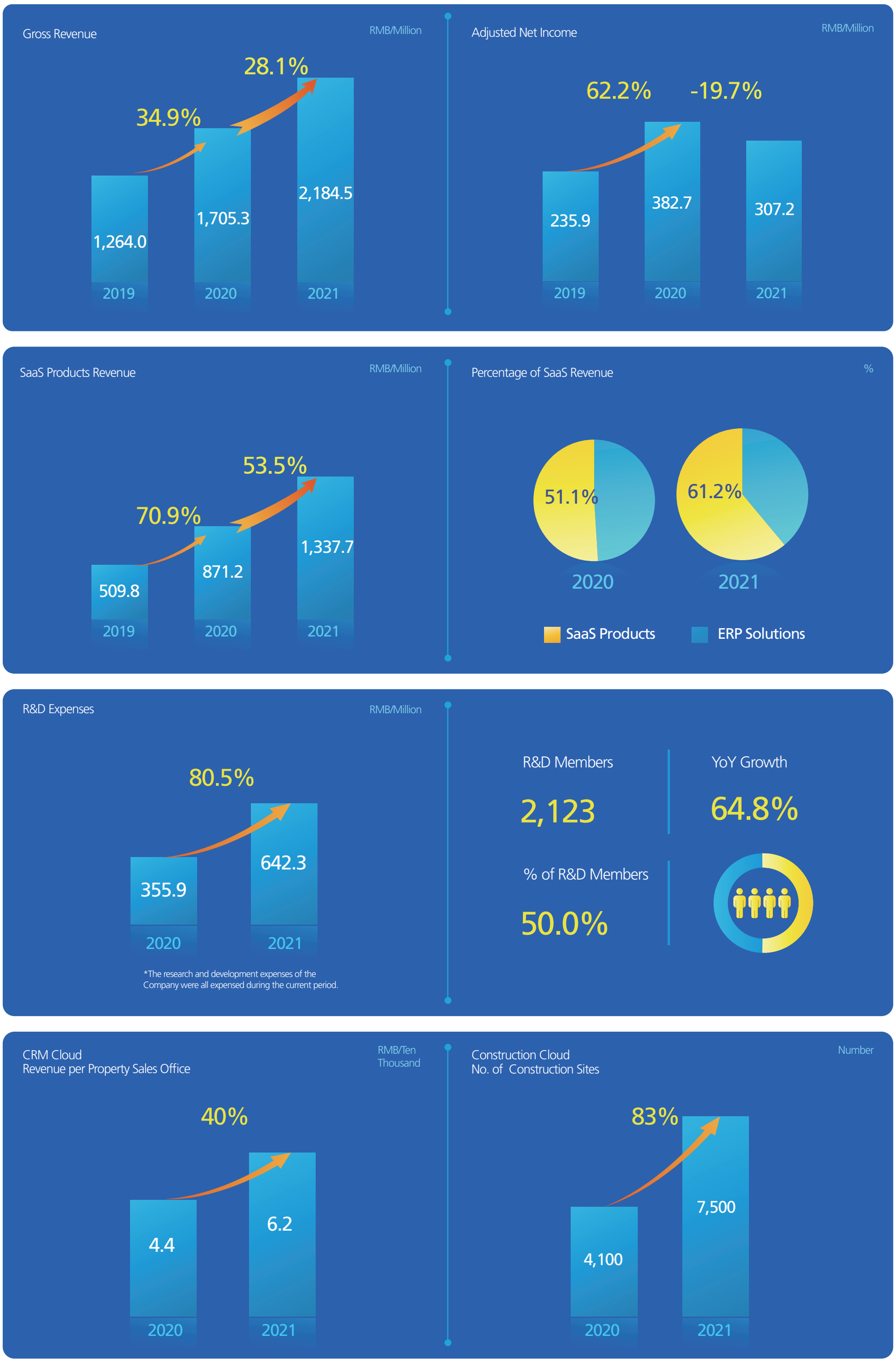
Investments in the research and development

Investments in the research and development was RMB642.3 million in 2021, representing a year-on-year increase of 80.5%.

The number of research and development staff was 2,123 in 2021, representing a year-on-year increase of 64.8% and accounting for 50.0% of the total staff of the Company.

FINANCIAL HIGHLIGHTS

The table below sets forth relevant information for the years indicated.



Gao Yu
Chairman

Dear Shareholders,

REVIEW

As China's real estate industry was faced with unprecedented difficulties and challenges in 2021, especially in the second half of the year, a number of top 100 real estate property developers were in serious business crises and the industry plunged towards trough under multiple blows. Although the Chinese government have introduced numerous policies in the fourth quarter to boost the virtuous cycle and healthy development of the real estate industry, it takes time for the whole industry to recover. The Company was inevitably affected by major changes in the industry, which was also a severe test faced by the Company. Therefore, the Company responded quickly and has taken various targeted measures in the second half of the year, which effectively reduced the negative impact of changes in the industry on our business and enabled the Company to maintain sustained growth and healthy development in its overall operation.

In response to the rapid changes in the residential property development market, the Company invested full efforts in the digitalization of the industrial development, operation and services market and launched targeted products and solutions in the second half of the year. Our existing core product lines such as Cloud ERP, Construction Cloud and Asset Management Cloud highly matched markets' needs and therefore gained prominent competitive advantages as well as huge market potentials. Meanwhile, the Company initiated the transition of ERP to a subscription-based model in advance, and invested more resources to accelerate the upgrading of products.

During the Reporting Period, SaaS product business revenue of the Company increased by 53.5% year on year to RMB1,337.7 million and accounted for 61.2% of the total revenue, and maintained continuous profitability. Despite the dual adverse impacts of the industry and the COVID-19 pandemic, the ERP solution business revenue of the Company maintained a year-on-year growth of 1.5% to RMB846.8 million.

During the Reporting Period, the Company maintained its high investment in research and development, with a year-on-year increase of over 80% in R&D investment. In particular, R&D investment in the Skyline PaaS Platform recorded a year-on-year increase of over 140%. We believe our constant R&D investment will lay a solid foundation for the long-term sustainable development of the Company.

OUTLOOK

The year of 2022 will be undoubtedly full of challenges, and it takes time for the industry to recover amid the raging pandemic. Although various challenges exist every year in the external environment, the Company must seek for certain strategies and actions to promote its sustainable development amid uncertainties. In the second half of 2021, the Company took the initiative to make strategic adjustments in a timely manner. In 2022, the Company will continue to expand its layout in the industrial development, operation and services market which is still in its initial stage in terms of digitalization and therefore boasts great potential to tap and room for upgrading. Moreover, the Company will fully roll out the SaaS version of ERP, so that more small and medium-sized property developers can gain advantages and realize rapid digital upgrading relying on iterative SaaS products at low costs.

During China's "two sessions" in early March 2022, the government clearly stated that "China will promote the construction of affordable housing, support the property market to better cater to the reasonable demand of home buyers, stabilize land prices, home prices and market expectations, and adopt city-specific policies to boost the virtuous cycle and healthy development of the real estate industry". As China's real estate market consists of the residential property development and service market and the industrial development, operation and services market, we are firmly optimistic about the potentials in the digital upgrade of the real estate value chain. We have always believed in the business philosophy and long-term strategy of correct orientation, continuous efforts and waiting for return.

APPRECIATION

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

Gao Yu
Chairman
March 28, 2022

明源雲

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

BUSINESS REVIEW AND OUTLOOK

Industry Review

In 2021, China's real estate market has undergone major adjustments, and indicators of the industry rose first and then fell. The real estate industry recorded a significant slowdown in the growth of such indicators as investment scale, sales size and land transaction throughout 2021, and the new construction area also declined sharply compared with the previous year. As affected by the "three red lines" rules and other control policies and under the tightened credit environment, the investment and sales of the industry plummeted since the third quarter. Meantime, some property developers experienced debt defaults and liquidity crises, and the downward pressure of the industry tended to spread into other related industries.

However, it shall be noted that the real estate industry is still an important component of the national economy due to its large scale, long industry chain and extensive coverage. In 2021, the sales of commercial housing amounted to RMB18.19 trillion, hitting a new high. In addition, positive policies gradually recovered to stabilize the market in the second half of 2021. The central government and ministries stressed to prioritize stability while pursuing progress, and the meeting of the Political Bureau of the CPC Central Committee stated for the first time to boost the virtuous cycle of the real estate industry. Meanwhile, the credit environment has improved and some cities have lifted relevant policies, which jointly beefed up the confidence of enterprises and home buyers. Meantime, as the growth and profit margin of the industry went down, property developers will take more proactive measures to seek methods and tools to enhance management efficiency. Enterprises will no longer rely on the land and capital dividends, but usher in the era of management dividends by strengthening operation capabilities through digital transformation. We believe that under the guidance of national policies and corporate transformation, the real estate industry will gradually stabilise and secure a healthy and sustainable development model, but it is expected to take a while to achieve the overall recovery.

Business Review

Our Products and Services

We specialize in providing enterprise-grade SaaS products and ERP solutions for major participants in the real estate ecological chain, helping real estate development/operation/service providers to better achieve their business goals through digital upgrades. Capitalizing on the powerful scalability, connectivity of our Skyline PaaS 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.

The Company has responded in a timely manner to the drastic changes in the industry in 2021. First, in response to the rapid changes in the residential development market, the Company fully entered the digital field of the industrial development/operation/service market in the second half of the year, greatly expanding the market space and business resilience. Second, the Company started the transition of ERP to subscription-based model in advance and lowered the threshold for digital transformation to meet wider customer needs under industry adjustments.

SaaS products

In 2021, the Company made good progress in its SaaS product business, and recorded product revenue of RMB1,337.7 million (same period in 2020: RMB871.2 million), representing a year-on-year increase of 53.5% and accounting for 61.2% of the total revenue, with net income reaching RMB19.3 million.

CRM Cloud

In 2021, the growth of CRM Cloud business was mainly driven by the increase in the average revenue per user. Facing the marketing pressure of real estate developers in the second half of the year, the Company launched applications such as Smart Sales Rhetoric (智慧銷講) and Smart Work Cards (智慧工牌), so as to promote the efficient interaction among home buyers, property consultants, third-party sales agents and brokers, improve the experience of home buyers, and enhance the customer acquisition ability and transaction conversion efficiency of property developers.

The number of property sales offices across China equipped with CRM Cloud was approximately 16,600 in 2021, representing a year-on-year increase of approximately 11% (same period in 2020: approximately 15,000). The annual customer account retention rate for CRM Cloud was 88% in 2021 (same period in 2020: 90%).

Construction Cloud

In 2021, the Construction Cloud business launched products that focus on the standardization of quality control processes to help construction sites strictly adhere to the bottom line of quality. The Company is the first vendor in the industry to provide the whole-cycle quality digitalization solutions covering house construction, acceptance inspection, handover, move-in and maintenance. It helps property developers efficiently manage the entire property construction and handover processes, thus enhancing operational efficiency and quality control.

The number of construction sites equipped with Construction Cloud in China was approximately 7,500 in 2021, representing a year-on-year increase of approximately 83% (same period in 2020: approximately 4,100). The total annual customer account retention rate for quality inspection, customer service and risk control products of Construction Cloud was 90% in 2021 (same period in 2020: 85%).

Procurement Cloud

In 2021, Procurement Cloud launched innovative services such as the pool of selected suppliers and built a national centralized procurement category supplier selection library to recommend high-quality suppliers to real estate developers, thus strengthening the attractiveness to suppliers and continuously improving the activity of the platform.

In 2021, approximately 3,800 real estate developers and 89,000 suppliers entered the Procurement Cloud platform to conduct business, representing a year-on-year increase of approximately 36% and 25% (same period in 2020: approximately 2,800 real estate developers and 71,000 suppliers).

Space Cloud

The product line of Asset Management Cloud focuses on the field of asset management, providing various forms of online asset management digitization solutions for asset owners, mainly state-owned enterprises, based on overall business plans of customers. With the Company's full entry into the industrial development/operation/service market, Asset Management Cloud has become an important product for industrial real estate customers. Property Management Cloud line is developed based on the Skyline PaaS Platform. It was still in the pilot promotion stage in 2021. The Company will choose an opportunity to conduct large-scale promotion in the property management industry.

In 2021, Space Cloud totally managed various types of properties of over 344 million square meters, representing a year-on-year increase of approximately 167% (same period in 2020: more than 129 million square meters). The annual customer account retention rate for Space Cloud was 78% in 2021 (same period in 2020: 77%).

ERP solutions

Our ERP solutions help property developers to effectively integrate and manage enterprise resources and optimize their core business processes with products including selling, cost, procurement, planning and expense. In addition to software licensing, we offer implementation services, product support services, and value-added services. In 2021, the cloud ERP solutions based on the Skyline PaaS Platform launched multiple iterated versions, providing customers with strong scalability and integration capabilities while enabling greater implementation flexibility and development efficiency.

In 2021, due to the adverse impacts of the industry and the COVID-19 pandemic, the decision-making cycles of end customers for the new purchase and upgrade of software products and value-added services were prolonged. Revenue from ERP solutions was RMB846.8 million (same period in 2020: RMB834.1 million), representing a year-on-year increase of 1.5%.

Skyline PaaS Platform

Since its launch in November 2020, the Skyline PaaS Platform has been focusing on developing five major independent capacities of "aPaaS Capacity, iPaaS Capacity, bpmPaaS Capacity, DaaS Capacity and Technology Innovation", covering five suite products namely aPaaS, iPaaS, bpmPaaS, BI&Big Data and BPA&Portal. During the Reporting Period, the Company maintained its high investment in the research and development, with a year-on-year increase of over 80%. In particular, the investment in the Skyline PaaS Platform recorded an increase of over 140%. The Company firmly believes that the Skyline PaaS Platform is the core capability to secure our long-term competitive advantages in the digital upgrade of the real estate value chain.

Based on the architecture of dual-mode IT, cloud native technology and hybrid cloud, the Skyline PaaS Platform supports users in fully developing "user interface, business logic, and data services" through "no-code and low-code" methods, and significantly improves productivity through cross-platform portability for users. Through the Skyline PaaS Platform, the Company can develop high-quality SaaS products and conduct iterative product upgrades in a short time, so as to cater for the changing customer demand and technological innovation. The Company also makes the functions of the Skyline PaaS Platform available for IT teams of our customers and third-party partners. We encourage our partners to develop various innovative applications to customers and further expand our partners and technological ecosystem.

In 2021, the Skyline PaaS Platform has made major breakthroughs in five major suite products. Among them, iPaaS accumulated over 40 connectors of technology partners in the real estate industry, such as RPA, electronic signature, SMS and payment; BI&Big Data developed a fully domestic business intelligence (BI) and big data computing platform, and issued a data governance and indicator system specifically designed for the real estate industry featured by zoning governance and zoning data inflow; BPA&Portal accumulated a Standard Operating Procedure (SOP) system relying on its packaged business capability (PBC), with focus on the journey of customers and employees; and the Stars Program covered over 1,200 implementation consultants and IT personnel of our customers with the zero-code combination of aPaaS and bpmPaaS; the low-code capacity covered over 1,300 product developers and IT personnel of our customers. Meantime, we fully embraced the China-made trend and the IT application innovation at technology level, and launched the JAVA version of our modeling platform. As such, the Company received a series of certifications, including the Kunpeng Technology Certification of Huawei Cloud, the Product Compatibility Certification of CECLOUD, the CAICT Evaluation and Certification for Data Management Platforms at the national level, the CAICT Evaluation and Certification for Business Intelligence (BI) Analytical Tools, and was honored a series of recognitions and awards, including the "2021 Champion Award for Enterprise-grade PaaS of China's Real Estate Value Chain" by SOFT6.COM, the "Innovation Award of 2021 Domestic Enterprise-grade PaaS Platform" by China Internet Weekly of Chinese Academy of Sciences, the "Benchmark Award of WISE 2021 Enterprise Services Gold List in Terms of Digital Innovation" by 36Kr, and the "Excellent Cloud Native Technology Partner Award" by Huawei Cloud.

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. We conduct direct sales through our sales teams in Beijing, Shanghai, Guangzhou and Shenzhen, and closely work with our regional channel partners to market our SaaS products and ERP solutions to customers in the rest of China for greater cost efficiency.

As at December 31, 2021, our direct sales force consisted of more than 370 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, to rapidly scale up our presence in regional market in a cost-effective manner.

Future and Outlook

After severe challenges in 2021, the real estate industry is expected to gradually recover in 2022 with the rolling-out of positive policies. During China's "two sessions" in March 2022, the government clearly stated that "China will promote the construction of affordable housing, support the property market to better cater to the reasonable demand of home buyers, stabilize land prices, home prices and market expectations, and adopt city-specific policies to boost the virtuous cycle and healthy development of the real estate industry". The Company believes that the residential property market will gradually return to normal development under the guidance of the policies.

In addition, the Company integrated its existing product lines in July 2021 and launched digital solutions for the industrial development, operation and services market, fully entering the industrial development, operation and services market. In terms of land supply, according to the 2020 China Urban Construction Statistical Yearbook, the residential construction land accounted for 31% of the total new construction land, while the industrial land, consisting of lands for commercial services, industry and warehousing also accounted for 29%, which is close to the scale of residential construction land. The digitalization of industrial market is still in the initial stage, which means huge development potentials.

The Company has been focusing on the residential development since its establishment, and has made active efforts and achieved great breakthroughs in exploring the industrial operation market since 2018 through its Space Cloud business. Meanwhile, we are aware that state-owned enterprises at all levels have a very strong demand for digitalization in the industrial development, operation and services market and that our Cloud ERP, Construction Cloud and other product lines have great potentials due to its high-matching with the market demand. In July 2021, the Company integrated its existing product lines and launched digital solutions for the industrial development, operation and services market, fully tapping into the market of great potential.

As China's real estate market consists of the residential property development and service and the industrial development, operation and services market, we are firmly optimistic about the potentials in the digital upgrade of the real estate value chain. Therefore, the Company has formulated five core development strategies for 2022:

1. Fully expanding the digitalization of the industrial development/operation/services market

The Company has integrated existing products for the market in 2021, and will intensify our overall investment in 2022 to build independent R&D and regional marketing and service teams. Moreover, the Company will apply the SaaS model in all products for the industrial market relying on its insights into the market and accumulative advantages in SaaS products and technologies. Meantime, with state-owned enterprises at all levels as the main customer base, the Company has established in-depth cooperation with our partners in the value chain such as Chinasoft International Limited, and will fully support the China-made strategy for related products and solutions. We believe our constant breakthroughs in the market will provide sustained drive for the Company.

2. Building a three-level SaaS growth driver

Our SaaS business has maintained a rapid growth since 2018, especially in innovative and scenario-specific SaaS products such as CRM Cloud and Construction Cloud, and continued to enhance its market penetration rate and average revenue per user relying on the strategy of single-point breakthrough and point-to-plane promotion. In order to secure a sustained overall growth for the SaaS business in the next 3 to 5 years, the Company has built a three-level growth strategy with long-term potentials.

(1) We will continue to strengthen the innovation of scenario-based SaaS based on CRM Cloud and Construction Cloud, so as to continuously enhance our market penetration rate and average revenue per user and maintain a relatively high growth.

1.1 CRM Cloud: Our CRM Cloud will continue to empower property developers with multi-level digital marketing solutions, and deepen our cooperation with property developers to become the first-choice partner for the digital property marketing. CRM Cloud will provide a series of segmented marketing solutions for different customer bases, and empower our customers to expand pre-sales consumer flows, enhance sales conversion rate and improve after-sales services relying on AI cloud store, virtual digital exhibition hall, MA automation engine, SCN universal marketing, marketing capability model, marketing cockpit, 3D online property launch, digital staff and LTV customer operation technologies.

1.2 Construction Cloud: Our Construction Cloud will provide more segmented solutions based on the demand of different customer bases through the combination of new and existing products. Construction Cloud will offer package solutions combining quality inspection and progress management for private enterprises that are significantly affected by fluctuations of the industry, so as to help such customers improve project management and planning and recover funds. Meantime, Construction Cloud will provide comprehensive solutions covering quality control SOP, intelligent inspection and intelligent measurement for state-owned enterprises and some private enterprises that are less affected by fluctuations of the industry, and develop digital transformation packages that meet the requirements of high-quality construction, thus better matching the higher quality and safety demand of enterprises.

(2) As the public cloud is increasingly popular and SaaS products are gradually recognized by customers, we will fully implement the SaaS transformation based on core businesses of the real estate value chain, and actively explore the SaaS model for our existing core digital businesses, which will become a key engine to drive the overall SaaS revenue of the Company:

2.1 In order to fully expand into the industrial development, operation and services market, the Company will mainly adopt the SaaS model to provide products and services to customers.

2.2 For the residential property development market, the Company initiated the transition of ERP to subscription-based model. The first SaaS products have officially launched in March 2022. We will focus on expanding our presence into small and medium property developers at the initial stage, and then further penetrate into large and medium property developers.

(3) We will proactively develop more innovative SaaS products for the upstream and downstream of the real estate value chain, including Procurement Cloud for suppliers, Property Management Cloud for the residential property market, and Commercial Management Cloud for shopping malls. There are over 1 million upstream suppliers and over 200,000 downstream property management companies in China's real estate value chain, but the digital upgrade of such customers have barely started. Meantime, the Company will also make an active exploration in the commercialization of the Skyline PaaS Platform.

3. Maintaining sustained investment in the Skyline PaaS Platform to accelerate the development of the "SaaS + PaaS + Ecology" strategy

In 2022, the Company will continue to intensify its investment in the research and development of the Skyline PaaS Platform in line with the "SaaS + PaaS+ Ecology" strategy.

(1) In terms of products, we will further strengthen the platform construction of BI&Big Data platform, enhance the data intelligence of SaaS business scenarios through the "Data + AI" method. In terms of the China-made strategy and the IT application innovation, we will enhance the independent research on China-made multi-dimensional databases and the full adaptability of such databases. In terms of technologies, we will develop a new composable application architecture integrating BPA&Portal, iPaaS and BI&Big Data, so as to accelerate the R&D and innovation of SaaS products for the industrial development and operation market.

(2) Capitalizing on our PaaS Platform, we will provide more efficient and flexible customized services, expand the scope of the Stars Program, and develop more Offshore Development Centres (ODC). Through cooperation and joint innovation with our customers in the real estate value chain, we will provide our customers with iterative SaaS applications as well as more customized services relying on our powerful Skyline PaaS Platform.

(3) In terms of the ecology, we will actively explore the "platform + ecology" model and develop more high-quality technology partners based on iPaaS, thus providing more out-of-the-box technical services for companies in the real estate value chain.

4. Focusing on "customer success" to enhance professional capabilities and value output as well as the customer retention and renewal rates

In 2021, the revenue from SaaS businesses accounted for over 60% of the total revenue of the Company, representing a further increase in proportion. The continuous growth of SaaS businesses was attributable to the increasing customer retention and renewal rates, so that our long-term core value is to help customers succeed. In 2022, the Company will continue to develop innovative and iterative products and technologies in line with the purpose of creating value for customers, and continuously improve our service processes and user experience, so as to create more value for our customers and constantly enhance the customer retention and renewal rates of SaaS businesses.

5. ***Continuously improving the talent and organizational development mechanism in line with the value of "working hard together to help customers succeed"***

   In 2022, the Company will continue to invest in the development of talents and organization in line with the value of "working hard together to help customers succeed", and provide our employees with diversified incentive mechanisms and growth plans, so as to invigorate the organization, effectively respond to changes in the external environment and constantly help customers succeed.

FINANCIAL REVIEW

The year of 2021 marks the second year of the COVID-19 outbreak. Due to the resurgence of the pandemic and major adjustments in China's real estate market, our business development was faced with great challenges from changes in the external environment. However, the Company has further consolidated its leadership in the industry and recorded rapid growth in revenue from cloud businesses relying on the timely adjustment and firm implementation of our strategies.

Revenues

During the Reporting Period, our total revenue was RMB2,184.5 million (same period in 2020: RMB1,705.3 million), representing a year-on-year increase of 28.1%, which was mainly due to the increase in revenues generated from both of our SaaS products and ERP solutions as a result of our continuous business expansion and enhanced reputation among our existing and prospective customers. The following table sets forth a breakdown of our revenue by business segment for the years indicated. Revenues from SaaS products for the year ended December 31, 2021 were RMB1,337.7 million, representing an increase of 53.5%, and accounted for 61.2% of the total revenue, while revenues from ERP solutions were RMB846.8 million, representing an increase of 1.5%, and accounted for 38.8% of the total revenue.

	Year ended December 31,				
	2021		2020		Change
	RMB	***%***	*RMB*	*%*	*%*
	(RMB in thousand, except percentage)				
SaaS products	**1,337,680**	**61.2**	871,199	51.1	53.5
ERP solutions	**846,810**	**38.8**	834,077	48.9	1.5
Total	**2,184,490**	**100.0**	1,705,276	100.0	28.1

SaaS products

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

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

	Year ended December 31,				
	2021		2020		Change
	RMB	***%***	*RMB*	*%*	*%*
	(RMB in thousand, except percentage)				
CRM Cloud	**1,025,237**	**76.6**	668,904	76.8	53.3
Construction Cloud	**189,201**	**14.1**	137,537	15.8	37.6
Procurement Cloud	**42,563**	**3.2**	26,519	3.0	60.5
Space Cloud	**53,236**	**4.0**	38,239	4.4	39.2
Others	**27,443**	**2.1**	–	–	–
Total	**1,337,680**	**100.0**	871,199	100.0	53.5

During the Reporting Period, our revenues from SaaS products were RMB1,337.7 million (same period in 2020: RMB871.2 million), representing a year-on-year increase of 53.5%, and the proportion of the revenues from SaaS products to the total revenue increased from 51.1% for 2020 to 61.2% for 2021, exceeding 60.0%, mainly due to (i) full recognition in the market and higher acceptance of our cloud-based products, and the significantly increase in the average revenue per user and the number of application scenarios, resulting in an increase in revenues; and (ii) the provision by the Company of more types of products to meet the demand of developers and customers.

As at December 31, 2021, the amount of the Company's outstanding long-term SaaS contracts (excluding tax) was RMB837.6 million (December 31, 2020: RMB622.3 million), representing a year-on-year increase of 34.6%.

ERP solutions

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

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

	Year ended December 31,				
	2021		2020		Change
	RMB	***%***	*RMB*	*%*	*%*
	(RMB in thousand, except percentage)				
Software licensing	**254,448**	**30.0**	249,691	29.9	1.9
Implementation services	**94,429**	**11.2**	103,070	12.4	(8.4)
Product support services	**174,689**	**20.6**	137,814	16.5	26.8
Value-added services	**323,244**	**38.2**	343,502	41.2	(5.9)
Total	**846,810**	**100.0**	834,077	100.0	1.5

Our revenues from ERP solutions were RMB846.8 million (same period in 2020: RMB834.1 million), representing a year-on-year increase of 1.5%, and the proportion of the revenues from ERP solutions to the total revenue decreased from 48.9% in 2020 to 38.8% in 2021, less than 40%, mainly due to (i) a longer project delivery cycle due to the impact of the macro environment, resulting in the revenues from implementation for this year that was slightly lower than the level of the same period of the previous year, and (ii) the increase in revenues from our product support services resulting from the continuous improvement of our product support service capabilities.

Cost of Sales

During the Reporting Period, our cost of sales was RMB433.4 million (same period in 2020: RMB365.6 million), representing a year-on-year increase of 18.5%.

SaaS products

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

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

	Year ended December 31,				
	2021		2020		Change
	RMB	***%***	*RMB*	*%*	*%*
	(RMB in thousand, except percentage)				
Employee benefit expenses	**38,305**	**2.9**	25,599	2.9	49.6
Costs of inventories sold	**59,691**	**4.5**	68,356	7.8	(12.7)
IT and communication charges	**22,293**	**1.7**	15,458	1.8	44.2
Taxes and surcharges	**3,614**	**0.3**	3,340	0.4	8.2
Total	**123,903**	**9.4**	112,753	12.9	9.9

During the Reporting Period, our cost of sales for SaaS products was RMB123.9 million (same period in 2020: RMB112.8 million), representing a year-on-year increase of 9.9%. This increase was mainly due to (i) the increase in employee benefit expenses, (ii) the increase in the cost of data cloud services acquired to meet the growth of the cloud business, and (iii) the increase in the cost of taxes and surcharges.

ERP solutions

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

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

	Year ended December 31,				
	2021		2020		Change
	RMB	***%***	*RMB*	*%*	*%*
	(RMB in thousand, except percentage)				
Employee benefit expenses	**188,972**	**22.3**	158,169	19.0	19.5
Outsourcing expenses	**106,579**	**12.6**	81,063	9.7	31.5
Costs of inventories sold	**2,814**	**0.3**	2,113	0.3	33.2
Professional and technical service fees	**200**	**0.0**	3,232	0.4	(93.8)
Taxes and surcharges	**10,893**	**1.3**	8,224	1.0	32.5
Total	**309,458**	**36.5**	252,801	30.4	22.4

During the Reporting Period, our cost of sales for ERP solutions was RMB309.5 million (same period in 2020: RMB252.8 million), representing a year-on-year increase of 22.4%, primarily driven by the increases in employee benefit expenses and outsourcing expenses.

Gross Profit

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

	Year ended December 31,				
	2021		2020		Change
	RMB'000	***Gross profit margin %***	*RMB'000*	*Gross profit margin %*	*%*
SaaS products	**1,213,777**	**90.7**	758,446	87.1	60.0
ERP solutions	**537,352**	**63.5**	581,276	69.7	(7.6)
Total	**1,751,129**	**80.2**	1,339,722	78.6	30.7

During the Reporting Period, the Company's overall gross profit was RMB1,751.1 million (same period in 2020: RMB1,339.7 million), representing a year-on-year increase of 30.7%. Gross profit from our SaaS products was RMB1,213.8 million (same period in 2020: RMB758.4 million), representing a year-on-year increase of 60.0%. Gross profit from our ERP solutions was RMB537.4 million (same period in 2020: RMB581.3 million), representing a year-on-year decrease of 7.6%. The gross profit margin of SaaS products increased from 87.1% in 2020 to 90.7% in 2021, mainly because we decreased our sales of smart hardware, of which the gross profit margin is comparatively lower.

Selling and Marketing Expenses

During the Reporting Period, our selling and marketing expenses were RMB897.2 million (same period in 2020: RMB590.4 million), representing a year-on-year increase of 52.0%, and the proportion of the selling and marketing expenses to the total revenue increased from 34.6% to 41.1%, mainly due to (i) the increase in dealer commission expenses arising out of the increase in revenues from SaaS products, and (ii) the increase in employee benefit expenses of the sales team. If the effect of dealer commission expenses is excluded, our selling and marketing expenses will be RMB435.0 million (same period in 2020: RMB296.1 million), representing a year-on-year increase of 46.9%, and the proportion of selling and marketing expenses after excluding the effect of dealer commission expenses to the total revenue will increase from 17.4% to 19.9%.

General and Administrative Expenses

During the Reporting Period, our general and administrative expenses were RMB1,002.8 million (same period in 2020: RMB207.7 million), representing a year-on-year increase of 382.8%, and the proportion of the general and administrative expenses to the total revenue increased from 12.2% to 45.9%, mainly due to (i) an increase in the number and compensation levels of managers, and (ii) an increase in share-based compensation expenses during the Reporting Period. If the effect of listing expenses and share-based compensation expenses is excluded, our general and administrative expenses will be RMB199.6 million (same period in 2020: RMB145.6 million), representing a year-on-year increase of 37.1%, and the proportion of general and administrative expenses after excluding the effect of listing expenses and share-based compensation expenses to the total revenue will increase from 8.5% to 9.1%.

Research and Development Expenses

We continuously invest in the development of new products and technologies as in the past. In 2021, the total research and development expenses of the Group further increased, and our research and development expenses were RMB642.3 million (same period in 2020: RMB355.9 million), representing a year-on-year increase of 80.5%, mainly due to the increase in the number and the remuneration of research and development staff. The number of research and development staff of the Company was 2,123 as at December 31, 2021 (December 31, 2020: 1,288), representing a year-on-year increase of 64.8%.

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.

During the Reporting Period, our net impairment losses were RMB43.6 million (same period in 2020: RMB4.4 million), representing a year-on-year increase of 890.9%, primarily because we increased our provision on contract assets and trade receivables as the size of contract assets and trade receivables increased in the Reporting Period, as well as we have made a specific provision for impairment of individual real estate companies in view of the operating status of the real estate industry.

Other Income

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

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

	Year ended December 31,		
	2021	2020	Change
	RMB'000	*RMB'000*	*%*
Income generated from offline activities and others	**25,039**	25,406	(1.4)
Other government grants	**22,719**	25,363	(10.4)
Income from wealth management products	**16,468**	22,919	(28.1)
VAT refund	**21,690**	20,330	6.7
Dividend and interest income from investments in unlisted equity securities and debt instruments included in financial assets at fair value through profit or loss	**6,901**	624	1,005.9
Rental income	**4,199**	–	100.0
Total	**97,016**	94,642	2.5

During the Reporting Period, our other income was RMB97.0 million (same period in 2020: RMB94.6 million), representing a year-on-year increase of 2.5%, mainly due to the increase in dividend and interest income from investments in unlisted equity securities and debt instruments by the Company.

Other Gains, Net

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

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

	Year ended December 31,		
	2021	2020	Change
	RMB'000	*RMB'000*	*%*
Fair value (losses)/gains on investments in redeemable preferred shares	**(3,263)**	4,350	(175.0)
Foreign exchange gains	**108,436**	44,609	143.1
Fair value gains on investments in unlisted equity securities included in financial assets at fair value through profit or loss	**99**	17	482.4
Net gains on disposal of property, plant and equipment	**901**	1,497	(39.8)
Investment deemed disposal gains	**10,095**	–	100.0
Fair value losses on investments in debt instruments	**(3,621)**	–	(100.0)
Others	**(1,690)**	6	(28,266.7)
Total	**110,957**	50,479	119.8

During the Reporting Period, our other gains, net amounted to RMB111.0 million, representing a year-on-year increase of 119.8% (same period in 2020: RMB50.5 million), primarily due to an increase of RMB63.8 million in foreign exchange gains as a result of exchange rate fluctuation.

Operating (Loss)/Profit

During the Reporting Period, our operating loss amounted to RMB626.8 million, representing a year-on-year decrease of 292.0% (operating profit for the same period in 2020: RMB326.5 million), due to the impact of share-based compensation expenses recognized for the Group's 2020 and 2021 share incentive plans.

Finance Income

During the Reporting Period, our finance income amounted to RMB126.6 million, representing a year-on-year increase of 779.2% (same period in 2020: RMB14.4 million), primarily due to an increase in interest income from bank deposits.

Finance Costs

Our finance costs are primarily comprised of interest expenses on our lease liabilities.

During the Reporting Period, our finance costs amounted to RMB3.1 million, representing a year-on-year increase of 47.6% (same period in 2020: RMB2.1 million), primarily due to an increase in interest expenses on lease liabilities as a result of an increase in lease assets.

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

During the Reporting Period, our net losses upon financial liabilities at fair value through profit or loss transferred to equity were nil (same period in 2020: RMB988.9 million).

Loss Before Income Tax

As a result of the foregoing, we had a loss before income tax of RMB503.6 million for the year ended December 31, 2021, representing a year-on-year decrease of 22.5% (same period in 2020: RMB650.1 million).

Income Tax Credit/(Expense)

During the Reporting Period, our income tax credit amounted to RMB7.6 million representing a year-on-year decrease of 142.0% (income tax expense for the same period in 2020: RMB18.1 million), primarily due to the deferred income tax expense and the reduction of the overall tax burden as a result of more super deductions for research and development arising from more research and development made by the Company.

(Loss)/profit for the Year

As a result of the foregoing, during the Reporting Period, we reported a loss for the year of approximately RMB495.9 million, representing a year-on-year decrease of 25.8% (same period in 2020: RMB668.2 million).

For our SaaS products, during the Reporting Period, we reported a profit for the year of RMB19.3 million, representing a year-on-year increase of 3.2% (same period in 2020: RMB18.7 million).

For our ERP solutions, during the Reporting Period, we reported a profit for the year of RMB149.5 million, representing a year-on-year decrease of 51.3% (same period in 2020: RMB306.8 million).

Non-IFRS Measures

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

EBITDA AND ADJUSTED EBITDA

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

The following table sets out EBITDA and adjusted EBITDA and a reconciliation from operating (loss)/profit for the year to EBITDA and adjusted EBITDA for the years indicated.

	Year ended December 31,		
	2021	2020	Change
	RMB'000	*RMB'000*	*%*
Reconciliation of operating (loss)/profit and adjusted EBITDA			
Operating (loss)/profit for the year	**(626,771)**	326,456	(292.0)
Add:			
Depreciation of right-of-use assets	**34,129**	22,754	50.0
Depreciation of property, plant and equipment	**18,687**	9,525	96.2
Amortization of intangible assets	**3,158**	1,528	106.7
Depreciation of investment properties	**705**	–	100.0
EBITDA	**(570,092)**	360,263	(258.2)
Add:			
Share-based compensation expenses	**803,152**	18,054	4,348.6
Listing expenses	**–**	43,961	(100.0)
Adjusted EBITDA	**233,060**	422,278	(44.8)

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, share-based compensation expenses and listing expenses.

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

	Year ended December 31,		
	2021	2020	Change
	RMB'000	*RMB'000*	*%*
Reconciliation of net loss and adjusted net income			
Net loss for the year	**(495,918)**	(668,200)	(25.8)
Net losses upon financial liabilities at fair value through profit or loss transferred to equity	–	988,875	(100.0)
Share-based compensation expenses	**803,152**	18,054	4,348.6
Listing expenses	–	43,961	(100.0)
Adjusted net income	**307,234**	382,690	(19.7)

Liquidity and Capital Resources

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

Cash and Cash Equivalents and Term Deposits

As at December 31, 2021, cash and cash equivalents and term deposits of the Group totaled approximately RMB5,450.2 million (December 31, 2020: RMB6,572.1 million), and the Group did not have any banking facilities. Most of the cash and cash equivalents of the Group were denominated in RMB. The term deposits of the Group were denominated in RMB.

Current Ratio

As at December 31, 2021, net current assets of the Group were approximately RMB5,365.2 million (December 31, 2020: RMB6,366.5 million). As at December 31, 2021, the current ratio of current assets to current liabilities was approximately 6.66, down from 8.55 as at December 31, 2020.

CAPITAL MANAGEMENT AND GEARING RATIO

In order to maintain or adjust the capital structure, we may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt. We monitor capital on basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as liquid liabilities, which are lease liabilities, less cash and cash equivalents, restricted cash, term deposits and liquid investments which are investments in wealth management products and investments in debt instruments included in financial assets at fair value through profit or loss. Total capital is calculated as "equity" as shown in the consolidated statement of financial position plus net debts. As at December 31, 2021 and 2020, the Group has a net cash position.

CAPITAL COMMITMENTS

As at December 31, 2021, we had capital commitments amounting to approximately RMB212.0 million.

CONTINGENT LIABILITIES

As at December 31, 2021, we did not have any material contingent liabilities.

FOREIGN EXCHANGE RISK MANAGEMENT

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

CREDIT RISK

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

For term deposits, management places the deposits in banks through a reputable financial institution with acceptable credit rating.

For trade receivables and contract assets, the Group has policies in place to ensure that sale of product and service are made to customers with an appropriate credit history. It also has other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group's management divides customers into different categories based on their financial position, past experience and other factors, and reviews regularly the recoverable amount of each individual receivable to ensure that adequate impairment losses are made for irrecoverable amounts. The credit periods granted to customers in different categories differ from 0 to 90 days.

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

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

FUND AND WORKING CAPITAL MANAGEMENT

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

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

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

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

PLEDGE OF ASSETS

As at December 31, 2021, we did not pledge any of our assets.

IMPACT OF THE COVID-19 OUTBREAK

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

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

We also noticed that, due to the impact of the outbreak, the decision-making cycle of end customers for the purchase and upgrade of ERP solutions and the demand for value-added services was postponed, which resulted in a slowdown in the growth of revenues of the Company from sales of ERP solutions for the year. We responded actively and, by serving online, we ensured great product experience, daily operation and maintenance services for end customers who purchased our products.

In the past two years, the COVID-19 outbreak has not had any significant impact on our overall business plan, production schedule and operating activities, and we do not expect the above-mentioned significant impact to occur in the future.

MATERIAL ACQUISITIONS, DISPOSALS AND SIGNIFICANT INVESTMENTS

As at December 31, 2021, we did not hold any significant investments.

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

Save for the Acquisition disclosed below, we did not have material acquisitions or disposals of subsidiaries, associates and joint ventures for the year ended December 31, 2021.

The Acquisition

On August 3, 2021, Shenzhen Mingyuan Cloud Technology Co. Ltd. (the "**Purchaser**"), a wholly-owned subsidiary of the Company, entered into an equity transfer agreement with Mr. YAO Wu, Mr. ZENG Weixiong, Mr. WANG Jianfeng and Chengmai Mingyuan Cooperative Investment Partnership (Limited Partnership) (the "**Vendors**"), pursuant to which the Vendors have agreed to sell, and the Purchaser has agreed to acquire a total of 29.906541% equity interests in Shenzhen Mingyuan Yunke Electronic Commerce Co., Ltd. ("**Ming Yuan Cloud Client**") at the total amount of the considerations of RMB598,130,841.17 (the "**Acquisition**"). Upon completion of the Acquisition in September 2021, Ming Yuan Cloud Client became an indirect wholly-owned subsidiary of the Company.

For details of the Acquisition, please refer to the announcement of the Company dated August 3, 2021.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

As at December 31, 2021, the Group did not have plans for material investments and capital assets.

EMPLOYEES

As of December 31, 2021, we had 4,247 (December 31, 2020: 3,170) employees in total.

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

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

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

SUBSEQUENT EVENT

On January 5, 2022, the Board has resolved to exercise their powers under the general mandate given to the Directors pursuant to the resolutions passed on June 11, 2021 in the annual general meeting of the Company, to repurchase up to 192,714,999 Shares. Subject to market conditions, the Company may repurchase the Shares in the open market from time to time at an aggregate amount not exceeding HKD equivalent to USD100,000,000.

On January 11, 2022, the Board has resolved to grant a total of 6,435,898 RSUs under the Share Incentive Plan to 18 employees of the Group, representing an aggregate of 6,435,898 Shares. 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. For details, please refer to the announcement of the Company dated January 11, 2022.

In January 2022, Ming Yuan Cloud Technology entered into a purchase agreement to acquire 9.5% equity interest in Beijing Lingcai Technology Limited (北京令才科技有限公司), a solution provider of finance-related intelligent community, at a consideration of RMB25,351,744.

In January 2022, Ming Yuan Cloud Technology entered into a purchase agreement to acquire 12% equity interest in Shenzhen Kehutong Technology Limited (深圳市客戶通科技有限公司), a digital solution provider, at a consideration of RMB18,760,274.

DIRECTORS

Executive Directors

Mr. Gao Yu (高宇) ("Mr. Gao"), aged 52, was appointed as our Director on July 3, 2019, and re-designated as our executive Director on June 12, 2020. Mr. Gao was also appointed as the Chairman of our Board on June 12, 2020. Mr. Gao co-founded our Group in November 2003. He is responsible for the overall strategic planning and business direction of our Group and management of our Company.

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

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

Mr. Jiang Haiyang (姜海洋) ("Mr. Jiang"), aged 51, was appointed as our Director on March 31, 2020, and re-designated as our executive Director on June 12, 2020. Mr. Jiang was also appointed as our Chief Executive Officer on June 12, 2020. Mr. Jiang co-founded our Group in November 2003. He is responsible for the Board's work related to the operation and management of our Company.

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

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

Mr. Chen Xiaohui (陳曉暉) ("Mr. Chen"), aged 51, was appointed as our Director on March 31, 2020, and re-designated as our executive Director on June 12, 2020. Mr. Chen was also appointed as our Vice President on June 12, 2020. Mr. Chen co-founded our Group in November 2003. He is responsible for the Board's work related to the operation and management of our Company and overseeing the research and development of our Group's products.

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

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

Mr. Jiang Keyang (蔣科陽), aged 43, was appointed as our Director on March 31, 2020, and re-designated as our executive Director on June 12, 2020. Mr. Jiang Keyang was also appointed as our Chief Financial Officer and one of our joint company secretaries on June 12, 2020. Mr. Jiang Keyang joined our Group in May 2008. He is responsible for overseeing the financial and accounting matters of our Group, investor relationships, and investments and acquisitions.

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

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

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

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

Non-executive Directors

Mr. Liang Guozhi (梁國智) ("Mr. Liang"), aged 49, was appointed as our Director on March 31, 2020, and re-designated as our non-executive Director on June 12, 2020. Mr. Liang has acted as vice president in Shenzhen Dachen Caizhi Venture Capital Management Co., Ltd. (深圳市達晨財智創業投資管理有限公司) since November 2008. Mr. Liang has also served as a non-executive director in Guangdong Hybribio Biotech Co., Ltd. (廣東凱普生物科技股份有限公司), a company listed on the Shenzhen Stock Exchange (Stock Code: 300639), from November 2013 to September 2019.

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

Mr. Yi Feifan (易飛凡) ("Mr.Yi"), aged 36, was appointed as our Director on October 25, 2019 and re-designated as our non-executive Director on June 12, 2020. Mr. Yi worked as a business analysis manager in Tencent Technology (Shenzhen) Co., Ltd. (騰訊科技(深圳)有限公司) from March 2010 to September 2011; assistant to the chief executive officer and director of the web games department in Beijing Aurora Interactive Network Technology Co., Ltd. (北京極光互動網絡技術有限公司) from October 2011 to May 2014; deputy investment director in Shenzhen Dachen Caizhi Venture Capital Management Co., Ltd. (深圳市達晨財智創業投資管理有限公司) from August 2014 to February 2018. Mr. Yi was also a director of Beijing Yuntu Teng Technology Co., Ltd. (北京雲途騰科技有限責任公司) from August 2016 to February 2018; director of Folangsi Co., Ltd. (廣州佛朗斯股份有限公司) from February 2017 to February 2018; and senior vice president and subsequently, executive director in Shenzhen Guangyuan Consulting Management Co., Ltd. (深圳市光遠諮詢管理有限公司) since February 2018.

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

Independent Non-executive Directors

Mr. Li Hanhui (李漢輝) ("Mr. Li"), aged 45, was appointed as our independent non-executive Director on September 4, 2020. Mr. Li acted as marketing director in Guangdong Huanbohai Real Estate Development Co., Ltd. (廣東環渤海房地產開發有限公司) from July 2005 to February 2007; secretary of the board of directors, director and deputy general manager in Shenzhen Kete Technology Co., Ltd. (深圳市科特科技股份有限公司) from January 2008 to March 2015; secretary of the board of directors in AVIT Ltd. (深圳市佳創視訊技術股份有限公司), a company listed on the Shenzhen Stock Exchange (Stock Code: 300264), from July 2015 to September 2018; fund manager in Shenzhen Linfeng Investment Management Co., Ltd. (深圳麟烽投資管理有限公司) from October 2018 to July 2019; and managing director in Shenzhen Gentai Investment Management Co., Ltd. (深圳亘泰投資管理有限公司) from August 2019 to June 2021; and executive director and general manager in Gongqingcheng Tairan Private Fund Management Co., Ltd. (共青城泰然私募基金管理有限公司) since July 2021.

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

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

Mr. Zhao Liang (趙亮) ("Mr. Zhao"), aged 49, was appointed as our independent non-executive Director on September 4, 2020. Mr. Zhao acted as deputy general manager and secretary of the board of directors in Shenzhen Changfang Group Co., Ltd. (深圳市長方集團股份有限公司), a company listed on the Shenzhen Stock Exchange (Stock Code: 300301), from December 2010 to November 2012; an executive deputy general manager in charge of compliance risk for legal affairs in Ping An Caizhi Investment Management Co., Ltd. (平安財智投資管理有限公司) from April 2013 to January 2016; a partner and lead counsel in Shenzhen Greenpine Capital Management Co., Ltd. (深圳市松禾資本管理有限公司) since February 2016.

From November 2015 to December 2021, Mr. Zhao held directorship in Shenzhen FRD Science & Technology Co., Ltd. (深圳市飛榮達科技股份有限公司), a company whose shares are listed on the Shenzhen Stock Exchange (Stock Code: 300602), as an independent non-executive director.

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

Ms. Zeng Jing (曾靜) (“Ms. Zeng”), aged 44, was appointed as our independent non-executive Director on September 4, 2020. Ms. Zeng acted as a staff accountant in Ernst & Young Hua Ming LLP (安永華明會計師事務所) from October 2000 to May 2004. She was a finance manager in Puhui Information Technology (Shenzhen) Co., Ltd. (普惠信息科技(深圳)有限公司) from October 2005 to June 2008. She also acted as a finance manager of Puchenghua Information Technology Consulting (Shenzhen) Co., Ltd. (普誠華信息科技諮詢(深圳)有限公司) (“**Puchenghua**”) from July 2008 to June 2014 and a business controller of Puchenghua from July 2014 to June 2016 and has been acting as the head of finance of Puchenghua in China since July 2016.

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

SENIOR MANAGEMENT

Mr. Gao Yu (高宇), aged 52, has been the Chairman of our Board since June 12, 2020. For further details, please refer to "Executive Directors" in this section.

Mr. Jiang Haiyang (姜海洋), aged 51, has been our Chief Executive Officer since June 12, 2020. For further details, please refer to "Executive Directors" in this section.

Mr. Chen Xiaohui (陳曉暉), aged 51, has been our Vice President since June 12, 2020. For further details, please refer to "Executive Directors" in this section.

Mr. Jiang Keyang (蔣科陽), aged 43, has been our Chief Financial Officer and one of our joint company secretaries since June 12, 2020. For further details, please refer to "Executive Directors" in this section.

Mr. Yao Wu (姚武) ("Mr. Yao"), aged 50, is our Vice President and joined our Group in October 2006. Mr. Yao is primarily responsible for our SaaS product, CRM Cloud (雲客). He acted as vice president of sales and marketing in Ming Yuan Cloud Technology from October 2006 to September 2009, where he was responsible for its brand management, as well as its sales and marketing management. Mr. Yao founded Ming Yuan Real Estate Research Institute in September 2009 and had been the president of the institute in charge of property development management trainings, management consulting services and brand marketing from September 2009 to July 2014. From July 2014 to May 2021, he was the chairman of the board and the chief executive officer of Ming Yuan Cloud Client.

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

Mr. Tong Jilong (童繼龍) ("Mr. Tong"), aged 40, is our Vice President and Head of Strategic Development Centre and joined our Group in January 2010. Mr. Tong is responsible for the medium and long-term strategic planning of the Group; digital technology enterprises ecological cooperation related to real estate ecological chain; overall external strategic investment, mergers and acquisitions, and post-investment management work of Ming Yuan Cloud. Prior to joining our Group, he worked as IT director in Zhejiang Baoxiniao Group (浙江報喜鳥集團) from April 2002 to July 2004; manager of the information management center in Zhejiang Red Dragonfly Group (浙江紅蜻蜓集團) from July 2004 to February 2007; chief consultant of the marketing center in Shenzhen Daoxun Technology Development Co., Ltd. (深圳道訊科技開發有限公司) from March 2007 to August 2008; and product director in the apparel industry of the small business division in Yonyou Network Technology Co., Ltd. (用友網路科技股份有限公司) (then known as Yonyou Software Co., Ltd. (用友軟件股份有限公司)), a company listed on the Shanghai Stock Exchange (Stock Code: 600588), from September 2008 to January 2010.

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

PRINCIPAL ACTIVITIES

We specialize in providing enterprise-grade SaaS products and ERP solutions for major participants in the real estate ecological chain, helping real estate development/operation/service providers to better achieve their business goals through digital upgrades. There were no significant changes in the nature of the Group's principal activities since the Listing Date and up to the date of this report. Please refer to note 37 to the consolidated financial statements on pages 215 to 218 for details of the principal activities of the principal subsidiaries of the Company.

RESULTS

The results of the Group for the year ended December 31, 2021 are set out in the consolidated financial statements of the Group on pages 101 to 219 of this report.

FINAL DIVIDEND

Our Board has recommended the payment of a final dividend of RMB0.055 in form of cash per Share (equivalent to HKD0.068 per Share) for the year ended December 31, 2021. The proposed final dividend will be paid on or around Monday, June 27, 2022 after approval by the Shareholders at forthcoming annual general meeting of our Company.

The proposed final dividend shall be declared in RMB and paid in HK dollars. The final dividend payable in HK dollars will be converted from RMB at the average central parity rate of RMB to HK dollars as announced by the People's Bank of China for the period from Monday, March 21, 2022 to Friday, March 25, 2022.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the Annual General Meeting, the register of members of the Company will be closed from Tuesday, May 24, 2022 to Friday, May 27, 2022, both days inclusive, during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the Annual General Meeting, all transfer forms accompanied by the relevant share certificates must be lodged with the Hong Kong share registrar of the Company, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Monday, May 23, 2022.

For determining the entitlement to the proposed final dividend (subject to approval by the Shareholders at the Annual General Meeting), the register of members of the Company will be closed from Monday, June 6, 2022 to Thursday, June 9, 2022, both days inclusive, during which period no transfer of Shares will be registered. In order to be eligible for the above proposed final dividend, all transfer forms accompanied by the relevant share certificates must be lodged with the Hong Kong share registrar of the Company, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Thursday, June 2, 2022.

SHARE CAPITAL

Details of the issued Shares during the year ended December 31, 2021 are set out in note 26 to the consolidated financial statements.

RESERVES

Details of the movements in reserves of the Group during the year ended December 31, 2021 are set out on page 197 of this annual report.

DISTRIBUTABLE RESERVES

As at December 31, 2021, the Company's reserves available for distribution for share premium, calculated in accordance with the provisions of Companies Act of the Cayman Islands, amounted to approximately RMB6,144.7 million.

FINANCIAL SUMMARY

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

BANK LOANS AND OTHER BORROWINGS

As at December 31, 2021, the Company had no bank loans or other borrowings.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Company during the year ended December 31, 2021 are set out in note 15 to the consolidated financial statements.

SUFFICIENCY OF PUBLIC FLOAT

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

PRE-EMPTIVE RIGHTS

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

TAX RELIEF AND EXEMPTION

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

USE OF NET PROCEEDS FROM GLOBAL OFFERING

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

Item	Approximate % of total net proceeds	Net proceeds from the Global Offering *(HK$ million)*	Utilized as at December 31, 2021 *(HK$ million)*	Unutilized as at December 31, 2021 *(HK$ million)*	Expected timeline of full utilization of the unutilized net proceeds
Further upgrade and enhance the functionalities and features of our existing SaaS products					
(a) Hire and train more high-quality IT specialists, technology architects, software developers and examiners, as well as SaaS product managers	18.0%	1,243.86	232.60	1,011.26	Before December 31, 2023
(b) Purchase from qualified suppliers advanced equipment, infrastructure and applications	6.0%	414.62	31.74	382.88	Before December 31, 2023
(c) Invest in product development to introduce new SaaS products	6.0%	414.62	–	414.62	Before December 31, 2025
Enhance research and development efforts in cutting-edge technologies					
(a) Develop our proprietary key fundamental technologies that support product innovation	8.0%	552.82	55.70	497.12	Before December 31, 2025
(b) Develop our own technology infrastructure	12.0%	829.24	83.54	745.70	Before December 31, 2025
Further upgrade and enhance the functionalities and features of our cloud-based ERP solutions					

Item	Approximate % of total net proceeds	Net proceeds from the Global Offering *(HK$ million)*	Utilized as at December 31, 2021 *(HK$ million)*	Unutilized as at December 31, 2021 *(HK$ million)*	Expected timeline of full utilization of the unutilized net proceeds
(a) Enhance our existing product support and value-added service capabilities	6.0%	414.62	157.43	257.19	Before December 31, 2022
(b) Expand our existing ERP modules and functions to cover more internal business and operational processes of property developers	4.0%	276.41	–	276.41	Before December 31, 2023
Enhance our sales and marketing capabilities and strengthen our brand reputation					
(a) Expand, retain and train our direct sales force	3.0%	207.31	138.62	68.69	Before December 31, 2023
(b) Establish an interactive, knowledge-sharing platform with leading property developers	2.0%	138.21	12.10	126.11	Before December 31, 2023
(c) Enhance our branding and marketing activities to acquire new customers	3.0%	207.31	10.31	197.00	Before December 31, 2023
(d) Invest to strengthen and expand our regional channel partner network	2.0%	138.21	7.29	130.92	Before December 31, 2023
Selectively pursue strategic investments and acquisitions	20.0%	1,382.06	325.23	1,056.83	Before December 31, 2023
Working capital and general corporate purposes	10.0%	691.03	–	691.03	Before December 31, 2023
Total	100.0%	6,910.32	1,054.56	5,855.76	

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

BUSINESS REVIEW

Overview and Performance of the Year

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

Key Relationship with Stakeholders

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

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

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

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

Social Responsibilities, Environmental Policies and Performance

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

On the "99 Giving Day" (99 公益日) of 2021, we advocated the concept of "Shared Love", and called on all employees to donate spare children's books to build a love library for the left-behind children in Liyu Primary School, Huazhou City, Guangdong Province. Our employees actively participated in the activity, and donated books with the total worth of over RMB200,000 in the name of the Group and employees, so that children will have books for company in the absence of parents.

On October 27, 2021, the Group organized employee volunteers to visit the Gengbeipo teaching point of Tongzhibao Primary School in Maoming City. We donated useful books and teaching aids to the school, and participated in the volunteer teaching activities to provide rich and interesting courses. The Group has adopted a series of plans to meet the learning needs of children. We organized internal employee volunteers to purchase in- and extra-curricular books and teaching aids, build a library and help poor students raise tuition fees, in an effort to bring practical support to students.

Compliance with Relevant Laws and Regulations

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

Key Risks and Uncertainties

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

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

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

PROSPECTS

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

DIRECTORS

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

Executive Directors

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

Non-executive Directors

Mr. Liang Guozhi
Mr. Yi Feifan

Independent Non-executive Directors

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

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

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

In accordance with Article 84(1) of the Articles of Association, at each AGM, one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at the AGM at least once every three years.

Accordingly, Mr. Liang Guozhi, Mr. Li Hanhui and Mr. Zhao Liang shall retire from office by rotation and be eligible to offer themselves for re-election at the AGM.

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

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

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

DIRECTORS' SERVICE CONTRACTS AND APPOINTMENT LETTERS

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

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

CONFIRMATION OF INDEPENDENCE FROM THE INDEPENDENT NON-EXECUTIVE DIRECTORS

We have received from each of the independent non-executive Directors, namely Mr. Li Hanhui, Mr. Zhao Liang and Ms. Zeng Jing, the confirmation of their respective independence pursuant to Rule 3.13 of the Listing Rules. The Company has duly reviewed the confirmation of independence of each of these Directors. We consider that our independent non-executive Directors have been independent from the date of their appointments to December 31, 2021 and remain so as at the date of this report.

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

As far as the Company is aware, as at December 31, 2021, the interests and/or short positions (if applicable) of our Directors and the chief executive of our Company in the Shares, underlying Shares or debentures of our Company or any of the associated corporations of our Company (within the meaning of Part XV of the SFO), which were required (a) to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO); or (b) pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to our Company and the Stock Exchange pursuant to the Model Code, were as follows:

Long Positions in the Shares

Name of Director	Capacity/Nature of interest	Number of Shares interested	Approximate percentage of shareholding[4]
Mr. Gao[1]	Settlor of a trust	395,923,600	20.11%
Mr. Chen[2]	Settlor of a trust	297,144,800	15.09%
Mr. Jiang[3]	Settlor of a trust	186,826,600	9.49%

Notes:

(1) As at December 31, 2021, GHTongRui Investment Limited directly held 395,923,600 Shares in our Company. GHTongRui Investment Limited is 99% held by MYTongRui Holdings Limited, which is in turn wholly-owned by TMF (Cayman) Ltd., the trustee of the family trust established by Mr. Gao (as the settlor) with him and his family members being the beneficiaries. Accordingly, Mr. Gao is deemed to be interested in the total number of Shares held by GHTongRui Investment Limited.

(2) As at December 31, 2021, HengXinYuan Investment Limited and SunshineSmoor Holdings Limited directly held 296,644,800 Shares and 500,000 Shares in our Company, respectively. HengXinYuan Investment Limited and SunshineSmoor Holdings Limited is 99% and wholly held by SunshineMorning Holdings Limited, respectively, which is in turn wholly-owned by TMF (Cayman) Ltd., the trustee of the family trust established by Mr. Chen (as the settlor) with him and his family members being the beneficiaries. Accordingly, Mr. Chen is deemed to be interested in the total number of Shares held by HengXinYuan Investment Limited and SunshineSmoor Holdings Limited.

(3) As at December 31, 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 December 31, 2021, there were 1,968,593,986 Shares in issue.

Interests in Associated Corporations

Name of Director	Name of associated corporation	Amount of registered capital held	Approximate percentage of interests
Mr. Gao	Ming Yuan Cloud Procurement	RMB4,000,000.05	45%
Mr. Chen	Ming Yuan Cloud Procurement	RMB3,022,222.26	34%
Mr. Jiang	Ming Yuan Cloud Procurement	RMB1,866,666.69	21%

Save as disclosed above and to the best knowledge of our Directors, none of the Directors or chief executive of our Company had or was deemed to have any interest or short positions in the Shares, underlying Shares or debentures of our Company or any of its associated corporations as at December 31, 2021.

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

As at December 31, 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:

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	395,923,600	20.11%
MYTongRui Holdings Limited(1)	Interest in controlled corporation	395,923,600	20.11%
HengXinYuan Investment Limited(2)	Beneficial interest	296,644,800	15.07%
SunshineMorning Holdings Limited(2)	Interest in controlled corporation	297,144,800	15.09%
LINGFAN Investment Limited(3)	Beneficial interest	186,826,600	9.49%

Name of Shareholder	Capacity/Nature of interest	Number of Shares interested	Approximate percentage of shareholding[5]
Mindfree Holdings Limited[3]	Interest in controlled corporation	186,826,600	9.49%
TMF (Cayman) Ltd.[1][2][3][4]	Trustee of 4 trusts	947,216,000	48.12%
MYC United Power Investment Holdings Limited	Beneficial interest	108,411,000	5.51%

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.

SunshineSmoor Holdings Limited beneficially holds 500,000 of our issued Shares and is wholly held by SunshineMorning Holdings Limited.

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

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

(4) TMF (Cayman) Ltd. is deemed to be interested in the total number of Shares held by each of GHTongRui Investment Limited, HengXinYuan Investment Limited, LINGFAN Investment Limited and SunshineSmoor Holdings Limited as noted above, as well as JIABAOSZ Investment Limited. JIABAOSZ Investment Limited beneficially holds 67,321,000 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) As at December 31, 2021, there were 1,968,593,986 Shares in issue.

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

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in this report, at no time during the year ended December 31, 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 spouse or children under the age of 18 had any right to subscribe for the share capital or debt securities of the Company or any other body corporate or had exercised any such right.

DEED OF NON-COMPETITION

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

The Company has received confirmations from Mr. Gao, Mr. Chen and Mr. Jiang confirming their compliance with the deed of non-competition for the year ended December 31, 2021 for disclosure in this report. The independent non-executive Directors have also reviewed the compliance of Mr. Gao, Mr. Chen and Mr. Jiang with the deed of non-competition for the year ended December 31, 2021.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Save as disclosed in this report, each of the Directors confirms that as at December 31, 2021, he/she did not have any interest in a business which competes or is likely to compete, directly or indirectly, with our business and requires disclosure under Rule 8.10 of the Listing Rules. From time to time our non-executive Directors may serve on the boards of both private and public companies within the broader information technology and software industries. However, as these non-executive Directors are not members of our executive management team, we do not believe that their interests in such companies as directors would render us incapable of carrying on our business independently from the other companies in which these Directors may hold directorships from time to time.

CONNECTED AND CONTINUING CONNECTED TRANSACTIONS

Among the related party transactions disclosed in note 35 to the consolidated financial statements, the following transactions constitute connected transaction, or continuing connected transactions for the Company under Rule 14A.31 of the Listing Rules and are required to be disclosed in this report in accordance with Rule 14A.71 of the Listing Rules. The Company confirmed that the related party transactions fall under the definition of "connected transaction" or "continuing connected transaction" (as the case may be) in Chapter 14A of the Listing Rules, and it had complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules. Please see below the information required to be disclosed in compliance with Chapter 14A of the Listing Rules.

The Acquisition

On August 3, 2021, Shenzhen Mingyuan Cloud Technology Co. Ltd. (the "**Purchaser**"), a wholly-owned subsidiary of the Company, entered into an equity transfer agreement with Mr. Yao Wu, Mr. Zeng Weixiong, Mr. Wang Jianfeng and Chengmai Mingyuan Cooperative Investment Partnership (Limited Partnership) (the "**Vendors**"), pursuant to which the Vendors have agreed to sell, and the Purchaser has agreed to acquire a total of 29.906541% equity interests in Shenzhen Mingyuan Yunke Electronic Commerce Co., Ltd. ("**Ming Yuan Cloud Client**") at the total amount of the considerations of RMB598,130,841.17 (the "**Acquisition**"). Upon completion of the Acquisition in September 2021, Ming Yuan Cloud Client became an indirect wholly-owned subsidiary of the Company. As (i) Mr. Yao Wu is a former director of Ming Yuan Cloud Client in the last 12 months preceding the Acquisition and substantial shareholder of Ming Yuan Cloud Client, (ii) Mr. Wang Jianfeng is a former director of Ming Yuan Cloud Client in the last 12 months preceding the Acquisition, and (iii) Mr. Yao Wu is the general partner of Chengmai Mingyuan Cooperative Investment Partnership (Limited Partnership), each of Mr. Yao Wu, Mr. Wang Jianfeng and Chengmai Mingyuan Cooperative Investment Partnership (Limited Partnership) is a connected person of the Company at the subsidiary level under Chapter 14A of the Listing Rules. Accordingly, the transactions contemplated under the Acquisition constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

The Acquisition is proposed for the reasons below:

(i) whilst the Company, through the Purchaser, as the majority shareholder of Ming Yuan Cloud Client, has control over Ming Yuan Cloud Client, the Company still has to pay respect to the Vendors. By realizing the Company's 100% control over Ming Yuan Cloud Client, the operation efficiency of Ming Yuan Cloud Client can be improved as it would eliminate communication cost with minority shareholders;

(ii) Ming Yuan Cloud Client recorded a considerable increase in profit before taxation for the year ended December 31, 2020 as compared to the years ended December 31, 2018 and 2019. Hence, the Directors are of the view that the performance of Ming Yuan Cloud Client accounted for a signification part of the Group's overall financial performance and the Acquisition is expected to improve the results attributable to the Group and the overall Shareholders' return; and

(iii) the Group is optimizing the structure of its business divisions and product layout. The Group used to set up separate companies for each product line. In order to better position itself in the changing SaaS industry, the Group began to adjust its product layout in 2021. As a result, the Group's employees and business segments that are currently dispersed among different product companies (including Ming Yuan Cloud Client) will need to be reallocated and adjusted accordingly. Through the Acquisition, the Company realized 100% control over Ming Yuan Cloud Client to more efficiently carry out this plan.

For details of the Acquisition, please refer to the announcement of the Company dated August 3, 2021.

Contractual Arrangements

Reasons for using the Contractual Arrangements

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

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

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

Summary of the Material Terms of the Contractual Arrangements

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

Exclusive Business Cooperation Agreement

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

- the use of any relevant software legally owned by Ming Yuan Cloud Technology;
- the use of any intellectual property rights of Ming Yuan Cloud Technology;
- development, maintenance and update of the software in respect of Ming Yuan Cloud Procurement's business;
- design, installation, daily management, maintenance and update of computer network systems, hardware and database design;
- providing technical support and professional training services for relevant employees of Ming Yuan Cloud Procurement;
- providing assistance in consultation, collection and research of relevant technology and market information (excluding market research business that Sino-foreign joint venture companies are prohibited from conducting under PRC laws);
- providing business management consultation;
- providing business strategic development and planning consultation;
- providing business finance consultation and management services;
- provide business operation related information consultation;
- providing marketing and promotional services;
- providing customer order management and customer services;

- transfer, leasing and disposal of equipment or properties; and
- other relevant services requested by Ming Yuan Cloud Procurement from time to time to the extent permitted under PRC laws.

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

Exclusive Option Agreement

Under the exclusive option agreement among Ming Yuan Cloud Technology, the Relevant Shareholders, Ming Yuan Cloud Procurement and Ming Yuan Cloud Tai Qi (the "**Exclusive Option Agreement**"), the Relevant Shareholders and/or Ming Yuan Cloud Procurement agreed to grant Ming Yuan Cloud Technology an irrevocable and exclusive right to require, without additional conditions, each of the Relevant Shareholders to transfer any or all their equity interests in Ming Yuan Cloud Procurement, and/or Ming Yuan Cloud Procurement to transfer any or all of the assets it held, to Ming Yuan Cloud Technology and/or a third party designated by it, at any time and from time to time, for a nominal price or at the lowest purchase price that is permitted by the PRC laws. The Relevant Shareholders and Ming Yuan Cloud Procurement agreed to accept the grant of such exclusive right.

Equity Pledge Agreement

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

Powers of Attorney

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

Confirmations from the Relevant Shareholders

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

Spouse undertakings

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

For details of the major terms of the Contractual Arrangements, please refer to the sub-section headed "Contractual Arrangements – Summary of material terms of the Contractual Arrangements" in the Prospectus and the announcement of the Company dated September 10, 2021.

Save as disclosed herein, during the year ended December 31, 2021, there was no material change in the Contractual Arrangements and/or the circumstances under which they were adopted, and none of the Contractual Arrangements has been unwound as none of the restrictions that led to the adoption of Contractual Arrangements has been removed.

Qualification Requirements under the FITE Regulations

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

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

(i) our Company has registered trademarks outside of the PRC for the promotion of our Relevant Business overseas, we also plan to register domain names outside of the PRC;

(ii) our Company has established a subsidiary in Hong Kong for the purpose of registering and holding offshore intellectual properties, promoting our Company's business, entering into business contracts with offshore counterparties; and

(iii) through our subsidiaries established outside of the PRC, our Company has been exploring the business opportunities of the Relevant Business in overseas markets, particularly provision of services to real estate development companies outside of the PRC.

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

Particulars of the Consolidated Affiliated Entity

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

As at December 31, 2021, the equity interest of Ming Yuan Cloud Procurement was held as to 45% by Mr. Gao, 34% by Mr. Chen and 21% by Mr. Jiang.

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

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

Revenue and Assets subject to the Contractual Arrangements

For the year ended December 31, 2021, the revenue of Ming Yuan Cloud Procurement, subject to the Contractual Arrangements, was RMB40.59 million, accounting for approximately 1.86% of the consolidated revenue of the Group.

As at December 31, 2021, the total assets of Ming Yuan Cloud Procurement, subject to the Contractual Arrangements, was RMB7.11 million, accounting for approximately 0.10% of the total assets of the Group.

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

Our independent non-executive Directors have reviewed the Contractual Arrangements and confirmed that: (i) the transactions carried out during the year ended December 31, 2021 have been entered into in accordance with the relevant provisions of the Contractual Arrangements, have been operated so that the revenue generated by the Consolidated Affiliated Entity has been substantially retained by Ming Yuan Cloud Technology, (ii) no dividends or other distributions have been made by the Consolidated Affiliated Entity to the holders of its equity interests which are not otherwise subsequently assigned or transferred to our Group; and (iii) any new contracts entered into, renewed or reproduced between our Group and the Consolidated Affiliated Entity during the year ended December 31, 2021 are on normal commercial terms or on terms more favourable to our Group in the ordinary and usual course of our Group's business, fair and reasonable, or advantageous, so far as our Group is concerned and in the interests of our Company and the Shareholders as a whole.

The Board had reviewed the overall performance of and compliance with the Contractual Arrangements for the year ended December 31, 2021.

The Group's auditor has carried out procedures in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants on the transactions carried out pursuant to the Contractual Arrangements and have provided a letter to our Directors with a copy to the Stock Exchange stating that (a) nothing has come to our attention that causes us to believe that the disclosed continuing connected transactions have not been approved by the Company's board of directors; (b) nothing has come to our attention that causes us to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and (c) with respect of the disclosed continuing connected transactions with Ming Yuan Cloud Procurement under the contractual arrangements, nothing has come to our attention that causes us to believe that dividends or other distributions have been made by Ming Yuan Cloud Procurement to the holders of the equity interests of Ming Yuan Cloud Procurement which are not otherwise subsequently assigned or transferred to the Group.

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

We believe the following risks are associated with the Contractual Arrangements. Further details of these risks are set out on pages 63 to 68 in the Prospectus and in the announcement of the Company dated September 10, 2021.

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

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

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

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

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

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

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

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

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

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

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

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

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENT AND CONTRACT OF SIGNIFICANCE

Save as disclosed in this report, no Director or an entity connected with a Director was materially interested, either directly or indirectly, in any transaction, arrangement or contract which is significant in relation to the business of the Group to which the Company, or any of its subsidiaries or fellow subsidiaries was a party subsisting for the year ended December 31, 2021 or as at December 31, 2021.

CONTRACT OF SIGNIFICANCE

Save as disclosed in this report, no contract of significance was entered into between the Company, or one of its subsidiary companies and its Controlling Shareholders or any of their subsidiaries (as applicable) for the year ended December 31, 2021.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed for the year ended December 31, 2021 and up to the date of this report between the Company and a person other than a Director or any person engaged in the full-time employment of the Company.

DIRECTORS' PERMITTED INDEMNITY PROVISION

Pursuant to the Articles of Association, the Company shall indemnify out of the assets of the Company, any Director against all losses or liabilities incurred or sustained by him as a Director of the Company in defending any proceeding, whether civil or criminal, in which judgment is given in his/her favor, or in which he is acquitted. The Company has arranged appropriate directors' liability insurance coverage for the Directors during the year ended December 31, 2021.

STAFF, REMUNERATION POLICY AND DIRECTORS' REMUNERATION

As at December 31, 2021, we had 4,247 employees (as at December 31, 2020: 3,170 employees). For the year ended December 31, 2021, the Group's total staff costs amounted to approximately RMB2,058,077,000, including salaries, wages, bonuses, pension costs, other social security costs, housing benefits and other employee benefits and share-based compensation. The Group continued to optimize the incentive-based system in line with business development needs and implemented remuneration policies with competitiveness.

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

SHARE INCENTIVE PLAN

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

Types of Awards

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

Who may join

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

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

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

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

Maximum Number of Shares

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

Performance Target

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

Exercise price, Consideration for RSU and Restricted Share Purchase Price

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

Conditions of Issuance of Shares

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

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

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

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

Vesting Schedule

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

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

Vesting of Awards

- ***Exercise of Option***

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

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

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

- ***Settlement of RSU***

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

- ***Release of Restricted Share***

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

Non-transferability of the Awards

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

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

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

Lock-up Period

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

Termination of Employment

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

Termination

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

Outstanding options, share purchase rights and RSUs

As of December 31, 2021, the Company granted to certain eligible participants a total of 43,243,004 RSUs under the Share Incentive Plan to subscribe for an aggregate of 43,243,004 Shares, representing approximately 2.20% of the total number of issued Shares, among which an aggregate of 22,600,000 RSUs to subscribe for an aggregate of 22,600,000 Shares had been vested, representing approximately 1.15% of the total number of issued Shares. As of December 31, 2021, a total of 500,000 RSUs lapsed as a result of resignation of employees.

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

For further details, please refer to the section headed "Appendix IV – Statutory and General Information – D. Share Incentive Plan" of the Prospectus, and note 28 to the consolidated financial statements.

SHARE AWARD SCHEME

We adopted the Share Award Scheme on June 11, 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 June 11, 2021.

Purpose

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

Administration of Share Award Scheme

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

Eligible Persons to the Share Award Scheme

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

Maximum Number of Shares to be Granted

The aggregate number of Shares 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.

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:

- 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

- 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.

Details of Awards

On July 1, 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 July 15, 2021, the Company allotted and issued a total of 41,443,996 new Shares at nominal value to MYC Marvellous Limited pursuant to the General Mandate, representing approximately 2.15% of the issued Shares as of July 15, 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 July 1, 2021 for details. The closing price of the Shares as at the date immediately prior to the date of the announcement was HK$38.55. As of December 31, 2021, an aggregate of 1,177,203 Award Shares lapsed or were forfeited as a result of resignation of employees. As of the date of this report, none of the remaining 40,266,793 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 June 11, 2021 and has a remaining term of approximately 9 years as at the date of this annual report. 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.

Maximum Number of Shares

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

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

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

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

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

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

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

- if Options are granted to a director, chief executive or substantial shareholder of the Company or any of their respective associates, such grant shall be subject to the approval by the independent non-executive directors of the Company (and in the event that the Board offers to grant Options to an independent non-executive director of the Company, the vote of such independent non-executive director shall not be counted for the purposes of approving such grant); and

- if Options are granted to a substantial shareholder or an independent non-executive director of the Company (or any of their respective associates) and that grant would result in the Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person under the Share Option Scheme and any other schemes in the 12-month period up to and including the grant date:

    (a) representing in aggregate over 0.1% or such other percentage as may from time to time be provided under the Listing Rules, of the Shares in issue on the grant date; and

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

Administration

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

Exercise Price

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

An amount of RMB1.00 is payable by the grantee to the Company upon acceptance of the offer of Options, and such remittance shall not be refundable and shall not be deemed to be a part payment of the exercise price.

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.

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

Period of Share Option Scheme

Subject to earlier termination by the Board, the Share Option Scheme shall be valid and effective for a period of 10 years commencing on 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 May 12, 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.

EQUITY-LINKED AGREEMENT

Save as disclosed in the sections headed "Share Incentive Plan", "Share Award Scheme" and "Share Option Scheme" above, there was no equity-linked agreement entered into by the Company during the year ended December 31, 2021.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended December 31, 2021, the respective percentage of purchases attributable to the Group's largest supplier and five largest suppliers in aggregate was 13.17% and 42.15% and the respective percentage of the total sales attributable to the Group's largest customer and five largest customers in aggregate was 2.34% and 7.79%, respectively.

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

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

During the year ended December 31, 2021, neither the Company, nor any of its subsidiaries, had purchased, sold or redeemed any of its listed securities.

Subsequently, the Company has repurchased a total of 2,452,000 Shares on the market at the aggregate consideration of approximately HK$39.4 million including expenses in January 2022 and February 2022.

CHARITABLE CONTRIBUTIONS

During the year ended December 31, 2021, the Group made a charitable contribution of approximately RMB0.04 million.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company is committed to maintaining high standards of corporate governance to safeguard the interests of the Shareholders and to enhance corporate value and accountability. The Company has adopted the CG Code as its own code of corporate governance. During the year ended December 31, 2021, the Board is of the opinion that the Company has complied with all the code provisions set out in the CG Code.

Details of the corporate governance practices adopted by the Company are set out in the Corporate Governance Report on pages 75 to 92 of this report.

AUDITOR

The consolidated financial statements of the Group for the year ended December 31, 2021 have been audited by PricewaterhouseCoopers.

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

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

Mr. Gao Yu
Chairman

Shenzhen, the PRC, March 28, 2022

CORPORATE GOVERNANCE PRACTICES

The Board is committed to achieving good corporate governance standards.

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

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

In the opinion of the Directors, during the year ended December 31, 2021, the Company has complied with all the code provisions as set out in the CG Code.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions since the Listing Date. Having made specific enquiry with the Directors, all of the Directors confirmed that he/she has complied with the required standards as set out in the Model Code during the year ended December 31, 2021.

The Company's employees, who are likely to be in possession of unpublished inside information of the Company, are also subject to the Model Code. No incident of non-compliance of the Model Code by the employees was noted by the Company as at December 31, 2021.

BOARD OF DIRECTORS

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

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

Board Composition

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

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

Non-executive Directors
Mr. Liang Guozhi
Mr. Yi Feifan

Independent non-executive Directors
Mr. Li Hanhui
Mr. Zhao Liang
Ms. Zeng Jing

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

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

Board Meetings and General Meetings

Code provision C.5.1 of the CG Code stipulates that the board should meet regularly and board meetings should be held at least four times a year at approximately quarterly intervals involving active participation, either in person or through electronic means of communication, of a majority of directors.

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

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

The Board met four times during the year ended December 31, 2021 for purpose including but not limited to reviewing and approving the audited annual results of the Group for the year ended December 31, 2021, the unaudited interim results of the Group for the six months ended June 30, 2021 and its publication, and considering the payment of an interim and a final dividend.

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

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

The Company held the annual general meeting on June 11, 2021 during the year ended December 31, 2021. All proposed Shareholders' resolution put to the above general meetings were duly passed by way of poll. Please refer to the announcement of the Company dated June 11, 2021 for details. No extraordinary general meeting had been held during the year ended December 31, 2021.

The attendance records of each Director at the Board meetings and general meeting(s) of the Company for the year ended December 31, 2021 are set out below:

Name of Director	Attendance/ Number of Board Meetings	Attendance/ Number of Annual General Meeting
Mr. Gao Yu	4/4	1/1
Mr. Jiang Haiyang	4/4	1/1
Mr. Chen Xiaohui	4/4	1/1
Mr. Jiang Keyang	4/4	1/1
Mr. Liang Guozhi	4/4	1/1
Mr. Yi Feifan	4/4	1/1
Mr. Li Hanhui	4/4	1/1
Mr. Zhao Liang	4/4	1/1
Ms. Zeng Jing	4/4	1/1

Chairman and Chief Executive Officer

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

Independent Non-executive Directors

During the year ended December 31, 2021 and up to the date of this report, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors representing at least one-third of the board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received written annual confirmation from each of the independent non-executive Directors in respect of his/her independence for the year ended December 31, 2021 in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors are independent.

Appointment and Re-election of Directors

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

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

Responsibilities, Accountabilities and Contributions of the Board and Management

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

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

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

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

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

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

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

Continuous Professional Development of Directors

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

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

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

During the year ended December 31, 2021, the Directors are continually provided with information relating to the developments in the legal and regulatory regime and the business and market environments to facilitate the execution of their responsibilities. Continuing briefings and professional development for the Directors were arranged by the Company and its professional advisers.

The training records of the Directors during the year ended December 31, 2021 are summarized as follows:

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

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

BOARD COMMITTEES

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

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

Audit Committee

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

The terms of reference of the Audit Committee are of no less exacting terms than those set out in the CG Code. The primary duties of the Audit Committee are to review and supervise the financial reporting process , risk management and internal controls system of the Group, review effectiveness of the internal audit function, assist the Board in reviewing the scope of audit and appointment of external auditors, review and approve connected transactions and to advise the Board.

During the year ended December 31, 2021, the Audit Committee held two meetings to review the half-year and annual results of the Company; to review financial reporting system and risk management and internal control systems of the Group and make relevant recommendation to the Board.

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

Name of Audit Committee Member	Attendance/Number of Meetings
Ms. Zeng Jing	2/2
Mr. Li Hanhui	2/2
Mr. Zhao Liang	2/2

The Company's annual results for the year ended December 31, 2021 have been reviewed by the Audit Committee on March 28, 2022. The Audit Committee considers that the annual financial results for the year ended December 31, 2021 are in compliance with the relevant accounting standards, rules and regulations and appropriate disclosures have been duly made.

Remuneration Committee

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

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

During the year ended December 31, 2021, the Remuneration Committee held two meetings to review the remuneration of the Directors and senior management of the Company and the Company's remuneration policies, practices and related matters.

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

Name of Remuneration Committee Member	Attendance/Number of Meetings
Mr. Gao Yu	2/2
Mr. Li Hanhui	2/2
Mr. Zhao Liang	2/2

The remuneration payable to the Directors and senior management of the Group for the year ended December 31, 2021 is shown in the following table by band:

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

Further details of the remuneration payable to the Directors and the five highest paid individuals for the year ended December 31, 2021 are set out in note 10, to the consolidated financial statements in this report.

Nomination Committee

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

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

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

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

During the year ended December 31, 2021, the Nomination Committee held one meeting to review the nomination procedures; to review the composition and diversity of the Board, the Nomination Committee, the Remuneration Committee and the Audit Committee; to consider and recommend to the Board on the re-election of Directors at the Company's annual general meeting; and to assess the independence of the independent non-executive Directors. The Nomination Committee was satisfied with the current procedures and composition.

Name of Nomination Committee Member	Attendance/Number of Meetings
Mr. Gao	1/1
Mr. Zhao Liang	1/1
Ms. Zeng Jing	1/1

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

Board Diversity Policy

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

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

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

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

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

Director Nomination Policy

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

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

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

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

The Director Nomination Policy also sets out the procedures for the selection and appointment of new Directors and re-election of Directors at general meetings of the Company. During the year ended December 31, 2021 and up to the date of this report, there was no change in the composition of the Board.

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

Corporate Governance Functions

The Board is responsible for performing the functions set out in code provision A.2.1 of the CG Code.

During the year ended December 31, 2021, the Board had reviewed the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management of the Group, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code, and the Company's compliance with the CG Code and the disclosure in this Corporate Governance Report.

RISK MANAGEMENT AND INTERNAL CONTROLS

Governance Structure of Risk Management and Internal Control

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

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

1 *Internal Control*

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

2 *Risk Management*

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

The management has identified five significant risks in 2021 through the above risk management processes. With the continuous expansion of the Group's business scale and the changing external operating environment, the management believes that the Group is still facing the five significant risks disclosed in 2020. With the change of internal and external environment, "Macro Political, Economic, and Business Environment Risk" and "Market Competition Risk" have been increased while "Intellectual Property Management Risk" has been reduced to a lower level. The other risks remained stable as last year.

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

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

2.1 Macro Political, Economic, and Business Environment Risk

The real estate market in China may be adversely affected by various factors, including the macro-economy of China, the supply and demand of real estate, and any macro-economic control measures (such as three red lines) imposed by the government of China on real estate enterprises. The downturn or adverse development of the real estate market of China may reduce the demand for the Group's software solutions and profitability.

In order to cope with possible macro business environment risk and ensure sustained and healthy business development, the Group keeps in contact and communication with the business management, pays close attention to the industry dynamics and policy changes, and accordingly adjusts its business strategies, including the increase in the product value by greater efforts in research and development in the three major industries, namely stock, supply chain and digital marketing, and further expansion of the customer group by extension of the coverage of the business over the ecosystem chain of real estate. Meanwhile, the Group increases its investment in building Skyline Open Platform, a real estate-specific PaaS platform, and builds an industrial cooperation ecosystem through co-construction, investment, merger, acquisition and other means.

2.2 Information Security Risk

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

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

The Group has passed the information security protection certification (level 3) and obtained the ISO27001 information security management system certification. Meanwhile, the Group regularly assesses its network security and establishes coordination and emergency response mechanisms to deal with various information security threats in a timely manner.

2.3 Market Competition Risk

The Group may face intensified competition in the market, in acquiring new customers and expanding the SaaS product business. Due to the fierce market competition in their industries, customers have higher expectations for SaaS products and services. There are inherent market competition risk in the launch of new businesses and products. Increased market competition may reduce the Group's market share and profitability.

The Group pays close attention to the changing trend of the real estate industry and customer demand. The Group has established a professional team to conduct industry analysis and research regularly and provide relevant insights as decision references for the senior management to make market strategies. In order to maintain a competitive advantage in business, the Group has invested a large amount of resources to continuously strengthen its product and technical capabilities, continuously developed products that meet the needs and expectations of market users, and continuously optimized the organizational structure, and improved the quality of talents and its innovation capability by recruiting more internal and external talents. Externally, by building the Skyline Open Platform and advocating the philosophy of mutual benefit and win-win outcomes, the Group acquires better business partners and expands its innovation, for joint improvement in the market competitiveness.

2.4 Intellectual Property Management Risk

With the enhancement of the Group's brand influence, the Group's intellectual properties including patents, trademarks, trade secrets, etc. may be infringed or lost during research and development, production and operation and subject to risks of being restricted from use and infringed, which may cause financial losses to the Group to a certain extent.

In order to strengthen the protection of intellectual property rights, the Group has formulated policies and processes for intellectual property management. In addition to enhancing employees' awareness of intellectual property protection through publicity and training, the Group has established an intellectual property database with a focus on its core business and key products, including software copyrights, trademarks, etc., for management. The Group has also passed the intellectual property management system certification, and worked with professional intellectual property protection agencies to create an early warning system for the protection of intellectual properties, so as to prevent the intellectual properties of the Group from being infringed.

2.5 Public Event Response Risk

The Group's operations may be subject to public events including natural disasters, social safety events or epidemic diseases. For example, in 2021, strict epidemic prevention and control measures were continuously implemented in China, and commercial activities in the affected areas were restricted, which may adversely affect the business expansion and operation of the Group.

The Group has taken a number of active measures to cope with the COVID-19 outbreak and fully implemented the outbreak prevention and control work of national and local governments, including establishing an outbreak prevention and control mechanism, issuing early warnings and providing training for employees in a timely manner, inviting internal and external experts to conduct video training, and holding summits in the real estate industry online to ensure its normal business expansion. Meanwhile, the Group helped real estate enterprises cope with the impact of the outbreak. For example, a mini program for VR online house tour launched by the Group helps real estate enterprise customers create online real model houses, ensuring the normal marketing of real estate enterprises; and the Pandemic Prevention on the Construction Site (工地防疫寶) launched by the Group contains the latest policies from all parts of China and enables users to directly retrieve them and form a list of resumption conditions for specific projects, so that they can satisfy the conditions on a one by one basis without omissions, thus helping the real estate enterprises resume work in an orderly and safe manner on the construction sites.

Effectiveness of Internal Control and Risk Management

On behalf of the Board, the Audit Committee conducts an annual review of the effectiveness of the Group's internal control and risk management systems for the year ended December 31, 2021. The review procedures comprise of, among other things, meeting with management of business units, and the external auditors, reviewing management's self-assessment results on internal control and risk assessment and discussing the significant risks with senior management of the Group. During the Reporting Period, the Board is of the view that the Group's internal control and risk management systems are effective and adequate, and the Group has complied with the code provisions of the Corporate Governance Code in relation to internal control and risk management.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended December 31, 2021 which give a true and fair view of the affairs of the Company and the Group and of the Group's results and cash flows.

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

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

The statement of the independent auditor of the Company about their reporting responsibilities on the consolidated financial statements of the Group is set out in the Independent Auditor's Report on pages 93 to 100.

AUDITOR'S REMUNERATION

The remuneration paid to the independent auditor of the Company, PricewaterhouseCoopers, in respect of audit services and non-audit services for the year ended December 31, 2021 is set out below:

Service Category	Fees Paid/Payable *RMB'000*
Audit services	4,900
Non-audit services	1,190
Total	6,090

JOINT COMPANY SECRETARIES

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

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

For the year ended December 31, 2021, each of Mr. Jiang Keyang and Ms. Szeto has undertaken not less than 15 hours of relevant professional training in compliance with Rule 3.29 of the Listing Rules.

SHAREHOLDERS' RIGHTS

The Company engages with the Shareholders through various communication channels.

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

Convening an Extraordinary General Meeting

Pursuant to Article 58 of the Articles of Association, the Board may whenever it thinks fit call extraordinary general meetings. Any one or more members of the Company holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself/herself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Putting Forward Proposals at Annual General Meetings

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

Putting Forward Enquiries to the Board

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

Contact Details

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

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

Email: ir@mingyuanyun.com

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

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

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

During the year ended December 31, 2021, the Company has held the annual general meeting on June 11, 2021. All proposed Shareholders' resolution put to the above general meetings were duly passed by way of poll. Please refer to the announcement of the Company dated June 11, 2021 for details. No extraordinary general meeting had been held during the year ended December 31, 2021.

CHANGE IN CONSTITUTIONAL DOCUMENTS

The Company's amended and restated memorandum and articles of association were adopted on September 4, 2020 and were effective on the Listing Date. The said amended and restated memorandum and articles of association is available on the Company's website and the Stock Exchange's website. During the year ended December 31, 2021, the said amended and restated memorandum and articles of association did not have any change.

DIVIDEND POLICY

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

To the Shareholders of Ming Yuan Cloud Group Holdings Limited

(incorporated in the Cayman Islands with limited liability)

OPINION

What we have audited

The consolidated financial statements of Ming Yuan Cloud Group Holdings Limited (the "Company") and its subsidiaries (the "Group"), which are set out on pages 101 to 219, comprise:

- the consolidated statement of financial position as at December 31, 2021;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as below:

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

Key Audit Matter	How our audit addressed the Key Audit Matter
Revenue recognition	
Refer to Notes 2.23, 4(b), 4(c) and 6 to the consolidated financial statements. The Group's revenue represented income primarily from two main streams, which were provision of SaaS products of RMB1,338 million and ERP solutions (including ERP implementation and value-added services) of RMB846 million, totalled RMB2,184 million for the year ended December 31, 2021. Revenue is recognised when the Group satisfies a performance obligation by transferring the control of promised goods or services to a customer in an amount that reflects the consideration to which the Group expects to be entitled in exchange for that goods or services at either a point in time or over time.	Our audit procedures to assess the recognition of revenue included the following: • We performed risk assessment such as the complexity and subjectivity over the accounting estimate adopted in revenue recognition including measurement of progress towards complete satisfaction of a performance obligation and estimate on value of services performed to date as a proportion of the value of total services to be performed for ERP implementation and value-added services made by the management. We evaluated the outcome of prior period assessment of such judgement and estimate to assess the effectiveness of management's estimation process.

Key Audit Matter	How our audit addressed the Key Audit Matter
We identified revenue recognition as a key audit matter because of the following: 1) Revenue from ERP implementation and value-added services is recognised over the period of the contract by reference to the progress towards complete satisfaction of a performance obligation and acknowledgement by the customers, in which management's judgement on the progress and management's estimate on value of services performed to date as a proportion of the value of total services to be performed are required. The judgement and estimate involved give rise to a higher risk of material misstatement in revenue recognition. 2) The revenue from SaaS products and ERP solutions generated through regional channel partners was significant and accounted for approximately 52% of total revenue for the year ended December 31, 2021. The Group acts as the principal to end customers for sales of SaaS products through regional channel partners. In respect of the revenue from ERP solutions, the Group acts as the principal to regional channel partners in the model of sales through them. The Group's management assesses the Group's role as a principal or an agent based on the Group's principal-agent assessment on whether (a) the Group is primarily responsible for fulfilling the promise to provide the services, (b) the Group bears certain inventory risk, and (c) the Group has discretion in establishing the price. This assessment involves judgements and the results could impact the presentation of revenue and related costs in the consolidated financial statements.	• We understood, evaluated and tested the key controls in place over management's assessment of revenue recognition, including management's approval of progress reports and review of revenue contracts for determining whether the Group is principal or agent in the contracts for sales through regional channel partners; • We inspected the Group's contracts with customers, on a sample basis, to understand the terms of service provision and assessed revenue recognised against the Group's accounting policy with reference to the requirements of the prevailing accounting standards, including revenue recognition criteria over ERP implementation and value added services and principal-agent assessment for sales through regional channel partners for SaaS products and ERP solutions; • For ERP implementation and value-added services, we, on a sample basis, agreed the progress towards complete satisfaction of the performance obligation to the progress reports acknowledged by the customers, and we obtained confirmations from selected customers in respect of the performance obligations covered in contracts and progress towards complete satisfaction of the performance obligation as of the reporting date. We compared such information to the progress reports used by the management in estimating the progress;

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

Key Audit Matter	How our audit addressed the Key Audit Matter
Expected credit losses assessment of trade receivables and contract assets	
Refer to Notes 4(e) 3.1(b), and 23 to the consolidated financial statements. As at December 31, 2021, the gross amount of the Group's trade receivables and contract assets amounted to approximately RMB216 million which represented approximately 3% of the total assets of the Group. Management has estimated the expected credit losses ("ECL") on the trade receivables and contract assets and a loss allowance of approximately RMB53 million was made against the trade receivables and contract assets as at December 31, 2021. Management estimated the ECL on trade receivables and contract assets based on estimation about risk of default and expected credit loss rates. Management applied judgements in making the estimation and selecting the inputs used in the ECL calculation, based on the customers' settlement history, financial position of major customers as well as forward looking information. We considered this area a key audit matter due to the magnitude of the balance of trade receivables and contract assets as well as the significant judgements and estimates involved in the estimation of the related ECL given the complexity of the methodology and subjectivity of significant assumptions used.	Our procedures to assess the ECL of trade receivables and contract assets include: • We obtained an understanding of management's internal control and process of the estimation of the ECL on trade receivables and contract assets and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty, complexity and subjectivity. • We evaluated and tested management's key controls in relation to the estimate of the ECL. • We assessed the appropriateness of the ECL provisioning methodology adopted by management based on our understanding on the Group's business and credit control process and the credit risk characteristics of the trade receivables and contract assets. • We tested, on a sample basis, the accuracy of ageing analysis of trade receivables and contract assets by tracing to sales invoices and receipts. • We challenged the reasonableness of the estimated risk of default and expected credit loss rates by considering past collection information and historical default rates of customers. • We evaluated the financial position of major customers by checking to relevant information and evaluated the appropriateness of management's assessment of forward looking information with reference to our understanding of the Group's business and industry and external macroeconomic data. • We checked the mathematical accuracy of the calculation of ECL. Based on the procedures above, we considered the judgements and estimates made by management in relation to the assessment of the ECL on trade receivables and contract assets were supported by the evidence we obtained.

OTHER INFORMATION

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The Audit Committee is responsible for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Tong Yu Keung.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, March 28, 2022

	Note	Year ended December 31, 2021 RMB'000	2020 RMB'000
Revenues	6	**2,184,490**	1,705,276
Cost of sales	7	**(433,361)**	(365,554)
Gross profit		**1,751,129**	1,339,722
Selling and marketing expenses	7	**(897,209)**	(590,428)
General and administrative expenses	7	**(1,002,776)**	(207,656)
Research and development expenses	7	**(642,295)**	(355,945)
Net impairment losses on financial assets and contract assets	3.1(b)	**(43,593)**	(4,358)
Other income	8	**97,016**	94,642
Other gains, net	9	**110,957**	50,479
Operating (loss)/profit		**(626,771)**	326,456
Finance income	11	**126,613**	14,391
Finance costs	11	**(3,132)**	(2,058)
Finance income, net		**123,481**	12,333
Share of losses of investments accounted for using the equity method	19	**(264)**	–
Net losses upon financial liabilities at FVPL transferred to equity		**–**	(988,875)
Loss before income tax		**(503,554)**	(650,086)
Income tax credit/(expense)	12	**7,636**	(18,114)
Loss for the year		**(495,918)**	(668,200)
Loss attributable to:			
Owners of the Company		**(343,982)**	(704,482)
Non-controlling interests		**(151,936)**	36,282
		(495,918)	(668,200)
Losses per share for loss attributable to owners of the Company (expressed in RMB per share)			
Basic	13	**(0.18)**	(0.48)
Diluted	13	**(0.18)**	(0.48)

		Year ended December 31,	
		2021	2020
	Note	**RMB'000**	RMB'000
Loss for the year		**(495,918)**	(668,200)
Other comprehensive loss, net of tax			
Items that may be reclassified to profit or loss			
Currency translation differences from foreign operations		**27,578**	–
Items that will not be reclassified to profit or loss			
Currency translation differences from the Company		**(188,935)**	(252,084)
Changes in fair value of financial assets at fair value through other comprehensive loss, net of tax	27	**(6,089)**	(18,165)
Total comprehensive loss for the year		**(663,364)**	(938,449)
Total comprehensive loss attributable to:			
Owners of the Company		**(511,428)**	(974,731)
Non-controlling interests		**(151,936)**	36,282
		(663,364)	(938,449)

The notes on pages 109 to 219 are integral parts of these consolidated financial statements.

	Note	As at December 31, 2021 RMB'000	2020 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	15	**325,687**	150,067
Investment properties	16	**46,272**	–
Right-of-use assets	17	**99,816**	62,665
Intangible assets	18	**54,362**	3,464
Financial assets at fair value through profit or loss	21	**16,839**	25,730
Financial assets at fair value through other comprehensive income	22	**10,101**	12,000
Contract acquisition costs	6	**5,561**	490
Prepayments and other receivables	23	**79,467**	6,705
Deferred income tax assets	29	**9,507**	659
Investments accounted for using the equity method	19	**10,986**	–
Restricted cash	25	**500**	550
Total non-current assets		**659,098**	262,330
Current assets			
Inventories		**738**	418
Contract assets	6	**82,982**	48,034
Contract acquisition costs	6	**278,647**	191,449
Trade receivables	23	**79,580**	29,850
Prepayments and other receivables	23	**65,253**	51,431
Income tax recoverable		**3,606**	15,820
Financial assets at fair value through profit or loss	21	**352,387**	300,700
Term deposits	24	**3,432,800**	1,812,750
Restricted cash	25	**350**	–
Cash and cash equivalents	25	**2,017,356**	4,759,384
Total current assets		**6,313,699**	7,209,836
Total assets		**6,972,797**	7,472,166
EQUITY			
Share capital	26	**173**	170
Treasury shares	26	**(7)**	(6)
Reserves	27	**6,664,038**	7,001,418
Accumulated losses		**(730,873)**	(462,789)
		5,933,331	6,538,793
Non-controlling interests		**(3,155)**	30,743
Total equity		**5,930,176**	6,569,536

	Note	As at December 31, 2021 RMB'000	2020 RMB'000
LIABILITIES			
Non-current liabilities			
Contract liabilities	6	**32,092**	25,338
Lease liabilities	17	**61,620**	33,872
Deferred income tax liabilities	29	**458**	66
Total non-current liabilities		**94,170**	59,276
Current liabilities			
Trade payables	30	**66,062**	42,837
Other payables and accruals	31	**239,958**	224,004
Contract liabilities	6	**601,001**	548,938
Current income tax liabilities		**9**	–
Lease liabilities	17	**41,421**	27,575
Total current liabilities		**948,451**	843,354
Total liabilities		**1,042,621**	902,630
Total equity and liabilities		**6,972,797**	7,472,166

The notes on pages 109 to 219 are integral parts of these consolidated financial statements.

The consolidated financial statements on pages 101 to 219 were approved for issue by the Board of Directors on March 28, 2022 and were signed on its behalf.

Gao Yu,
Director

Jiang Keyang,
Director

		Attributable to owners of the Company						
	Note	Share capital RMB'000	Treasury shares RMB'000	Reserves RMB'000	Accumulated losses RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
As at January 1, 2021		**170**	**(6)**	**7,001,418**	**(462,789)**	**6,538,793**	**30,743**	**6,569,536**
Loss for the year		–	–	–	(343,982)	(343,982)	(151,936)	(495,918)
Changes in fair value of financial assets at fair value through other comprehensive loss, net of tax	27	–	–	(6,089)	–	(6,089)	–	(6,089)
Currency translation differences		–	–	(161,357)	–	(161,357)	–	(161,357)
Total comprehensive losses for the year		–	–	(167,446)	(343,982)	(511,428)	(151,936)	(663,364)
Transactions with owners:								
Issuance of ordinary shares	26(e)	3	–	–	–	3	–	3
Treasury shares	26(e)	–	(3)	–	–	(3)	–	(3)
Transaction with non-controlling interests	27(a)	–	–	(588,838)	–	(588,838)	(63,881)	(652,719)
Reserves set off the accumulated losses	27(b)	–	–	(75,898)	75,898	–	–	–
Non-controlling interests arising from acquisition of a subsidiary	34	–	–	–	–	–	1,484	1,484
Share-based compensation reserve	27	–	–	622,717	–	622,717	180,435	803,152
Transfer of vested restricted share units from treasury shares	26(e)	–	2	(2)	–	–	–	–
Dividend distribution to the owners of the company	14	–	–	(127,913)	–	(127,913)	–	(127,913)
Total transactions with owners of the Company		3	(1)	(169,934)	75,898	(94,034)	118,038	24,004
As at December 31, 2021		173	(7)	6,664,038	(730,873)	5,933,331	(3,155)	5,930,176

	Note	Share capital RMB'000	Treasury shares RMB'000	Reserves RMB'000	Retained earnings/ (Accumulated losses) RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
		Attributable to owners of the Company						
As at January 1, 2020		107	–	12,694	253,684	266,485	4,467	270,952
(Loss)/profit for the year		–	–	–	(704,482)	(704,482)	36,282	(668,200)
Changes in fair value of financial assets at fair value through other comprehensive loss, net of tax	27	–	–	(18,165)	–	(18,165)	–	(18,165)
Currency translation differences		–	–	(252,084)	–	(252,084)	–	(252,084)
Total comprehensive (losses)/ income for the year		–	–	(270,249)	(704,482)	(974,731)	36,282	(938,449)
Transactions with owners:								
Issuance of ordinary shares	26(a)	17	–	–	–	17	–	17
Treasury shares	26(d)	–	(7)	–	–	(7)	–	(7)
Transaction with non-controlling interests	27(a)	–	–	(45,242)	–	(45,242)	(4,758)	(50,000)
Appropriation for statutory surplus reserve	27(b)	–	–	11,991	(11,991)	–	–	–
Issuance of new shares upon listing, net of share issuance costs	26(c), 27(c)	38	–	5,986,239	–	5,986,277	–	5,986,277
Conversion of convertible redeemable preferred shares into ordinary shares	26(d)	8	–	1,307,063	–	1,307,071	–	1,307,071
Share-based compensation reserve	27	–	–	18,054	–	18,054	–	18,054
Transfer of vested restricted share units from treasury shares	27	–	1	(19,132)	–	(19,131)	–	(19,131)
Dividend distribution to non-controlling interests	14	–	–	–	–	–	(5,248)	(5,248)
Total transactions with owners of the Company		63	(6)	7,258,973	(11,991)	7,247,039	(10,006)	7,237,033
As at December 31, 2020		170	(6)	7,001,418	(462,789)	6,538,793	30,743	6,569,536

The notes on pages 109 to 219 are integral parts of these consolidated financial statements.

	Note	Year ended December 31, 2021 RMB'000	2020 RMB'000
Cash flows from operating activities			
Cash (used in)/generated from operations	32	**(39,983)**	429,357
Interest received		**116,923**	9,816
Income taxes refund/(paid)		**12,214**	(33,231)
Net cash generated from operating activities		**89,154**	405,942
Cash flows from investing activities			
Payments for purchase of property, plant and equipment		**(247,864)**	(43,827)
Proceeds from disposal of property, plant and equipment		**1,865**	1,549
Payments for purchase of intangible assets		**(4,894)**	(3,294)
Payments for purchase of financial assets at fair value through profit or loss – wealth management products and debt instruments		**(3,451,147)**	(3,023,490)
Proceeds from disposal of financial assets at fair value through profit or loss – wealth management products and debt instruments		**3,397,489**	2,812,790
Payments for purchase of financial assets at fair value through profit or loss – unlisted equity securities		**(10,000)**	(5,000)
Proceeds from disposal of financial assets at fair value through profit or loss – redeemable preferred shares		**19,800**	–
Payments for investments in an associate		**(11,250)**	–
Payments for prepayments of land use right		**(36,440)**	–
Net cash flow on acquisition of a subsidiary	34	**(10,554)**	–
Proceeds from income of financial assets at fair value through profit or loss		**21,719**	22,919
Placement of term deposits with initial terms under six months		**(1,620,050)**	(1,812,750)
Payments for other investing activities		**(10,626)**	–
Net cash used in investing activities		**(1,961,952)**	(2,051,103)

		Year ended December 31,	
		2021	2020
	Note	**RMB'000**	RMB'000
Cash flows from financing activities			
Proceeds from issuance of new shares	27	**–**	6,225,071
Listing expenses paid as financing activities		**(954)**	(237,757)
Capital injection from shareholders of the Company		**–**	10
Shares withheld for restricted share units		**–**	(19,132)
Transactions with non-controlling interests		**–**	46
Payment for acquisition of non-controlling interests in a subsidiary	27(a)	**(652,719)**	(50,000)
Dividend paid to the non-controlling interests in a subsidiary	14	**–**	(5,248)
Dividend paid	14	**(127,913)**	–
Principal elements of lease payments		**(31,593)**	(22,336)
Interest paid		**(3,132)**	(2,058)
Net cash (used in)/generated from financing activities		**(816,311)**	5,888,596
Net (decrease)/increase in cash and cash equivalents		**(2,689,109)**	4,243,435
Cash and cash equivalents at beginning of the year		**4,759,384**	732,207
Effects of exchange rate changes on cash and cash equivalents		**(52,919)**	(216,258)
Cash and cash equivalents at the end of the year	25	**2,017,356**	4,759,384

The notes on pages 109 to 219 are integral parts of these consolidated financial statements.

1 GENERAL INFORMATION, REORGANISATION AND BASIS OF PRESENTATION

1.1 General information

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

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

The financial statements are presented in Renminbi ("RMB"), unless otherwise stated, and have been approved for issue by the Company's board of directors (the "Board") on March 28, 2022.

1.2 Reorganisation

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

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

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

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

1.2 Reorganisation *(Continued)*

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

The Reorganisation involved the following steps:

(1) Incorporation of the Company and offshore subsidiaries

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

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

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

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

1.2 Reorganisation *(Continued)*

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

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

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

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

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

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

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

1.2 Reorganisation *(Continued)*

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

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

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

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

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

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

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

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

1.2 Reorganisation *(Continued)*

(4) Entering into contractual arrangements

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

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

1.3 Basis of presentation

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

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

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

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

(a) New and amended standards adopted by the Group

The Group has applied new and amended standards effective for the financial period beginning on January 1, 2021. The adoption of these new and revised standards does not have any significant impact on the consolidated financial statements of the Group.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.1 Basis of preparation *(Continued)*

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

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

		Effective for annual periods beginning on or after
IFRS 17 and Amendments to IFRS 17	Insurance Contracts	January 1, 2023
Amendments to IAS 1	Classification of liabilities as current or non-current	January 1, 2023
Amendments to IFRS 4	Extension of the temporary exemption from applying IFRS 9	January 1, 2023
Amendments to IAS 1 and IFRS 2 Practice Statement 2	Disclosure of accounting policies	January 1, 2023
Amendments to IAS 8	Definition of accounting estimates	January 1, 2023
Amendments to IAS 12	Deferred tax related to assets and liabilities arising from a single transaction	January 1, 2023
Amendments to IFRS 3	Update reference to the conceptual framework	January 1, 2022
Amendments to IAS 16	Property, plant and equipment – Proceeds before intended use	January 1, 2022
Amendments to IAS 37	Onerous contracts – cost of fulfilling a contract	January 1, 2022
Annual improvements to IFRS Standards	Annual Improvements to IFRS Standards 2018-2020 Cycle	January 1, 2022
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associates or joint ventures	To be determined

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.2 Subsidiaries

2.2.1 Consolidation

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

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

(a) Subsidiaries controlled through Contractual Arrangements

As disclosed in Note 1.2(4), Ming Yuan Cloud Technology obtained the control power on the 80% equity interest in Ming Yuan Cloud Procurement through the Contractual Arrangements. the Company regards Ming Yuan Cloud Procurement as a 80% controlled structure entity and consolidated the financial position and result of operations of Ming Yuan Cloud Procurement in the consolidated financial statements.

As disclosed in Note 27, in September 2021, Ming Yuan Cloud Procurement repurchased the other 20% equity interest from its non-controlling shareholders. Ming Yuan Cloud Technology obtained 100% equity interest of Ming Yuan Cloud Procurement through entered into new contractual arrangements ("New Contractual Arrangements") with Ming Yuan Cloud Procurement and its registered shareholders who collectively hold 100% equity interests of Ming Yuan Cloud Procurement, which enable Ming Yuan Cloud Technology and the Group to:

- Exercise effective control over Ming Yuan Cloud Procurement;
- Exercise equity holders' voting rights of Ming Yuan Cloud Procurement;
- Receive substantially 100% of the economic interests and returns generated by Ming Yuan Cloud Procurement in consideration for the technical support, consulting and other services provided exclusively by Ming Yuan Cloud Technology;

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.2 Subsidiaries *(Continued)*

2.2.1 Consolidation (Continued)

(a) Subsidiaries controlled through Contractual Arrangements (Continued)

- Obtain an irrevocable and exclusive right to purchase 100% of the equity interests in Ming Yuan Cloud Procurement from its registered shareholders at a nominal consideration unless the relevant government authorities request that another amount be used as the purchase consideration and in which case the purchase consideration shall be such amount. Where the purchase consideration is required by the relevant government authorities to be an amount other than a nominal amount, the registered shareholders of Ming Yuan Cloud Procurement shall return the amount of purchase consideration they have received to Ming Yuan Cloud Technology. At Ming Yuan Cloud Technology's request, the registered shareholders of Ming Yuan Cloud Procurement will promptly and unconditionally transfer their respective equity interests of Ming Yuan Cloud Procurement to Ming Yuan Cloud Technology (or its designee within the Group) after Ming Yuan Cloud Technology exercises its purchase right.

- Obtain pledges over 100% of the entire equity interests in Ming Yuan Cloud Procurement from its registered shareholders to secure, among others, performance of their obligations under the Contractual Arrangements.

The Group does not have any equity interest in Ming Yuan Cloud Procurement. However, as a result of Contractual Arrangements and New Contractual Arrangements, the Group has rights to variable returns from its involvement with Ming Yuan Cloud Procurement and has the ability to affect those returns through its power over Ming Yuan Cloud Procurement and is considered to control Ming Yuan Cloud Procurement. Consequently, the Company regards Ming Yuan Cloud Procurement as a 100% controlled structure entity and consolidated the financial position and result of operations of Ming Yuan Cloud Procurement in the consolidated financial statements.

(b) Disposal of subsidiaries

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.2 Subsidiaries *(Continued)*

2.2.1 Consolidation (Continued)

(c) Business Combination

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

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

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

Acquisition-related costs are expensed as incurred.

The excess of the

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.2 Subsidiaries *(Continued)*

2.2.1 Consolidation (Continued)

(c) *Business Combination (Continued)*

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

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

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

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

2.2.2 Separate financial statements

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

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

2.3 Associates

An associate is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. The Group has some investments in redeemable preferred shares of associates and the investments are classified as financial assets at fair value through profit or loss as defined in Note 2.10.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.3 Associates *(Continued)*

Investments in associates

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

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.4 Segment reporting

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

2.5 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.5 Foreign currency translation *(Continued)*

(c) Group companies

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

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

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

- all resulting currency translation differences are recognised in OCI.

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

2.6 Property, plant and equipment

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.6 Property, plant and equipment *(Continued)*

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

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

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.9).

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

2.7 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 48-50 years.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.8 Intangible assets

(a) Goodwill

Goodwill is measured as described in note 2.2.1(c). 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. (Note 34).

(b) Software licenses

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.8 Intangible assets *(Continued)*

(b) Software licenses (Continued)

- the expenditure attributable to the software or database during its development can be reliably measured.

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

Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use. There were no development costs meeting these criteria and capitalised as intangible assets for the years ended December 31, 2021 and 2020.

(c) Research and development expenditures

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

(d) Amortisation method and period

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

2.9 Impairment of non-financial assets

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.10 Financial assets

(a) Classification

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

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

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

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

See Note 20 for details of each type of financial assets.

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

(b) Recognition and derecognition

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

(c) Measurement

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.10 Financial assets *(Continued)*

(c) Measurement (Continued)

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

Debt instruments

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.10 Financial assets *(Continued)*

(c) Measurement (Continued)

Debt instruments (Continued)

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

Equity instruments

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

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

(d) Impairment

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.10 Financial assets *(Continued)*

(d) Impairment (Continued)

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

For trade receivables and contract assets, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. See Note 23 for further details.

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

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

(e) Derecognition

Financial assets

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.10 Financial assets *(Continued)*

(e) Derecognition (Continued)

Financial assets (Continued)

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

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

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

Other financial liabilities

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

(f) Offsetting financial instruments

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.11 Inventories

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

2.12 Trade and other receivables

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

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. Other receivables are recognised initially at fair value. The Group holds the trade and other receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. See Note 23 for further information about the Group's accounting for trade and other receivables and Note 3.1(b)(ii) for a description of the Group's impairment policies.

2.13 Cash and cash equivalents

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

2.14 Share capital

Ordinary shares are classified as equity (Note 26). Mandatorily redeemable preferred shares are classified as liabilities.

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.15 Trade and other payables

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

2.16 Borrowings

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

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

2.17 Borrowing costs

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

2.18 Series A Preferred Shares

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.19 Current and deferred income tax

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

(a) Current income tax

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

(b) Deferred income tax

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.19 Current and deferred income tax *(Continued)*

(b) Deferred income tax (Continued)

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

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

2.20 Employee benefits

(a) Pension obligations

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.20 Employee benefits *(Continued)*

(c) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period. Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

2.21 Share-based benefits

As disclosed in Note 28, the Group operates an equity-settled share-based compensation plan, under which the Group receives service from its employees in exchange for the equity instruments of the Company.

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.21 Share-based benefits *(Continued)*

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

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

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

2.22 Provisions

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.22 Provisions *(Continued)*

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

2.23 Revenue recognition

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.23 Revenue recognition *(Continued)*

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

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

The accounting policy for the Group's revenue sources

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.23 Revenue recognition *(Continued)*

(a) SaaS products

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

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

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

(b) ERP software licensing

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.23 Revenue recognition *(Continued)*

(c) ERP implementation and value-added services

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

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

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

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

(d) ERP product support services

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

(e) Financing components

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.23 Revenue recognition *(Continued)*

(f) Incremental costs of obtaining customer contract

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

2.24 Dividend income

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

2.25 Leases

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.25 Leases *(Continued)*

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

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

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.26 Dividend distribution

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

2.27 Government grants

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

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

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

2.28 Interest income

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

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

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

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

3 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.1 Financial risk factors *(Continued)*

(a) Market risk

(i) Foreign exchange risk

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

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

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

		As at December 31,	
	Currency denomination	**2021 RMB'000**	2020 RMB'000
Cash and cash equivalents	USD	**6**	76,346
		6	76,346

As at December 31, 2021, if USD had strengthened/weakened by 5% against RMB with all other variables held constant, the loss for the year ended December 31, 2021 would have been approximately RMB251 lower/higher (the loss for the year ended December 31, 2020: RMB2,863,000 lower/higher).

3 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.1 Financial risk factors *(Continued)*

(a) Market risk (Continued)

(i) Foreign exchange risk (Continued)

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

	Currency denomination	As at December 31, 2021 RMB'000	2020 RMB'000
Cash and cash equivalents	RMB	**237,125**	64,307
Term deposits	RMB	**3,432,800**	1,812,750
		3,669,925	1,877,057

As at December 31, 2021, if RMB had strengthened/weakened by 5% against HKD with all other variables held constant, the loss for the year ended December 31, 2021 would have been approximately RMB186,194,000 lower/higher. As at December 31, 2020, if RMB had strengthened/weakened by 5% against HKD with all other variables held constant, the loss for the year ended December 31, 2020 would have been approximately RMB96,873,000 lower/higher.

(ii) Fair value interest rate risk

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

3 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.1 Financial risk factors *(Continued)*

(b) Credit risk

The Group is exposed to credit risk primarily in relation to its cash and cash equivalents, restricted cash, term deposits, as well as trade and other receivables and contract assets.

(i) Risk management

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

For term deposits, management places the deposits in banks through a reputable financial institution with acceptable credit rating.

For trade receivables and contract assets, the Group has policies in place to ensure that sale of product and service are made to customers with an appropriate credit history. It also has other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group's management divides customers into different categories based on their financial position, past experience and other factors, and reviews regularly the recoverable amount of each individual receivable to ensure that adequate impairment losses are made for irrecoverable amounts. The credit periods granted to customers in different categories differ from 0 to 90 days.

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

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

3 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.1 Financial risk factors *(Continued)*

(b) Credit risk (Continued)

(ii) Impairment of financial assets and contract assets

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

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

Cash and cash equivalents, restricted cash and term deposits

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

Trade receivables and contract assets

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

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

3 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.1 Financial risk factors *(Continued)*

(b) Credit risk (Continued)

Trade receivables and contract assets (Continued)

The loss allowances as at December 31, 2021 and 2020 were determined as follows for both trade receivables and contract assets:

December 31, 2021	Up to 3 months	3 to 6 months	6 to 12 months	1 to 2 years	Over 2 years	Total
On individual basis						
Expected loss rate	**76%**	**85%**	**81%**	**71%**	**70%**	
Gross carrying amount (RMB'000) – trade receivables	**5,673**	**5,620**	**4,653**	**1,031**	**794**	**17,771**
Gross carrying amount (RMB'000) – contract assets	**2,657**	**1,181**	**5,677**	**1,236**	**253**	**11,004**
Loss allowance (RMB'000)	**6,372**	**5,752**	**8,363**	**1,599**	**733**	**22,819**

December 31, 2021	Up to 3 months	3 to 6 months	6 to 12 months	1 to 2 years	Over 2 years	Total
On collective basis						
Expected loss rate	**7%**	**18%**	**31%**	**51%**	**100%**	
Gross carrying amount (RMB'000) – trade receivables	**64,718**	**8,906**	**8,054**	**5,919**	**3,127**	**90,724**
Gross carrying amount (RMB'000) – contract assets	**62,396**	**13,309**	**13,732**	**5,541**	**1,281**	**96,259**
Loss allowance (RMB'000)	**9,251**	**4,017**	**6,821**	**5,879**	**4,409**	**30,377**

3 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.1 Financial risk factors *(Continued)*

(b) Credit risk (Continued)

Trade receivables and contract assets (Continued)

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

The reconciliations of loss allowances for trade receivables and contract assets as at December 31, 2021 and 2020 to the opening loss allowances are as follows:

	Contract assets		**Trade receivables**	
	Year ended December 31,		**Year ended December 31,**	
	2021 RMB'000	2020 RMB'000	**2021 RMB'000**	2020 RMB'000
At the beginning of the year	**4,049**	1,715	**5,578**	3,275
Increase in loss allowance recognised in profit or loss during the year	**20,232**	2,334	**23,337**	2,303
At the end of the year	**24,281**	4,049	**28,915**	5,578

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

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

3 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.1 Financial risk factors *(Continued)*

(b) Credit risk (Continued)

Other receivables

For other receivables, management makes periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experience. Impairment on other receivables is measured as 12-month expected credit losses. The 12-month expected credit loss is the portion of lifetime expected credit loss that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the loss allowance will be based on the lifetime expected credit loss. The management has performed assessment on the recoverability of these balances and do not identify events leading to significant increase in credit risk since origination. Management considers that the expected credit loss is immaterial as at December 31, 2021 and 2020.

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

(c) Liquidity risk

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

3 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.1 Financial risk factors *(Continued)*

(c) Liquidity risk (Continued)

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

	Less than 1 year RMB'000	**Between 1 and 2 years RMB'000**	**Between 2 and 5 years RMB'000**	**Total contractual cash flows RMB'000**	**Carrying amount RMB'000**
At December 31, 2021					
Trade payable	**66,062**	**–**	**–**	**66,062**	**66,062**
Other payables and accruals (excluding salary and staff welfare payables and tax payable)	**20,363**	**–**	**–**	**20,363**	**20,363**
Lease liabilities	**44,845**	**28,575**	**36,612**	**110,032**	**103,041**
	131,270	**28,575**	**36,612**	**196,457**	**189,466**

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Total contractual cash flows RMB'000	Carrying amount RMB'000
At December 31, 2020					
Trade payable	42,837	–	–	42,837	42,837
Other payables and accruals (excluding salary and staff welfare payables and tax payable)	24,809	–	–	24,809	24,809
Lease liabilities	29,515	26,660	8,267	64,442	61,447
	97,161	26,660	8,267	132,088	129,093

3 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.2 Capital management

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

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt. The Group monitors capital on basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as liquid liabilities, which are 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 December 31, 2021 and 2020, the Group has a net cash position.

3.3 Fair value estimation

3.3.1 Fair value hierarchy

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

The tables below analyse the Group's financial instruments carried at fair value as at December 31, 2021 and 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).

3 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.3 Fair value estimation *(Continued)*

3.3.1 Fair value hierarchy (Continued)

	Level 1 RMB'000	**Level 2 RMB'000**	**Level 3 RMB'000**	**Total RMB'000**
As at December 31, 2021				
Financial assets at FVPL				
Investments in wealth management products (Note 21(a))	**–**	**–**	**53,774**	**53,774**
Investments in unlisted equity securities (Note 21(b))	**–**	**–**	**16,839**	**16,839**
Investments in debt instruments (Note 21(d))	**298,613**	**–**	**–**	**298,613**
	298,613	**–**	**70,613**	**369,226**
Financial assets at FVOCI				
Investments in unlisted equity securities (Note 22)	**–**	**–**	**10,101**	**10,101**

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
As at December 31, 2020				
Financial assets at FVPL				
Investments in wealth management products (Note 21(a))	–	–	300,700	300,700
Investments in unlisted equity securities (Note 21(b))	–	–	6,740	6,740
Investments in redeemable preferred shares (Note 21(c))	–	–	18,990	18,990
	–	–	326,430	326,430
Financial assets at FVOCI				
Investments in unlisted equity securities (Note 22)	–	–	12,000	12,000

3 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.3 Fair value estimation *(Continued)*

3.3.2 Valuation techniques used to determine fair values

Specific valuation techniques used to value financial instruments include:

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

There were no changes to valuation techniques during the years ended December 31, 2021 and 2020.

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

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

3 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.3 Fair value estimation *(Continued)*

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

The following table presents the changes in level 3 items including investments in wealth management products, investments in unlisted equity securities and investments in redeemable preferred shares for the years ended December 31, 2021 and 2020.

	Financial assets at FVPL			Financial assets at FVOCI
	Investments in wealth management products RMB'000	Investments in unlisted equity securities RMB'000	Investments in redeemable preferred shares RMB'000	Investments in unlisted equity securities RMB'000
As at January 1, 2021	**300,700**	**6,740**	**18,990**	**12,000**
Acquisitions	**3,085,610**	**10,000**	**–**	**5,000**
Disposals	**(3,349,004)**	**–**	**(15,727)**	**–**
Unrealised changes in fair value	**774**	**99**	**–**	**(6,899)**
Realised income or gains	**15,694**	**–**	**(3,263)**	**–**
As at December 31, 2021	**53,774**	**16,839**	**–**	**10,101**
As at January 1, 2020	90,000	1,723	34,440	32,183
Acquisitions	3,023,490	5,000	–	–
Disposals	(2,835,709)	–	(19,800)	–
Unrealised changes in fair value	–	17	4,350	(20,183)
Realised income or gains	22,919	–	–	–
As at December 31, 2020	300,700	6,740	18,990	12,000

3 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.3 Fair value estimation *(Continued)*

3.3.4 Valuation process, inputs and relationships to fair value

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

At each financial year end the finance department:

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

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

The valuation of the level 3 instruments mainly included investments in wealth management products (Note 21(a)), investments in unlisted equity securities (Note 21(b), Note 22) and investments in redeemable preferred shares (Note 21(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.

3 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.3 Fair value estimation *(Continued)*

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

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

Description	Fair value at December 31, 2021 RMB'000	Fair value at December 31, 2020 RMB'000	Unobservable inputs	Range of inputs at December 31, 2021	Range of inputs at December 31, 2020	Relationship of unobservable inputs to fair value
Investment in wealth management products	**53,774**	300,700	Expected rate of return	**3.90%-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(*)	**16,839**	6,740	N/A	**N/A**	N/A	N/A
Investments in unlisted equity securities included in financial assets at FVOCI	**10,101**	12,000	Expected volatility	**40.00%**	36.00%	Increasing the expected volatility by 5% would increase the fair value by RMB229,000 approximately; and decreasing the expected volatility by 5% would decrease the fair value by RMB229,000 approximately
			Risk-free rate	**2.31%**	2.81%	The higher the risk-free rate, the higher the fair value
			P/S ratio	**3.4-12.92**	3.8-13.65	Increasing the P/S ratio by 10% would increase the fair value by RMB863,000 approximately; and decreasing the P/S ratio by 10% would decrease the fair value by RMB863,000 approximately
			Discounts for lack of marketability	**20%-27%**	20.00%	The higher the DLOM, the lower the fair value

3 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.3 Fair value estimation *(Continued)*

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

Description	Fair value at December 31, 2021 RMB'000	Fair value at December 31, 2020 RMB'000	Unobservable inputs	Range of inputs at December 31, 2021	Range of inputs at December 31, 2020	Relationship of unobservable inputs to fair value
Investments in redeemable preferred shares	–	18,990	Expected volatility	N/A	55.00%	N/A
			Risk-free rate	N/A	2.96%	N/A
			P/S ratio	N/A	8.48	
			Discounts for lack of marketability	N/A	28.00%	N/A

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

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

If the fair values of financial assets at FVPL held by the Group had been 10% higher/lower, the loss before income tax for the years ended December 31, 2021 would have been approximately RMB36,923,000 lower/higher (the loss before income tax for the year ended December 31, 2020: RMB32,643,000 lower/higher).

If the fair values of financial assets at FVOCI held by the Group had been 10% higher/lower, the total comprehensive loss before income tax for the year ended December 31, 2021 would have been approximately RMB1,010,000 lower/higher (the total comprehensive loss before income tax for the year ended December 31, 2020: RMB1,200,000 lower/higher).

There were no transfers between level 1, 2 and 3 of fair value hierarchy classifications during the years ended December 31, 2021 and 2020.

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

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

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

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

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

(c) Gross vs. net assessment in revenue recognition

As disclosed in Note 2.23, the Group provides SaaS products and ERP solutions to its customers using different business models, which involves the assessment of revenue recognition on a gross or net basis, i.e. principal vs. agent assessment in different business models. The Group follows the accounting guidance for principal-agent considerations to assess whether the Group controls the specified service before it is transferred to the end customer, the indicators of which including but not limited to (i) whether the entity is primarily responsible for fulfilling the promise to provide the specified service; (ii) whether the entity has inventory risk before the specified service has been transferred to a customer; and (iii) whether the entity has discretion in establishing the prices for the specified goods or service. The management considers the above factors in totality, as none of the factors individually are considered presumptive or determinative, and applies judgment when assessing the indicators depending on each different circumstances.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(CONTINUED)*

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

As disclosed in Note 2.23, contracts with customers may include multiple performance obligations. When the performance obligations are assessed to be distinct, the Group allocates revenue to each performance obligation based on their relative standalone selling prices. The Group generally determines standalone selling prices based on the prices charged to customers. If the standalone selling price is not directly observable, it is estimated using expected cost plus a margin or adjusted market assessment approach, depending on the availability of observable information. Assumptions and estimations have been made in estimating whether the performance obligations are distinct and the relative selling price of each distinct performance obligation, and changes in judgements on these assumptions and estimates may impact the revenue recognition.

(e) Impairment for trade receivables and contract assets

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

(f) Estimation of goodwill impairment

The Group tests whether goodwill has suffered any impairment on an annual basis. For the year ended December 31, 2021, the recoverable amount of cash-generating units (CGUs) was determined based on value-in-use calculations which require the use of assumptions. The calculations use cash flow projections based on financial budgets prepared by management covering a nine-year period.

Cash flows beyond the nine-year period are extrapolated using the estimated terminal growth rates stated in Note 18. These growth rates are consistent with forecasts included in industry reports specific to the industry in which each CGU operates.

Details of impairment charge, key assumptions and impact of reasonably possible changes in key assumptions are disclosed in Note 18.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(CONTINUED)*

(g) Current and deferred income taxes

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

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

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

5 SEGMENT INFORMATION

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

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

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

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

The segment information for the year ended December 31, 2021 is as follows:

	SaaS products RMB'000	ERP solutions RMB'000	Unallocated items RMB'000	Total RMB'000
Revenues	1,337,680	846,810	–	2,184,490
Cost of sales	(123,903)	(309,458)	–	(433,361)
Gross profit	**1,213,777**	**537,352**	**–**	**1,751,129**
Segment results	**19,328**	**149,504**	**(664,750)**	**(495,918)**

5 SEGMENT INFORMATION *(CONTINUED)*

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

	SaaS products RMB'000	ERP solutions RMB'000	Unallocated items RMB'000	Total RMB'000
Revenues	871,199	834,077	–	1,705,276
Cost of sales	(112,753)	(252,801)	–	(365,554)
Gross profit	758,446	581,276	–	1,339,722
Segment results	18,663	306,837	(993,700)	(668,200)

6 REVENUES

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

	Year ended December 31,	
	2021 RMB'000	2020 RMB'000
SaaS products	**1,337,680**	871,199
ERP solutions		
– Revenues from rendering of value-added services	**323,244**	343,502
– Revenues from software licensing	**254,448**	249,691
– Revenues from rendering of product support services	**174,689**	137,814
– Revenues from rendering of implementation services	**94,429**	103,070
	2,184,490	1,705,276

6 REVENUES *(CONTINUED)*

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
SaaS products		
– Revenues over time	**1,257,908**	784,875
– Revenues at a point in time	**79,772**	86,324
ERP solutions		
– Revenues over time	**592,362**	584,386
– Revenues at a point in time	**254,448**	249,691
	2,184,490	1,705,276

(a) Assets and liabilities related to contracts with customers

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

	As at December 31,	
	2021	2020
	RMB'000	RMB'000
Contract assets	**107,263**	52,083
Less: Loss Allowance (Note 3.1)	**(24,281)**	(4,049)
Total contract assets	**82,982**	48,034
Contract acquisition costs	**284,208**	191,939
Less: non-current portion	**(5,561)**	(490)
	278,647	191,449
Contract liabilities	**633,093**	574,276
Less: non-current portion	**(32,092)**	(25,338)
	601,001	548,938

6 REVENUES *(CONTINUED)*

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

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

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

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

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

(ii) Revenue recognised in relation to contract liabilities

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

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
Revenue recognised in relation to contract liabilities	**536,364**	372,930

6 REVENUES *(CONTINUED)*

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

(iii) Unsatisfied long-term contracts

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

	As at December 31,	
	2021	2020
	RMB'000	RMB'000
Unsatisfied long-term contracts		
– ERP solutions	**256,795**	274,795
– SaaS products	**837,645**	622,295
	1,094,440	897,090

Management expects that unsatisfied performance obligations of approximately RMB984,788,000 as at December 31, 2021 (2020: RMB806,963,000) will be recognised as revenue within 1 year. The remaining unsatisfied performance obligations of approximately RMB109,652,000 (2020: RMB90,127,000) will be recognised as revenue in 1 to 2 years.

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

7 EXPENSES BY NATURE

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
Employee benefit expenses (Note 10)	**1,254,925**	820,348
Share-based compensation expenses (Note 10)	**803,152**	18,054
Commission expenses	**462,173**	294,371
Outsourcing expenses	**120,008**	92,353
Costs of inventories sold	**62,505**	70,470
Professional and technical service fees	**54,374**	31,387
Traveling and entertainment expenses	**44,279**	32,675
IT and communication charges	**40,874**	24,039
Depreciation of right-of-use assets (Note 17)	**34,129**	22,754
Exhibition and promotion charges	**20,703**	17,944
Office expenses	**19,353**	14,028
Depreciation of property, plant and equipment (Note 15)	**18,687**	9,525
Taxes and surcharges	**14,508**	11,565
Short-term rental and utilities expenses	**13,495**	8,167
Auditor's remuneration	**6,090**	4,930
– Audit services	**4,900**	4,380
– Non-audit services	**1,190**	550
Amortisation of intangible assets (Note 18)	**3,158**	1,528
Depreciation of investment properties (Note 16)	**705**	–
Listing expenses	**–**	43,961
Others	**2,523**	1,484
	2,975,641	1,519,583

No research and development expenses had been capitalised during the years ended December 31, 2021 and 2020.

8 OTHER INCOME

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
Income generated from offline activities and others	**25,039**	25,406
Other government grants	**22,719**	25,363
Income from wealth management products ((b), Note 21(a))	**16,468**	22,919
VAT refund (a)	**21,690**	20,330
Dividend and interest income from investments in unlisted equity securities and debt instruments included in financial assets at fair value through profit or loss	**6,901**	624
Rental income	**4,199**	–
	97,016	94,642

(a) Before April 1, 2019, the applicable VAT rate for sales of computer software was 16%. From April 1, 2019 onwards, according to the circular "Announcement of Ministry of Finance, the General Administration of Taxation and the General Administration of Customs on deepening policies related to VAT reformation" (Announcement of Ministry of Finance, the General Administration of Taxation and the General Administration of Customs [2019] No.39財政部稅務總局海關總署公告2019年第39號), the application VAT rate for sales of computer software has been adjusted from 16% to 13%.

According to the circular Cai Shui [2011] No.100 (財稅[2011] 100號, "Circular 100"), software enterprises which engage in the sales of self-developed software in the PRC are entitled to VAT refund to the extent that the effective VAT rate of the sales of the software in the PRC exceeds 3%.

(b) It represented interest income and fair value changes from wealth management products that are measured at fair value through profit or loss.

9 OTHER GAINS, NET

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
Foreign exchange gains	**108,436**	44,609
Fair value (losses)/gains on investments in redeemable preferred shares (Note 21(c))	**(3,263)**	4,350
Net gains on disposal of property, plant and equipment	**901**	1,497
Fair value gains on investments in unlisted equity securities included in financial assets at FVPL (Note 21(b))	**99**	17
Investment deemed disposal gains (Note 34)	**10,095**	–
Fair value losses on investments in debt instruments (Note 21(d))	**(3,621)**	–
Others	**(1,690)**	6
	110,957	50,479

10 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
Salaries, wages, and bonuses	**988,337**	706,706
Pension costs – defined contribution plans (a)	**86,125**	9,619
Other social security costs, housing benefits and other employee benefits	**180,463**	104,023
Share-based compensation (Note 28)	**803,152**	18,054
	2,058,077	838,402

(a) Pension costs – defined contribution plans

Employees of the Group companies in the PRC are required to participate in a defined contribution retirement scheme administered and operated by the local municipal government. The Group contributes partnerships which are calculated on fixed percentage of the employees' salary (subject to a floor and cap) as set by local municipal governments to each scheme locally to fund the retirement benefits of the employees.

Pension costs were increased during the year ended December 31, 2021 as the government has implemented a policy to reduce the impact of Coronavirus Disease 2019 (the "COVID-19") to companies for the year ended December 31, 2020.

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

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group include no director for the year ended December 31, 2021 (2020: nil), whose emoluments are reflected in the analysis shown in Note 10(c). The emoluments payable to the remaining 5 individuals during year ended December 31, 2021 (2020: 5) are as follows:

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
Salaries and wages	**5,467**	3,968
Bonuses	**4,709**	5,154
Pension costs – defined contribution plans	**210**	15
Other social security costs, housing benefits and other employee benefits	**262**	221
Share-based compensation	**606,424**	3,982
	617,072	13,340

The emoluments fell within the following bands:

	Number of individuals	
	Year ended December 31,	
	2021	2020
Emoluments bands:		
HKD1,500,001 to HKD2,000,000	**–**	–
HKD2,000,001 to HKD2,500,000	**–**	1
HKD2,500,001 to HKD3,000,000	**–**	2
HKD3,000,001 to HKD3,500,000	**–**	1
HKD3,500,001 to HKD4,000,000	**–**	1
HKD8,000,001 to HKD8,500,000	**1**	–
HKD10,500,001 to HKD11,000,000	**1**	–
HKD12,000,001 to HKD12,500,000	**1**	–
HKD13,500,001 to HKD14,000,000	**1**	–
HKD600,000,001 to HKD700,000,000	**1**	–
	5	5

No incentive payment for joining the Group or compensation for loss of office was paid or payable to any of the five highest paid individuals for the years ended December 31, 2021 and 2020.

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

(c) Directors' and chief executive's emoluments

Remuneration of every director and the chief executive's is set out below:

	Director's fee RMB'000	Salaries, wages and bonus RMB'000	Pension cost-defined contribution plan RMB'000	Other social security costs, housing benefits and other employee benefits RMB'000	Total RMB'000
For the year ended December 31, 2021					
Chairman and executive director:					
Mr. Gao Yu(i)	–	720	41	51	812
Executive directors:					
Mr. Chen Xiaohui(ii)	–	720	41	51	812
Mr. Jiang Haiyang(ii)	–	1,200	39	48	1,287
Mr. Jiang Keyang(ii)	–	721	41	51	813
Non-executive directors:					
Mr. Liang Guozhi(iii)	–	–	–	–	–
Mr. Yi Feifan(iii)	–	–	–	–	–
Independent non-executive directors:					
Mr. Li Hanhui(iv)	83	–	–	–	83
Mr. Zhao Liang(iv)	83	–	–	–	83
Ms. Zeng Jing(iv)	83	–	–	–	83
	249	3,361	162	201	3,973

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

(c) Directors' and chief executive's emoluments *(Continued)*

	Director's fee RMB'000	Salaries, wages and bonus RMB'000	Pension cost-defined contribution plan RMB'000	Other social security costs, housing benefits and other employee benefits RMB'000	Total RMB'000
For the year ended December 31, 2020					
Chairman and executive director:					
Mr. Gao Yu(i)	–	750	25	43	818
Executive directors:					
Mr. Chen Xiaohui(ii)	–	750	25	43	818
Mr. Jiang Haiyang(ii)	–	1,273	25	43	1,341
Mr. Jiang Keyang(ii)	–	745	25	43	813
Non-executive directors:					
Mr. Liang Guozhi(iii)	–	–	–	–	–
Mr. Yi Feifan(iii)	–	–	–	–	–
Independent non-executive directors:					
Mr. Li Hanhui(iv)	22	–	–	–	22
Mr. Zhao Liang(iv)	22	–	–	–	22
Ms. Zeng Jing(iv)	22	–	–	–	22
	66	3,518	100	172	3,856

Note:

(i) Mr. Gao Yu was appointed as the Company's executive director and chairman of the board of directors on June 12, 2020.

(ii) Mr. Chen Xiaohui, Mr. Jiang Haiyang and Mr. Jiang Keyang were appointed as the Company's executive directors on June 12, 2020.

(iii) Mr. Liang Guozhi and Mr. Yi Feifan were appointed as the Company's non-executive directors on June 12, 2020.

(iv) Mr. Li Hanhui, Mr. Zhao Liang and Ms. Zeng Jing were appointed as the Company's independent non-executive directors on September 4, 2020.

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

(d) Directors' retirement and termination benefits

No retirement or termination benefits have been paid to the Company's directors during the years ended December 31, 2021 and 2020.

(e) Consideration provided to third parties for making available directors' services

No consideration provided to third parties for making available Directors' services subsisted at the end of each reporting period or at any time during the years ended December 31, 2021 and 2020.

(f) Information about loans, quasi-loans and other dealings in favor of directors, controlled bodies corporate by and connected entities with such directors

No loans, quasi-loans or other dealings are entered into in favor of directors, controlled bodies corporate by and connected entities with such directors during the years ended December 31, 2021 and 2020.

(g) Directors' material interests in transactions, arrangements or contract

No significant transactions, arrangements and contracts in relation to the Group's Business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted during the years ended December 31, 2021 and 2020.

11 FINANCE INCOME, NET

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
Finance income		
– Interest income from bank deposits	**126,613**	14,391
Finance costs		
– Interest expenses on lease liabilities	**(3,132)**	(2,058)
Finance income – net	**123,481**	12,333

12 INCOME TAX (CREDIT)/EXPENSE

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
Current income tax	**9**	17,338
Deferred income tax (Note 29)	**(7,645)**	776
Income tax (credit)/expense	**(7,636)**	18,114

The tax on the Group's loss before income tax differs from the theoretical amount that would arise using the tax rate of 25% for the years ended December 31, 2021 and 2020, being the standard income rate in the PRC. The differences are analysed as follows:

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
Loss before income tax expense	**(503,554)**	(650,086)
Share of losses of investments accounted for using the equity method	**264**	–
Tax calculated at the statutory PRC tax rate of 25%	**(125,823)**	(162,521)
Tax losses for which no deferred income tax asset was recognised	**58,379**	24,269
Super deduction for research and development expenses	**(89,864)**	(49,414)
Utilisation of tax losses previously not recognised	**–**	(6,724)
Effects of different tax rates in overseas jurisdictions	**(57,159)**	244,156
Expenses not deductible for tax purpose	**201,180**	1,092
Effects of preferential tax rates applicable to PRC subsidiaries of the Group	**5,651**	(32,744)
Income tax (credit)/expense	**(7,636)**	18,114

(a) Cayman Islands

Under the current laws of the Cayman Islands, entities incorporated in the Cayman Islands are not subject to tax on income or capital gain. In addition, the Cayman Islands does not impose a withholding tax on payments of dividends to shareholders.

12 INCOME TAX (CREDIT)/EXPENSE *(CONTINUED)*

(b) British Virgin Islands

Under the current laws of the British Virgin Islands, entities incorporated in the British Virgin Islands are not subject to tax on income or capital gain. In addition, the British Virgin Islands does not impose a withholding tax on payments of dividends to shareholders.

(c) Hong Kong Profits Tax

No provision for Hong Kong profits tax was made as the Group did not have any assessable income subject to Hong Kong profits tax during the years ended December 31, 2021 and 2020.

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

CIT provision was made on the estimated assessable profits of entities within the Group incorporated in the PRC and was calculated in accordance with the relevant regulations of the PRC after considering the available tax benefits from refunds and allowances. The general PRC CIT rate is 25% for the years ended December 31, 2021 and 2020.

Ming Yuan Cloud Technology was granted the qualification as High and New Technology Enterprise ("HNTE") in 2018 and it has renewed the qualification of HNTE in 2021. Ming Yuan Cloud Technology had qualified to apply the preferential CIT rate of 15% for HNTE for the year ended December 31, 2021. According to Cai Shui [2012] No.27(財稅[2012] 27號, "Circular 27"), key software enterprises that have not benefited from the preferential treatment of tax exemption in the current year may be subjected to a lower CIT rate of 10%. In 2016, Cai Shui [2016] No.49 (財稅[2016] 49號, "Circular 49") is released in order to further clarify the criteria for enterprises to qualify as key software enterprises. Ming Yuan Cloud Technology had met those requirements for the years ended December 31, 2020. Therefore, Ming Yuan Cloud Technology used a preferential CIT rate of 10% for the years ended December 31, 2020.

Shenzhen Mingyuan Yunke Electronic Commerce Co., Ltd. (深圳市明源雲客電子商務有限公司, "Ming Yuan Cloud Client") had also applied to the relevant tax bureau and was granted the qualification as High and New Technology Enterprise ("HNTE") in 2016 and it has renewed the qualification of HNTE in 2019. Based on management's assessment, it is highly probable that Ming Yuan Cloud Client will meet the requirements for tax exemption of HNTE. In addition, according to Circular 27 and Circular 49, the newly established software enterprises was entitled to tax exemption for two years commencing from the first year of profitable operation and thereafter to a preferential rate at half of the corporate income tax rate for three years. Therefore, Ming Yuan Cloud Client had applied a preferential corporate income tax rate of 0% for the year ended December 31, 2021 since it was the second year of profitable operation. The application of preferential tax rate stated above is subject to critical estimates of the management of the Group.

12 INCOME TAX (CREDIT)/EXPENSE *(CONTINUED)*

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

Shenzhen Mingyuan Cloud Space Electronic Commerce Co., Ltd. (深圳市明源雲空間電子商務有限公司, "Ming Yuan Cloud Space"), Ming Yuan Cloud Procurement and Shenzhen Woxiang Technology Limited Company (深圳市沃享科技有限公司, "Woxiang") had qualified to apply the preferential CIT rate of 15% for HNTE beginning from January 1, 2019.

Wuhan Mingyuan Dongli Software Co., Ltd. (武漢明源動力軟件有限公司, "Wuhan Ming Yuan Power") and Shenzhen Mingyuan Cloud Chain Internet Technology Limited (深圳市明源雲鏈互聯網科技有限公司, "Ming Yuan Cloud Chain") had qualified to apply the preferential CIT rate of 15% for HNTE beginning from January 1, 2021.

(e) Super deduction for research and development expenses

According to the CIT laws and Detailed Implementation Rules, an enterprise is allowed to claim an additional deduction of 50% of research and development expenses incurred for the development of new technologies, new products and new craftsmanship from 2008 onwards. From 2018 to 2023, according to Caishui [2018] No.99 (財税[2018] 99號, "Circular 99"), an extra 75% of the actual amount of research and development expenses can be deducted before tax.

For those companies which were granted the qualification as "Small and Medium-sized Sci-tech Enterprise" during the years ended 2021 and 2020, they could claim 175% of their research and development expenses so incurred as tax deductible expenses when determining their assessable profits during the years ended 2021 and 2020.

13 LOSSES PER SHARE

(a) Basic losses per share

Basic losses per share is calculated by dividing the loss attributable to owners of the Company by the weighted average number of ordinary shares in issue and outstanding during the years ended December 31, 2021 and 2020.

	Year ended December 31,	
	2021	2020
Loss attributable to owners of the Company (RMB'000)	**(343,982)**	(704,482)
Weighted average number of ordinary shares in issue and outstanding (thousand) (Note)	**1,864,358**	1,467,688
Basic losses per share (in RMB)	**(0.18)**	(0.48)

Note: The weighted average number of ordinary shares in issue and outstanding has been retrospectively adjusted, after considering the effect of the issuance of shares in connection with the Reorganization completed on July 3, 2019 (Note 1.2(1)) and March 30, 2020 (Note 1.2(3)(b)), the share subdivision on March 31, 2020 whereby each ordinary share was subdivided into 10 ordinary shares (Note 26(b)). The effect of the vested RSU during the year had been considered in the calculation of basic losses per share.

(b) Diluted losses per share

Diluted losses per share is calculated by adjusting the weighted average number of shares in issue and outstanding to assume conversion of all dilutive potential shares.

For the year ended December 31, 2021 and 2020, as the Group incurred losses, the potential ordinary shares of restricted share units as mentioned in Note 28 were not included in the calculation of dilutive losses per share, as their inclusion would be anti-dilutive. Accordingly, diluted losses per share for the year ended December 31, 2021 and 2020 are the same as basic losses per share.

14 DIVIDENDS

(a) Dividends of RMB5,248,000 were paid to the non-controlling interests in Ming Yuan Cloud Client, an indirect subsidiary of the Company, for the year ended December 31, 2020.

(b) A final dividend of RMB0.07 (equivalent to approximately HKD0.083) per ordinary share was approved by the shareholders at the 2020 annual general meeting of the company held on June 11, 2021, amounting to RMB127,913,000 were paid on June 29, 2021.

A final dividend in respect of the year ended December 31, 2021 of RMB0.055 per share (equivalent to HKD0.068) was proposed pursuant to a resolution passed by the Board on March 28, 2022 and subject to the approval of the shareholders at the 2021 annual general meeting of the Company to be held in May 2022 or any adjournment thereof. This proposed dividend is not reflected as dividend payable in the consolidated financial statements.

15 PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Computer equipment RMB'000	Furniture and office equipment RMB'000	Motor vehicles RMB'000	Leasehold improvements RMB'000	Assets under construction RMB'000	Total RMB'000
At January 1, 2020							
Cost	35,081	23,942	8,759	789	9,138	72,849	150,558
Accumulated depreciation	(5,549)	(15,781)	(5,498)	(750)	(4,697)	–	(32,275)
Net book amount	29,532	8,161	3,261	39	4,441	72,849	118,283
Year ended December 31, 2020							
Opening net book amount	29,532	8,161	3,261	39	4,441	72,849	118,283
Additions	–	7,378	4,418	847	9,133	19,585	41,361
Disposal	–	(31)	–	(21)	–	–	(52)
Depreciation charge	(742)	(3,031)	(1,696)	–	(4,056)	–	(9,525)
Closing net book amount	28,790	12,477	5,983	865	9,518	92,434	150,067
At December 31, 2020							
Cost	35,081	30,569	13,177	1,214	18,271	92,434	190,746
Accumulated depreciation	(6,291)	(18,092)	(7,194)	(349)	(8,753)	–	(40,679)
Net book amount	28,790	12,477	5,983	865	9,518	92,434	150,067

15 PROPERTY, PLANT AND EQUIPMENT *(CONTINUED)*

	Buildings RMB'000	Computer equipment RMB'000	Furniture and office equipment RMB'000	Motor vehicles RMB'000	Leasehold improvements RMB'000	Assets under construction RMB'000	Total RMB'000
At January 1, 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
Year ended December 31, 2021							
Opening net book amount	28,790	12,477	5,983	865	9,518	92,434	150,067
Acquisition of a subsidiary (Note 34)	–	65	–	–	–	–	65
Additions	6,684	12,200	12,246	–	14,536	177,747	223,413
Disposals	(240)	(28)	(461)	(18)	–	–	(747)
Transfer to investment properties (Note 16)	(28,424)	–	–	–	–	–	(28,424)
Transfer upon completion	99,791	–	–	–	–	(99,791)	–
Depreciation charge	(1,523)	(5,376)	(4,409)	(161)	(7,218)	–	(18,687)
Closing net book amount	105,078	19,338	13,359	686	16,836	170,390	325,687
At December 31, 2021							
Cost	112,892	42,806	24,962	1,196	32,807	170,390	385,053
Accumulated depreciation	(7,814)	(23,468)	(11,603)	(510)	(15,971)	–	(59,366)
Net book amount	105,078	19,338	13,359	686	16,836	170,390	325,687

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

	Year ended December 31,	
	2021 RMB'000	2020 RMB'000
General and administrative expenses	**14,130**	6,760
Research and development expenses	**4,557**	2,765
	18,687	9,525

16 INVESTMENT PROPERTIES

	Buildings RMB'000	Land use right RMB'000	Total RMB'000
Year ended December 31, 2021			
Opening net book amount	–	–	–
Additions	16,406	–	16,406
Transfer from property, plant and equipment	28,668	–	28,668
Transfer from land use right	–	1,903	1,903
Depreciation charge	(661)	(44)	(705)
Closing net book amount	44,413	1,859	46,272
At December 31, 2021			
Cost	45,074	1,903	46,977
Accumulated depreciation	(661)	(44)	(705)
Net book amount	44,413	1,859	46,272

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

The fair value of the investment properties as of December 31, 2021 was RMB72,005,000.

17 LEASES

(a) Amounts recognised in the statement of financial position

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

	As at December 31,	
	2021	2020
	RMB'000	RMB'000
Right-of-use assets		
– Buildings	**94,809**	55,629
– Land use right	**5,007**	7,036
	99,816	62,665
Lease liabilities		
– Current	**41,421**	27,575
– Non-current	**61,620**	33,872
	103,041	61,447

Additions to the buildings in right-of-use assets for the years ended December 31, 2021 and 2020 were RMB79,037,000 and RMB48,274,000, respectively. No additions to the land use right in right-of-use assets for the years ended December 31, 2021 and 2020.

(b) Amounts recognised in profit or loss

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

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
Depreciation charge of right-of-use assets		
– Buildings	**34,007**	22,583
– Land use right	**122**	171
	34,129	22,754
Interest expense (included in finance costs)	**3,132**	2,058

17 LEASES *(CONTINUED)*

(b) Amounts recognised in profit or loss *(Continued)*

The total cash outflow from financing activities for leases for the years ended December 31, 2021 and 2020 were RMB34,727,000 and RMB24,394,000 respectively, and the total cash outflow from operating activities for leases for the years ended December 31, 2021 and 2020 were RMB1,888,000 and RMB1,881,000 respectively.

(c) The Group's leasing activities and how these are accounted for

The Group leases certain offices and land. Rental contracts for offices are typically made for fixed periods of 4 months to 60 months. Rental contracts for land are typically made for fixed periods of 45 years to 50 years.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

(d) Variable lease payments

No variable payment terms are contained in the leases.

(e) Extension and termination options

Lease payments to be made under reasonably certain extension options are included in the measurement. No termination options are included in building leases across the Group.

(f) Residual value guarantees

No residual value guarantees are provided in relation to leases.

18 INTANGIBLE ASSETS

	Goodwill RMB'000	Software licenses RMB'000	Total RMB'000
At January 1, 2020			
Cost	–	6,072	6,072
Accumulated amortisation	–	(3,995)	(3,995)
Net book amount	–	2,077	2,077
Year ended December 31, 2020			
Opening net book amount	–	2,077	2,077
Addition	–	2,915	2,915
Amortisation charge	–	(1,528)	(1,528)
Closing net book amount	–	3,464	3,464
At December 31, 2020			
Cost	–	8,986	8,986
Accumulated amortisation	–	(5,522)	(5,522)
Net book amount	–	3,464	3,464
Year ended December 31, 2021			
Opening net book amount	**–**	**3,464**	**3,464**
Addition	**–**	**4,330**	**4,330**
Acquisition of a subsidiary (Note 34)	**45,896**	**3,830**	**49,726**
Amortisation charge	**–**	**(3,158)**	**(3,158)**
Closing net book amount	**45,896**	**8,466**	**54,362**
At December 31, 2021			
Cost	**45,896**	**17,146**	**63,042**
Accumulated amortisation	**–**	**(8,680)**	**(8,680)**
Net book amount	**45,896**	**8,466**	**54,362**

18 INTANGIBLE ASSETS *(CONTINUED)*

(a) Goodwill

Goodwill was arising from the acquisition of Woxiang during the year ended 2021 (Note 34). Management considers Woxiang as a separate CGU and the goodwill is allocated to the CGU of Woxiang. The recoverable amount of Woxiang is determined based on value in use calculations as of December 31, 2021. These calculations use pre-tax cash flow projections based on financial budgets prepared by management covering a nine-year period. Cash flows beyond the nine-year period are extrapolated using the estimated terminal growth rates stated below.

The key parameters used for value-in-use calculations are as follows:

	As at December 31, 2021
Revenue growth rate during the forecast period (i)	**6.8%~128.1%**
Earnings before interest, taxes, depreciation and amortisation ("EBITDA") margin during the forecast period (ii)	**-127.4%~30.3%**
Terminal growth rate (iii)	**3.0%**
Pre-tax discount rate (iv)	**20.7%**

(i) Revenue growth rate

The average revenue growth rate is estimated with reference to the industry growth forecast for the market in which Woxiang operates. When estimating the revenue growth rate during the forecast period, the management of the Company is of the view that the revenue growth rate would range between 6.8% and 128.1%.

(ii) EBITDA margin

The EBITDA margin of the nine years ranged between -127.4% and 30.3% was determined by the management based on past performance, the current market conditions and its expectation for market development.

(iii) Terminal growth rate

Cash flows beyond the nine-year period are extrapolated using the estimated terminal growth rates of 3.0% as of December 31, 2021.

18 INTANGIBLE ASSETS *(CONTINUED)*

(a) Goodwill *(Continued)*

(iv) Pre-tax discount rate

The pre-tax discount rate reflects market assessments of the time value and the risks specific to the goodwill for which the future cash flow estimates have not been adjusted. With the assistance of a third-party independent valuer, management assessed that the pre-tax discount rate for the impairment assessment as of December 31, 2021 would be 20.7%.

Under paragraph 33(b) of IAS 36, a period longer than five years can be used as projections if it is justifiable, and the management of the Group used a nine-year period, which takes into account the length of the post projection period for the cash flow forecast will be perpetuity, and this shall be achieved by identifying a 'steady state' set of assumptions for the cash flows in the last year of the forecasts and applying a terminal value multiple to those cash flows. Therefore, given the Group expects to maintain an extended high growth rate over a period longer than 5 years, management of the Group considers that the Group's business is expected to reach a steady and stable terminal growth state, which is likely after a nine-year period of gradually declining revenue growth.

As a result, management considered that before the projections move into a long term stable period, such momentum of revenue growth until 2025 will continue for another five years after 2025, during which the annual revenue growth rate will gradually drop from 64.8% in year 2025 to 19.4% in year 2028 and will further drop to a 6.8% in year 2030.

Based on the result of the goodwill impairment testing, the estimated recoverable amount of the business far exceeded its carrying amount as at December 31, 2021 by approximately RMB4,941,000, thus no impairment loss on goodwill was charged to consolidated statement of comprehensive income for the year ended December 31, 2021.

The following table shows the sensitive analysis prepared by the management of the Company. Had the headroom dropped to zero, the estimated key assumptions would (decrease)/increase as below during the forecast period:

Assumptions	Change in assumptions
Average revenue growth rate during the forecast period	Decrease by 0.7%
EBITDA margin during the forecast period	Decrease by 0.8%
Terminal growth rate	Decrease by 1.2%
Pre-tax discount rate	Increase by 0.4%

18 INTANGIBLE ASSETS *(CONTINUED)*

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

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
General and administrative expenses	**2,435**	852
Research and development expenses	**723**	676
	3,158	1,528

19 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	2021	2020
	RMB'000	RMB'000
Balance at January 1	**–**	–
Addition	**11,250**	–
Share of losses of an associate	**(264)**	–
Balance at December 31	**10,986**	–

The addition of RMB11,250,000 represents the investment made by the Group to Hangzhou Mingqi Intelligence Technology Limited Company (杭州明啟數智科技有限公司, "Mingqi"), representing 15% interest in Mingqi. Mingqi is accounted for as an associate of the Group due to representation in the board of directors. Mingqi is a private company and there is no quoted market price available for its shares. There is no contingent liabilities relating to the Group's interest in Mingqi.

20 FINANCIAL INSTRUMENTS BY CATEGORY

	As at December 31,	
	2021	2020
	RMB'000	RMB'000
Financial assets		
Financial assets at amortised cost		
Trade receivables (Note 23)	**79,580**	29,850
Other receivables (Note 23)	**107,689**	34,609
Term deposits (Note 24)	**3,432,800**	1,812,750
Restricted cash (Note 25)	**850**	550
Cash and cash equivalents (Note 25)	**2,017,356**	4,759,384
	5,638,275	6,637,143
Financial assets at FVPL (Note 21)	**369,226**	326,430
Financial assets at FVOCI (Note 22)	**10,101**	12,000
	6,017,602	6,975,573
Financial liabilities		
Financial liabilities at amortised cost		
Trade payables (Note 30)	**66,062**	42,837
Other payables and accruals (excluding accrued payroll and employee benefit expenses, VAT and surcharges payable) (Note 31)	**20,363**	24,809
Lease liabilities (Note 17)	**103,041**	61,447
	189,466	129,093

The Group's exposure to various risks associated with the financial instruments is discussed in Note 3. The maximum exposure to credit risk at the end of each reporting period is the carrying amount of each class of financial assets mentioned above.

21 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at December 31,	
	2021	2020
	RMB'000	RMB'000
Investments in wealth management products (a)	**53,774**	300,700
Investments in unlisted equity securities (b)	**16,839**	6,740
Investments in redeemable preferred shares (c)	**–**	18,990
Investments in debt instruments (d)	**298,613**	–
	369,226	326,430
Less: non-current portion		
Investments in unlisted equity securities (b)	**(16,839)**	(6,740)
Investments in redeemable preferred shares (c)	**–**	(18,990)
	352,387	300,700

(a) Investments in wealth management products

Movements in investments in wealth management products were as follows:

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
At the beginning of the year	**300,700**	90,000
Acquisitions	**3,085,610**	3,023,490
Disposals	**(3,349,004)**	(2,835,709)
Unrealised changes in fair value (Note 8)	**774**	–
Realised income (Note 8)	**15,694**	22,919
At the end of the year	**53,774**	300,700

The returns on all of these wealth management products are not guaranteed, and therefore the Group designated them as financial assets at FVPL. Realised income of these financial assets are recognised in "other income" in the consolidated statement of comprehensive income. For the fair value estimation, please refer to Note 3.3 for details.

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

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

(b) Investments in unlisted equity securities

The Group's investments in unlisted equity securities included in financial assets at FVPL represent the investments in certain privately owned companies. For the fair value estimation, please refer to Note 3.3 for details.

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

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
At the beginning of the year	**6,740**	1,723
Acquisitions	**10,000**	5,000
Disposals	**–**	–
Unrealised changes in fair value (Note 9)	**99**	17
Realised gains (Note 9)	**–**	–
At the end of the year	**16,839**	6,740

(c) Investments in redeemable preferred shares

The Group's investments in redeemable preferred shares represent the investments in certain privately owned companies with redeemable terms. For the fair value estimation, please refer to Note 3.3 for details.

Movements of investments in redeemable preferred shares were as follows:

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
At the beginning of the year	**18,990**	34,440
Acquisitions	**–**	–
Disposals	**–**	(19,800)
Deemed disposal as a result of change to a subsidiary	**(15,727)**	–
Unrealised changes in fair value (Note 9)	**–**	4,350
Realised gains on previously held interest (Note 9)	**(3,263)**	–
At the end of the year	**–**	18,990

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

(c) Investments in redeemable preferred shares *(Continued)*

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

As at December 31, 2020, the balance of investments in redeemable preferred shares represented 19.9% of the issued preferred shares in Woxiang. Then the Company acquired additional equity interest in Woxiang in January, February and March 2021 at a total cash consideration of RMB22,008,000, and after the transactions, the Company held 56.58% interest in Woxiang and then obtained the control of Woxiang (Note 34).

(d) Investments in debt instruments

Movements in investments in debt instruments were as follows:

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
At the beginning of the year	**–**	–
Acquisitions	**365,537**	–
Disposals	**(70,204)**	–
Realised income or gains (Note 8, Note 9)	**6,025**	–
Unrealised changes in fair value (Note 9)	**(2,745)**	–
At the end of the year	**298,613**	–

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

22 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

The Group's investments in financial assets at FVOCI are all investments in unlisted equity securities, which represent the investments in certain privately owned companies. For the fair value estimation, please refer to Note 3.3 for details.

Movements of investments in unlisted equity securities were as follows:

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
At the beginning of the year	**12,000**	32,183
Addition	**5,000**	–
Unrealised changes in fair value (Note 27, 29)	**(6,899)**	(20,183)
At the end of the year	**10,101**	12,000

23 TRADE RECEIVABLES, PREPAYMENTS AND OTHER RECEIVABLES

	As at December 31,	
	2021	2020
	RMB'000	RMB'000
Trade receivables from contracts with customers	**108,495**	35,428
Less: Loss allowance (Note 3.1)	**(28,915)**	(5,578)
Trade receivables – net	**79,580**	29,850
Prepayments to suppliers	**29,435**	18,739
Prepayments for land use right	**36,440**	–
Prepayments for leasehold improvements	**14,431**	–
Prepayments for employee benefits	**7,596**	4,788
Total prepayments	**87,902**	23,527
Rental and other deposits	**39,654**	7,861
Receivables from disposal of a financial asset at FVPL	**–**	19,800
Interest receivables from bank deposits	**14,265**	4,575
Others	**2,970**	2,425
Less: Loss allowance	**(71)**	(52)
Other receivables – net	**56,818**	34,609
Total trade receivables, prepayments and other receivables	**224,300**	87,986
Less: Non-current deposits and prepayments	**(79,467)**	(6,705)
Current portion	**144,833**	81,281

(a) Trade receivables

	As at December 31,	
	2021	2020
	RMB'000	RMB'000
Trade receivables from contracts with customers	**108,495**	35,428
Less: Loss allowance (Note 3.1(b))	**(28,915)**	(5,578)
	79,580	29,850

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

23 TRADE RECEIVABLES, PREPAYMENTS AND OTHER RECEIVABLES *(CONTINUED)*

(a) Trade receivables *(Continued)*

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

	As at December 31,	
	2021	2020
	RMB'000	RMB'000
Ageing		
Up to 3 months	**70,391**	23,030
3 to 6 months	**14,526**	3,316
6 months to 1 year	**12,707**	3,618
1 to 2 years	**6,950**	3,432
Over 2 years	**3,921**	2,032
	108,495	35,428

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

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
At the beginning of the year	**52**	197
Impairment provision	**24**	–
Receivables written off during the year as uncollectible	**(5)**	–
Reversal of impairment provision	**–**	(145)
At the end of the year	**71**	52

24 TERM DEPOSITS

	As at December 31,	
	2021	2020
	RMB'000	RMB'000
Term deposits	**3,432,800**	1,812,750

This represented the Group's term deposits placed in banks through a reputable financial institution with maturities under six months, which is redeemable on demand and denominated in RMB.

25 CASH AND CASH EQUIVALENTS

	As at December 31,	
	2021	2020
	RMB'000	RMB'000
Cash at bank and on hand (a)	**2,018,206**	4,759,934
Less: Restricted cash (b)	**(850)**	(550)
Cash and cash equivalents	**2,017,356**	4,759,384

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

	As at December 31,	
	2021	2020
	RMB'000	RMB'000
RMB	**1,276,883**	756,235
USD	**454,316**	2,350,862
HKD	**287,007**	1,652,837
	2,018,206	4,759,934

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

26 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 January 1, 2020	370,987	371	9,013	9
Share Sub-Division on March 31, 2020 (b)	3,338,888	–	81,112	–
Conversion of covertible redeemable preferred shares into ordinary shares (d)	90,125	9	(90,125)	(9)
As at December 31, 2020, January 1, and December 31, 2021	**3,800,000**	**380**	**–**	**–**

Issued:

	Number of ordinary shares '000	Nominal value of ordinary shares HKD'000	Share capital RMB'000	Treasury shares RMB'000	Total RMB'000
As at January 1, 2020	121,990	122	107	–	107
Issuance of ordinary shares (a)	18,679	19	17	–	17
Share Sub-Division on March 31, 2020 (b)	1,266,021	–	–	–	–
Issuance of new shares upon listing (c)	430,334	43	38	–	38
Conversion of covertible redeemable preferred shares into ordinary shares (d)	90,125	9	8	–	8
Less: Treasury shares (a)	(72,005)	(7)	–	(6)	(6)
As at December 31, 2020	1,855,144	186	170	(6)	164
As at January 1, 2021	**1,927,149**	**193**	**170**	**–**	**170**
Issuance of ordinary shares (e)	**41,444**	**4**	**3**	**–**	**3**
Less: Treasury shares (e)	**(94,450)**	**(9)**	**–**	**(7)**	**(7)**
As at December 31, 2021	**1,874,143**	**188**	**173**	**(7)**	**166**

26 SHARE CAPITAL *(CONTINUED)*

(a) The Company allotted and issued 11,194,800 and 7,484,080 ordinary shares to Beijing Chenchuang(Note 1.2(3)(b)) and MYC Marvellous Limited on March 29, 2020, respectively. As disclosed in Note 28, MYC Marvellous Limited is controlled by the Company and therefore the ordinary shares issued were presented as treasury shares. During the year ended December 31, 2020, 2,835,000 ordinary shares of the Company held by MYC Marvellous Limited were transferred to the Grantees upon vesting (Note 28).

(b) Pursuant to a shareholder's written resolution dated March 29, 2020, with effect from March 31, 2020, each issued and unissued ordinary share and Series A Preferred Share of HKD0.001 par value of the Company be subdivided into 10 shares of HKD0.0001 par value each, such that the authorised share capital of the Company be changed from HKD380,000 divided into 380,000,000 shares of a par value of HKD0.001 each to HKD380,000 divided into 3,800,000,000 shares with a par value of HKD0.0001 each (the "Share Sub-Division"). The Share Sub-Division was effective from March 31, 2020.

(c) 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.

(d) On September 25, 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.

(e) On July 1, 2021, the Company allotted and issued 41,443,996 ordinary shares to MYC Marvellous Limited. The issuance resulted in the increase in share capital of RMB3,000 and the ordinary shares issued were also presented as treasury shares. During the year ended December 31, 2021, 19,000,000 ordinary shares of the Company held by MYC Marvellous Limited were transferred to the Grantees upon vesting (Note 28).

27 RESERVES

	Share premium RMB'000	Surplus reserve RMB'000	Exchange reserve RMB'000	Share-based compensation reserve RMB'000	Other reserve RMB'000	Total reserves RMB'000
At January 1, 2020	–	63,907	510	–	(51,723)	12,694
Changes in fair value of financial assets at FVOCI, net of tax (Note 22)	–	–	–	–	(18,165)	(18,165)
Transactions with non-controlling interests (a)	–	–	–	–	(45,242)	(45,242)
Appropriation for statutory surplus reserve (b)	–	11,991	–	–	–	11,991
Issuance of new shares upon listing (Note 26)	6,225,033	–	–	–	–	6,225,033
Share issuance costs (c)	(238,794)	–	–	–	–	(238,794)
Conversion of covertible redeemable preferred shares into ordinary shares	1,307,063	–	–	–	–	1,307,063
Share-based compensation expenses (Note 28)	–	–	–	18,054	–	18,054
Transfer of vested restricted share units from treasury shares (Note 28)	(10,118)	–	–	(9,014)	–	(19,132)
Currency translation differences	–	–	(252,084)	–	–	(252,084)
At December 31, 2020	7,283,184	75,898	(251,574)	9,040	(115,130)	7,001,418
At January 1, 2021	**7,283,184**	**75,898**	**(251,574)**	**9,040**	**(115,130)**	**7,001,418**
Changes in fair value of financial assets at FVOCI, net of tax (Note 22)	**–**	**–**	**–**	**–**	**(6,089)**	**(6,089)**
Transactions with non-controlling interests (a)	**–**	**–**	**–**	**–**	**(588,838)**	**(588,838)**
Appropriation for statutory surplus reserve (b)	**–**	**(75,898)**	**–**	**–**	**–**	**(75,898)**
Share-based compensation expenses (Note 28)	**–**	**–**	**–**	**622,717**	**–**	**622,717**
Transfer of vested restricted share units from treasury shares (Note 28)	**404,311**	**–**	**–**	**(404,313)**	**–**	**(2)**
Dividend distribution to the owners of the company	**(127,913)**	**–**	**–**	**–**	**–**	**(127,913)**
Currency translation differences	**–**	**–**	**(161,357)**	**–**	**–**	**(161,357)**
At December 31, 2021	**7,559,582**	**–**	**(412,931)**	**227,444**	**(710,057)**	**6,664,038**

27 RESERVES *(CONTINUED)*

(a) Transaction with non-controlling interests

On September 2020, Ming Yuan Cloud Technology acquired 2.8% shares from non-controlling interests of Ming Yuan Cloud Client. The difference of approximately RMB45,242,000 between the consideration payable of RMB50,000,000 and the carrying amount of acquired non-controlling interest of RMB4,758,000, was recognised in reserves.

In August 2021, Ming Yuan Cloud Technology acquired 29.9% shares from non-controlling shareholders of Ming Yuan Cloud Client. Upon completion of the acquisition, Ming Yuan Cloud Client became an indirect wholly-owned subsidiary of the Company. The difference of approximately RMB499,373,000 between the consideration payable of RMB598,131,000 and the carrying amount of acquired non-controlling interest of RMB98,758,000, was recognised in reserves.

In August 2021, Ming Yuan Cloud Technology acquired 20% shares from non-controlling shareholders of Ming Yuan Cloud Chain and Ming Yuan Cloud Space. The difference of approximately RMB47,247,000 and RMB27,060,000 between the consideration payable of RMB40,000,000 and RMB9,560,000 and the carrying amount of acquired non-controlling interest of RMB-7,247,000 and RMB-17,500,000, was recognised in reserves.

As disclosed in Note 2.2.1(a), in September 2021, Ming Yuan Cloud Procurement repurchased the other 20% equity interest from its non-controlling shareholders. Ming Yuan Cloud Technology obtained 100% equity interest of Ming Yuan Cloud Procurement through entering into new contractual arrangements ("New Contractual Arrangements") with Ming Yuan Cloud Procurement and its registered shareholders who collectively hold 100% equity interests of Ming Yuan Cloud Procurement. This transaction was treated as transaction with non-controlling interest. The difference of approximately RMB15,158,000 between the consideration payable of RMB5,028,000 and the carrying amount of acquired non-controlling interest of RMB-10,130,000, was recognised in reserves.

(b) Appropriation for statutory surplus reserve

In accordance with the PRC Company Law and the articles of association, the PRC subsidiaries of the Group are required to appropriate 10% of its profits after tax, as determined in accordance with Accounting Standards for Business Enterprises and other applicable regulations, to the statutory surplus reserve until such reserve reaches 50% of its registered capital. The appropriation to the reserve must be made before any distribution of dividends to shareholders. Apart from the statutory surplus reserve, discretionary surplus reserve can be appropriated according to the resolution of shareholders' meeting. The surplus reserve can be used to offset previous years' losses, if any, and part of the statutory surplus reserve can be capitalised as the PRC subsidiary's capital provided that the amount of surplus reserve remaining after the capitalisation shall not be less than 25% of its capital.

27 RESERVES *(CONTINUED)*

(c) Share issuance costs

Share issuance costs mainly include share underwriting commissions, lawyers' fees, reporting accountant's fee and other related costs associated with the Listing and vendor placing. Incremental costs that are directly attributable to the issue of the new shares to approximately RMB238,794,000 which were accounted for a deduction against the share premium arising from the issuance and listing.

28 SHARE-BASED COMPENSATION

2020 Share Incentive Plan

On March 29, 2020, the board of directors of the Company passed a resolution, according to which an aggregate of 7,484,080 ordinary shares of the Company was issued and allotted to MYC Marvellous Limited, an employee share trust controlled by the Company. Effective from March 31, 2020, the shares held by MYC Marvellous Limited were subdivided into 74,840,800 shares.

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

2021 Share Award Scheme

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

On July 1, 2021, the Company granted RSUs to the Grantees, representing 41,443,996 ordinary shares of par value HKD0.0001 each in the share capital of the Company. The RSUs awarded are subject to a vesting scale in tranches from the grant date over a certain service period, on condition that employees remain in service with certain performance requirements. Once the vesting conditions underlying the respective RSUs are met and the RSUs are released, the shares shall be subject to applicable restrictions in the award and any legal restrictions.

28 SHARE-BASED COMPENSATION *(CONTINUED)*

2021 Share Award Scheme *(Continued)*

The share-based compensation expenses recognised during the years ended December 31, 2021 and 2020 are summarised in the following table:

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
Share-based compensation expenses	**803,152**	18,054

Expected retention rate

The Group has to estimate the expected percentage of grantees that will stay within the Group at the end of the vesting periods of the virtual share options (the "Expected Retention Rate") in order to determine the amount of share-based compensation expenses charged to the consolidated statement of comprehensive income. As at December 31, 2021 and 2020, the Expected Retention Rate was assessed to be 96%.

Movements in the number of RSUs granted and the respective weighted average grant date fair value per RSU are as follows:

	Number of RSUs	**Weighted average grant date fair value per RSU (RMB)**
Outstanding as at January 1, 2020	–	–
Granted at April 10, 2020	21,100,000	2.50
Vested during the year (Note)	(3,600,000)	2.50
Outstanding as at December 31, 2020	17,500,000	2.50
Outstanding as at January 1, 2021	**17,500,000**	**2.50**
Granted during the year	**64,087,000**	**31.01**
Vested during the year	**(19,000,000)**	**30.36**
Lapsed/Forfeited	**(1,677,203)**	**23.30**
Outstanding as at December 31, 2021	**60,909,797**	**23.23**

28 SHARE-BASED COMPENSATION *(CONTINUED)*

2021 Share Award Scheme *(Continued)*

Expected retention rate (Continued)

The fair value of RSUs granted in 2021 was calculated based on the market price of the Company's shares at the respective grant date.

The fair value of RSUs granted in 2020 was RMB2.50 per share. The Group applied the discounted cash flow method to determine the underlying equity value of the Company on the date of grant and adopted option-pricing method and equity allocation model to determine the fair value of the ordinary shares on the date of grant. The fair value of each RSU at the grant dates is determined by reference to the fair value of the underlying ordinary shares on the date of grant. Key assumptions are set as below:

	As at April 10, 2020 RMB'000
Discount rate	**16.50%**
Risk-free interest rate	**1.97%**
Discount for lack of control	**20.89%**
Discount for lack of marketability	**23.07%**
Expected volatility	**53.00%**

In addition to the assumptions adopted above, the Company's projections of future performance were also factored into the determination of the fair value of RSUs on the date of grant.

Note: Out of the vested RSUs of 3,600,000 during the year ended December 31, 2020, 765,000 ordinary shares of the Company were retained by the Group for withholding tax purpose in the PRC for the Grantees. As a result, the net grant to Grantees is 2,835,000 ordinary shares of the Company and the 765,000 ordinary shares of the Company retained is treated as treasury shares in equity. In addition, the Group paid approximately RMB19,132,000 during the year ended December 31, 2020 to the relevant tax authority in the PRC for such withholding tax purpose.

29 DEFERRED INCOME TAX

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

	As at December 31,	
	2021	2020
	RMB'000	RMB'000
Deferred income tax assets:		
– Deferred income tax assets to be recovered after more than 12 months	**8,954**	3,506
– Deferred income tax assets to be recovered within 12 months	**13,807**	3,980
Total deferred income tax assets	**22,761**	7,486
Set-off of deferred income tax liabilities pursuant to set-off provision	**(13,254)**	(6,827)
Net deferred income tax assets	**9,507**	659
Deferred income tax liabilities:		
– Deferred income tax liability to be recovered after more than 12 months	**(7,579)**	(3,824)
– Deferred income tax liability to be recovered within 12 months	**(6,133)**	(3,069)
Total deferred income tax liabilities	**(13,712)**	(6,893)
Set-off of deferred income tax assets pursuant to set-off provision	**13,254**	6,827
Net deferred income tax liabilities	**(458)**	(66)

29 DEFERRED INCOME TAX *(CONTINUED)*

The movement in deferred income tax assets and liabilities without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

	As at January 1, 2020 RMB'000	Credited/ (charged) to profit or loss RMB'000	Credited to Reserves RMB'000	As at December 31, 2020 RMB'000
The balance comprises temporary differences attributable to:				
Deferred income tax assets				
– Financial assets at FVPL	–	65	–	65
– Lease liabilities	7,197	(754)	–	6,443
– Impairment provisions	1,180	(202)	–	978
	8,377	(891)	–	7,486
Deferred income tax liabilities				
– Right-of-use assets	(6,363)	619	–	(5,744)
– Financial assets at FVPL	(195)	(504)	–	(699)
– Financial assets at FVOCI	(2,468)	–	2,018	(450)
	(9,026)	115	2,018	(6,893)

	As at January 1, 2021 RMB'000	**Credited/ (charged) to profit or loss RMB'000**	**Credited to Reserves RMB'000**	**As at December 31, 2021 RMB'000**
The balance comprises temporary differences attributable to:				
Deferred income tax assets				
– Financial assets at FVPL	**65**	**(39)**	**–**	**26**
– Financial assets at FVOCI	**–**	**–**	**360**	**360**
– Lease liabilities	**6,443**	**7,899**	**–**	**14,342**
– Impairment provisions	**978**	**7,055**	**–**	**8,033**
	7,486	**14,915**	**360**	**22,761**
Deferred income tax liabilities				
– Intangible assets	**–**	**(488)**	**–**	**(488)**
– Right-of-use assets	**(5,744)**	**(7,480)**	**–**	**(13,224)**
– Financial assets at FVPL	**(699)**	**699**	**–**	**–**
– Financial assets at FVOCI	**(450)**	**–**	**450**	**–**
	(6,893)	**(7,269)**	**450**	**(13,712)**

29 DEFERRED INCOME TAX *(CONTINUED)*

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefits through the future taxable profits is probable. Management will continue to assess the recognition of deferred income tax assets in future reporting periods.

At the end of the years, the Group has the following unutilised tax losses available for offsetting against future taxable profits for which no deferred tax assets is recognised:

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
Tax losses expiring:		
Within 5 years	**317,538**	114,304
Over 5 years	**377,085**	266,185
Without expiry date	**–**	–
	694,623	380,489

Deferred income tax liabilities of RMB51,246,000 and RMB70,499,000 have not been recognised for the withholding tax that would be payable on the unremitted earnings of subsidiaries in the PRC based on the profits for the years ended December 31, 2021 and 2020, respectively. Deferred income tax liability is not recognised where the timing of the reversal of the temporary difference is controlled by the Group and the directors have confirmed that such earnings will not be distributed out of the PRC in the foreseeable future.

30 TRADE PAYABLES

	As at December 31,	
	2021	2020
	RMB'000	RMB'000
Trade payables to third parties	**66,062**	42,837

As at December 31, 2021 and 2020, the ageing analysis of the trade payables based on date of recognition are as follows:

	As at December 31,	
	2021	2020
	RMB'000	RMB'000
Ageing:		
Up to 3 months	**66,062**	42,837

31 OTHER PAYABLES AND ACCRUALS

	As at December 31,	
	2021	2020
	RMB'000	RMB'000
Accrued payroll and employee benefit expenses	**205,045**	175,269
VAT and surcharges payable	**14,550**	23,926
Accrued auditor's remuneration	**5,500**	4,914
Payable in respect of investments in unlisted equity securities	**5,000**	–
Commissions payable to regional channel partners	**2,097**	2,149
Deposits from regional channel partners	**1,662**	1,465
Operating expenses advanced by employees	**97**	4,980
Accrued listing expenses	**–**	4,306
Others	**6,007**	6,995
	239,958	224,004

32 CASH FLOW INFORMATION

(a) Cash generated from operations

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
Loss before income tax	**(503,554)**	(650,086)
Adjustments for:		
Depreciation of right-of-use assets	**34,129**	22,754
Depreciation of property, plant and equipment	**18,687**	9,525
Depreciation of investment properties	**705**	–
Net impairment losses on financial assets and contract assets	**43,593**	4,358
Finance income – net	**(123,481)**	(12,333)
Net exchange difference	**(108,438)**	(33,031)
Amortisation of intangible assets	**3,158**	1,528
Net gains on disposals of property, plant and equipment	**(901)**	(1,497)
Share-based compensation	**803,152**	18,054
Share of losses of an associate	**264**	–
Proceeds from acquisition of a subsidiary	**(6,832)**	–
Fair value losses on transfer from financial liabilities at FVPL to equity	**–**	988,875
Fair value (losses)/gains on financial assets at FVPL	**1,873**	(4,367)
Income from wealth management products	**(21,719)**	(22,919)
Operating cashflows before movements in working capital	**140,636**	320,861
Change in working capital:		
Trade receivables	**(72,701)**	(11,191)
Contract acquisition costs	**(92,269)**	(88,026)
Contract assets	**(55,179)**	(25,278)
Restricted cash	**(300)**	198
Prepayments and other receivables	**(57,702)**	(12,915)
Inventories	**(320)**	(137)
Trade payables	**13,699**	18,916
Contract liabilities	**58,817**	178,188
Other payables and accruals	**25,336**	48,741
Cash generated from operations	**(39,983)**	429,357

32 CASH FLOW INFORMATION *(CONTINUED)*

(b) Non-cash investing and financing activities

There were no material non-cash investing and financing transactions except for the additions of the right-of-use assets (Note 17(a)), the share-based compensation described in Note 28, and the conversion of convertible redeemable preferred shares for the years ended December 31, 2021 and 2020.

(c) Reconciliation of liabilities generated from financing activities

This section sets out an analysis of net cash and the movements in net cash for the years ended December 31, 2021 and 2020.

	As at December 31,	
	2021	2020
	RMB'000	RMB'000
Cash and cash equivalents	**2,017,356**	4,759,384
Restricted cash	**850**	550
Term deposits	**3,432,800**	1,812,750
Liquid investments (Note i)	**352,387**	300,700
Liquid liabilities	**–**	–
Lease liabilities	**(103,041)**	(61,447)
Net cash	**5,700,352**	6,811,937

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

32 CASH FLOW INFORMATION *(CONTINUED)*

(c) Reconciliation of liabilities generated from financing activities *(Continued)*

	Cash and cash equivalent RMB'000	Restricted cash RMB'000	Term deposits RMB'000	Liquid investments RMB'000	Liquid liabilities RMB'000	Lease liabilities RMB'000	Total RMB'000
Net cash as at January 1, 2020	732,207	748	–	90,000	(313,929)	(49,227)	459,799
Cash flows	4,230,375	(198)	1,812,750	210,700	–	22,336	6,275,963
Foreign exchange adjustments	(203,198)	–	–	–	(4,267)	–	(207,465)
Fair value changes	–	–	–	–	(988,875)	–	(988,875)
Non-cash movement	–	–	–	–	1,307,071	(34,556)	1,272,515
Net cash as at December 31, 2020	4,759,384	550	1,812,750	300,700	–	(61,447)	6,811,937
Net cash as at January 1, 2021	**4,759,384**	**550**	**1,812,750**	**300,700**	**–**	**(61,447)**	**6,811,937**
Cash flows	**(2,689,109)**	**300**	**1,620,050**	**54,432**	**–**	**31,593**	**(982,734)**
Foreign exchange adjustments	**(52,919)**	**–**	**–**	**–**	**–**	**–**	**(52,919)**
Fair value changes	**–**	**–**	**–**	**(2,745)**	**–**	**–**	**(2,745)**
Non-cash movement	**–**	**–**	**–**	**–**	**–**	**(73,187)**	**(73,187)**
Net cash as at December 31, 2021	**2,017,356**	**850**	**3,432,800**	**352,387**	**–**	**(103,041)**	**5,700,352**

33 COMMITMENTS

(a) Capital commitments

The Group mainly has capital commitments with respect to assets under construction, leasehold improvements and land use right. Significant capital expenditure contracted for at the end of the years but not recognised as liabilities were as follows:

	As at December 31,	
	2021	2020
	RMB'000	RMB'000
Assets under construction	**12,261**	13,478
Leasehold improvements	**48,416**	–
Land use right	**151,317**	–
	211,994	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 December 31,	
	2021	2020
	RMB'000	RMB'000
Within 1 year	**195**	114

34 BUSINESS COMBINATION

As at December 31, 2020, the balance of investments in redeemable preferred shares represented 19.9% of the issued preferred shares in Woxiang. Then the Company acquired additional equity interest in Woxiang in January, February and March 2021 at a total cash consideration of RMB22,008,000, and after the transactions, 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)
Salaries 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

34 BUSINESS COMBINATION *(CONTINUED)*

(a) Acquisition-related costs

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

(b) Revenue and profit contribution

The acquired business contributed revenues of RMB5,066,000 and net loss of RMB9,620,000 to the Group for the period from March 8, 2021 to December 31, 2021. If the acquisition had occurred on January 1, 2021, consolidated revenue and consolidated loss after tax for the year ended December 31, 2021 would have been RMB2,184,776,000 and RMB499,085,000 respectively.

35 SIGNIFICANT RELATED PARTY TRANSACTIONS

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

Save as disclosed elsewhere in this report, the directors of the Company are of the view that the following parties were related parties that had transactions or balances with the Group for the years ended December 31, 2021 and 2020:

Key management personnel compensation

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
Salaries, wages, and bonuses	**7,311**	7,446
Pension costs – defined contribution plans	**240**	126
Other social security costs, housing benefits and other employee benefits	**302**	256
Share-based compensation	**576,846**	–
	584,699	7,828

36 NOTES TO THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

		As at December 31,	
		2021	2020
	Note	**RMB'000**	RMB'000
ASSETS			
Non-current assets			
Interests in subsidiaries	(a)	**1,065,310**	285,084
Total non-current assets		**1,065,310**	285,084
Current assets			
Prepayments and other receivables		**1,026,348**	4,867
Term deposits		**3,432,800**	1,812,750
Financial assets at fair value through profit or loss-current		**298,613**	–
Cash and cash equivalents	(b)	**973,758**	3,986,640
Total current assets		**5,731,519**	5,804,257
Total assets		**6,796,829**	6,089,341
EQUITY			
Share capital	26	**173**	170
Treasury shares	26	**(7)**	(6)
Reserves	(c)	**7,508,524**	7,027,004
Accumulated losses	(c)	**(749,579)**	(979,683)
Total equity		**6,759,111**	6,047,485
LIABILITIES			
Current liabilities			
Other payables	(d)	**37,718**	41,856
Convertible redeemable preferred shares		**–**	–
Total current liabilities		**37,718**	41,856
Total liabilities		**37,718**	41,856
Total equity and liabilities		**6,796,829**	6,089,341

36 NOTES TO THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(CONTINUED)*

(a) Interests in subsidiaries

	As at December 31,	
	2021	2020
	RMB'000	RMB'000
Amounts due from subsidiaries (i)	**248,583**	252,121
Investments in a subsidiary (ii)	**13,575**	14,909
Share-based compensation	**803,152**	18,054
	1,065,310	285,084

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

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

(b) Cash and cash equivalents

	As at December 31,	
	2021	2020
	RMB'000	RMB'000
Cash at bank (i)	**973,758**	3,986,640

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

	As at December 31,	
	2021	2020
	RMB'000	RMB'000
RMB	**237,125**	64,307
USD	**449,627**	2,269,526
HKD	**287,006**	1,652,807
	973,758	3,986,640

36 NOTES TO THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(CONTINUED)*

(c) Reserve movement of the Company

	Reserves RMB'000	Accumulated losses RMB'000
As at January 1, 2020	(103)	(3,227)
Loss for the year	–	(976,456)
Issuance of new shares upon listing (Note 26(c))	6,225,033	–
Share issuance costs (Note 27(c))	(238,794)	–
Conversion of covertible redeemable preferred shares into ordinary shares (Note 26(d))	1,307,063	–
Share-based compensation expenses (Note 28)	18,054	–
Transfer of vested restricted share units from treasury shares (Note 27)	(19,132)	–
Currency translation differences	(265,117)	–
As at December 31, 2020	7,027,004	(979,683)
As at January 1, 2021	**7,027,004**	**(979,683)**
Profit for the year	**–**	**230,104**
Dividend distribution to the owners of the Company	**(132,701)**	**–**
Share-based compensation expenses (Note 27)	**803,152**	**–**
Transfer of vested restricted share units from treasury shares (Note 27)	**(2)**	**–**
Currency translation differences	**(188,929)**	**–**
As at December 31, 2021	**7,508,524**	**(749,579)**

(d) Other payables and accruals

	As at December 31,	
	2021 RMB'000	2020 RMB'000
Amounts due to subsidiaries	**37,624**	37,470
Accrued listing expenses	**–**	4,306
Others	**94**	80
	37,718	41,856

37 SUBSIDIARIES

Company name	Place and date of incorporation/establishment and kind of legal entity	Principal activities and place of operation	Registered/ issued capital	Percentage of attributable equity interest As at December 31, 2021	2020
Directly held:					
Ming Yuan Cloud Investment	BVI/ July 10, 2019 limited liability company	Investment holding/ BVI	USD0.01/ USD0.01	**100.00%**	100.00%
Earl Dazzle	BVI/ December 20, 2016 limited liability company	Investment holding/ BVI	USD2/ USD2	**100.00%**	100.00%
Indirectly held:					
Polaris Cloud	Hong Kong/ July 22, 2019 limited liability company	Investment holding/ Hong Kong	HKD10,000/ HKD10,000	**100.00%**	100.00%
Viscount Dazzle	Hong Kong/ February 1, 2017 limited liability company	Investment holding/ Hong Kong	HKD1/ HKD1	**100.00%**	100.00%
Northern Lights Cloud	PRC/ September 6, 2019 wholly-foreign-owned enterprise	Investment holding/ PRC	USD95,000,000/ USD95,000,000	**100.00%**	100.00%
Ming Yuan Cloud Technology	PRC/ November 27, 2003 limited liability company	Investment holding, SaaS products and ERP solutions/ PRC	RMB490,194,737/ RMB490,094,870	**100.00%**	100.00%
Ming Yuan Cloud Client	PRC/ July 30, 2014 limited liability company	Investment holding and SaaS products/ PRC	RMB10,700,000/ RMB10,700,000	**100.00%**	70.09%

37 SUBSIDIARIES *(CONTINUED)*

Company name	Place and date of incorporation/establishment and kind of legal entity	Principal activities and place of operation	Registered/ issued capital	Percentage of attributable equity interest As at December 31, 2021	2020
Indirectly held:					
Shenzhen Zhijian Yinli Hudong Technology Co., Ltd. (深圳市指尖引力互動科技有限公司)	PRC/ July 25, 2018 limited liability company	SaaS products/ PRC	RMB1,000,000/ RMB1,000,000	**100.00%**	70.09%
Ming Yuan Cloud Procurement	PRC/ April 22, 2014 limited liability company	SaaS products/ PRC	RMB8,888,889/ RMB8,888,889	**100.00%**	80.00%
Ming Yuan Cloud Space	PRC/ August 6, 2015 limited liability company	SaaS products/ PRC	RMB10,000,000/ RMB10,000,000	**100.00%**	80.00%
Wuhan Ming Yuan Power	PRC/ April 8, 2008 limited liability company	ERP solutions/ PRC	RMB1,000,000/ RMB1,000,000	**100.00%**	100.00%
Wuhan Mingyuan Zhuoyue Information Technology Service Co., Ltd. (武漢明源卓越信息技術服務有限公司, "Wuhan Ming Yuan Excel")	PRC/ November 24, 2010 limited liability company	ERP solutions/ PRC	RMB20,000,000/ RMB20,000,000	**100.00%**	100.00%
Shenzhen Mingyuan Cloud Computing Co., Ltd. (深圳市明源雲計算有限公司, "Ming Yuan Cloud Calculation")	PRC/ March 8, 2016 limited liability company	Investment holding and technology services/ PRC	RMB50,000,000/ RMB50,000,000	**100.00%**	100.00%
Ningbo Meishan Bonded Port Area Mingyuan Shengshi Investment Co. Ltd. (寧波梅山保稅港區明源盛世投資有限公司)	PRC/ September 30, 2016 limited liability company	Investment holding/ PRC	RMB5,000,000/ RMB5,000,000	**100.00%**	100.00%

37 SUBSIDIARIES *(CONTINUED)*

Company name	Place and date of incorporation/establishment and kind of legal entity	Principal activities and place of operation	Registered/ issued capital	Percentage of attributable equity interest As at December 31, 2021	2020
Indirectly held:					
Wuhan Mingyuan Cloud Technology Co., Ltd. (武漢明源雲科技有限公司, "Wuhan Ming Yuan Cloud Technology")	PRC/ July 12, 2016 limited liability company	ERP solutions/ PRC	RMB20,000,000/ RMB20,000,000	**100.00%**	100.00%
Mingyuan Cloud Technology (Hong Kong) Limited	Hong Kong/ November 13, 2018 limited liability company	Technology services/ Hong Kong	USD10,000/ USD10,000	**100.00%**	100.00%
Ming Yuan Cloud Chain	PRC/ April 12, 2019 limited liability company	SaaS products/ PRC	RMB11,111,111/ RMB500,000	**100.00%**	80.00%
Woxiang (Note 34)	PRC/ March 1, 2013 limited liability company	SaaS products/ PRC	RMB5,305,868/ RMB5,305,868	**56.58%**	NA
Chengdu Jingjian Technology Limited (成都市境見科技有限公司, "Jingjian")	PRC/ March 29, 2021 limited liability company	SaaS products/ PRC	RMB10,000,000/ Nil	**100.00%**	NA
Wuhan Mingyuan Cloud Creative Technology Limited. (武漢明源雲創新科技有限公司, "Wuhan Ming Yuan Cloud Creative Technology")	PRC/ October 8, 2021 limited liability company	Investment holding/ PRC	RMB960,000,000/ RMB318,510,000	**100.00%**	NA

37 SUBSIDIARIES *(CONTINUED)*

Company name	Place and date of incorporation/establishment and kind of legal entity	Principal activities and place of operation	Registered/ issued capital	Percentage of attributable equity interest As at December 31, 2021	2020
Indirectly held:					
Wuhan Mingyuan Cloud Intelligence Technology Limited. (武漢明源雲數智科技有限公司, "Wuhan Ming Yuan Cloud Intelligence")	PRC/ October 8, 2021 limited liability company	Investment holding/ PRC	RMB960,000,000/ RMB318,510,000	**100.00%**	NA
Wuhan Mingyuan Cloud Xinchu Technology Limited. (武漢明源雲新楚科技有限公司, "Wuhan Ming Yuan Cloud Xinchu")	PRC/ August 27, 2021 wholly-foreign-owned enterprise	Investment holding/ PRC	USD300,000,000/ USD100,000,000	**100.00%**	NA
Hainan Mingyuan Cloud Navigation Technology Limited. (海南明源雲領航科技有限公司)	PRC/ April 2, 2021 limited liability company	Investment holding/ PRC	RMB40,000,000/ RMB40,000,000	**100.00%**	NA
On trust:					
MYC Marvellous Limited	BVI/ February 25, 2020 limited liability company	Employee stock holding platform/ BVI	USD50,000/ USD50,000	**100.00%**	100.00%

38 CONTINGENT LIABILITIES

The Group had no material contingent liabilities outstanding as at December 31, 2021 and 2020.

39 SUBSEQUENT EVENTS

On January 5, 2022, the board of directors of the Company has decided to exercise their powers under the general mandate given to the directors pursuant to the resolutions passed on June 11, 2021 in the annual general meeting of the Company, to repurchase up to 192,714,999 shares of the Company. Subject to market conditions, the Company may repurchase the Shares in the open market from time to time at an aggregate amount not exceeding HKD equivalent to USD100,000,000.

On January 11, 2022, the Company granted a total of 6,435,898 RSUs to 18 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.

In January 2022, Ming Yuan Cloud Technology entered into a purchase agreement to acquire 9.5% equity interest in Beijing Lingcai Technology Limited (北京令才科技有限公司, "Lingcai"), a solution provider of finance-related intelligent community, at a consideration of RMB25,351,744.

In January 2022, Ming Yuan Cloud Technology entered into a purchase agreement to acquire 12% equity interest in Shenzhen Kehutong Technology Limited (深圳市客戶通科技有限公司, "Kehutong"), a digital solution provider, at a consideration of RMB18,760,274.

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

"AGM"	the annual general meeting of the Company
"Articles of Association"	the articles of association of the Company, as amended from time to time
"Audit Committee"	the audit committee of the Board
"Board", "our Board" or "Board of Directors"	the board of directors of our Company
"CG Code"	the Corporate Governance Code set out in Appendix 14 to the Listing Rules
"Chairman"	the chairman of the Board
"China" or "PRC"	the People's Republic of China, for the purposes of this report only, excluding Hong Kong, Macau Special Administrative Region and Taiwan
"Company", "our Company", or "the Company"	Ming Yuan Cloud Group Holdings Limited (明源雲集團控股有限公司), an exempted company with limited liability incorporated in the Cayman Islands on July 3, 2019
"Consolidated Affiliated Entity"	the entity that we control through contractual arrangements
"Director(s)"	the director(s) of our Company
"Global Offering"	the Hong Kong public offering and the international offering of the offer shares
"Group", "our Group", "the Group", "we", "us", or "our"	our Company and its subsidiaries and Consolidated Affiliated Entity from time to time or, where the context so requires, in respect of the period prior to our Company becoming the holding company of its present subsidiaries and Consolidated Affiliated Entity, such subsidiaries and Consolidated Affiliated Entity as if they were subsidiaries and Consolidated Affiliated Entity of our Company at the relevant time
"HKD" or "HK$" or "HK dollars"	Hong Kong Dollars, the lawful currency of Hong Kong
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC

"IFRSs"	International Financial Reporting Standards
"Latest Practicable Date"	April 14, 2022, being the latest practicable date for ascertaining certain information in this report
"Listing"	the listing of the Shares on the Main Board of the Stock Exchange
"Listing Date"	September 25, 2020, being the date on which the Shares were listed on the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
"Ming Yuan Cloud Client"	Shenzhen Mingyuan Yunke Electronic Commerce Co., Ltd. (深圳市明源雲客電子商務有限公司), a limited liability company established in Shenzhen, the PRC on July 30, 2014, one of our non-wholly owned subsidiaries
"Ming Yuan Cloud Procurement"	Shenzhen Mingyuan Cloud Procurement Technology Limited (深圳市明源雲採購科技有限公司) (previously known as Shenzhen Mingyuan Yunlian Electronic Commerce Co., Ltd. (深圳市明源雲鏈電子商務有限公司)), a limited liability company established in Shenzhen, the PRC on April 22, 2014 and is our Consolidated Affiliated Entity
"Ming Yuan Cloud Space"	Shenzhen Mingyuan Cloud Space Electronic Commerce Co., Ltd. (深圳市明源雲空間電子商務有限公司), previously known as Shenzhen Mingyuan Cloud Services Electronic Business Limited (深圳市明源雲服務電子商務有限公司), a limited liability company established in Shenzhen, the PRC on August 6, 2015, one of our non-wholly owned subsidiaries
"Ming Yuan Cloud Technology"	Shenzhen Mingyuan Cloud Technology Co., Ltd. (深圳市明源雲科技有限公司) (formerly known as Shenzhen Ming Yuan Software Limited (深圳市明源軟件股份有限公司) and Shenzhen Ming Yuan Tuo Zhan Software Technology Limited (深圳市明源拓展軟件科技有限公司)), a limited liability company established in Shenzhen, the PRC on November 27, 2003, one of our wholly-owned subsidiaries
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules

"Nomination Committee"	the nomination committee of the Board
"Prospectus"	the prospectus of our Company, dated September 15, 2020, in relation to the Global Offering
"Relevant Shareholders"	collectively, Mr. Gao, Mr. Chen and Mr. Jiang as registered shareholders of Ming Yuan Cloud Procurement
"Remuneration Committee"	the remuneration committee of the Board
"Reporting Period"	the year ended December 31, 2021
"RMB" or "Renminbi"	Renminbi Yuan, the lawful currency of China
"SASAC"	the State-owned Assets Supervision and Administration Commission of the State Council of China
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Share(s)"	ordinary share(s) in the share capital of our Company with a nominal value of HK$0.0001 each
"Shareholder(s)"	holder(s) of our Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"USD" or "US$" or "US dollar"	United States Dollar, the lawful currency of the United States of America
"YoY"	year-on-year
"%"	per cent.

In this report, unless otherwise indicated, the terms "associate", "associated corporation", "connected person", "controlling shareholder", "subsidiary" and "substantial shareholder" shall have the meanings given to such terms in the Listing Rules.

"AIoT"	artificial intelligence of things, the combination of artificial intelligence technologies with the Internet of Things (IoT) infrastructure to achieve more efficient IoT operations, improve human-machine interactions and enhance data management and analytics
"app" or "application"	application software designed to run on smartphones and other mobile devices
"architecture"	the structure under which an information system's hardware, software, data and communication capabilities are put together
"cloud-based"	applications, services or resources made available to users on demand via the Internet from a cloud computing provider 's servers with access to shared pools of configurable resources
"COVID-19"	coronavirus disease 2019, a disease caused by a novel virus designated as severe acute respiratory syndrome coronavirus 2
"customer entity"	a legal entity which subscribes for our software solutions by entering into contracts with us or our regional channel partners (who are responsible for marketing and selling our software solutions in designated geographic locations), as the case may be, and uses such software solutions, during the relevant period
"data analytics"	the use of advanced analytic techniques against very large, diverse data sets to uncover hidden patterns, unknown correlations, market trends, customer preferences, and other useful information that can help organizations make more informed business decisions
"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

"PaaS"	platform as a service, a category of cloud computing services that provides a platform and environment to allow developers to build applications over the Internet
"paying end group customer"	a legal entity that (i) is the largest shareholder of a customer entity with at least 30% of voting interests of such customer entity; (ii) is the largest shareholder owning at least 30% of voting interests of a legal entity that owns at least 50% of voting interests of a customer entity; or (iii) owns at least 50% of voting interests of a legal entity that owns at least 30% of voting interests of a customer entity, together with such affiliated customer entities, are deemed as one paying end group customer. For avoidance of doubt, in respect of ERP solutions, we generate revenues from direct sales to our paying end group customers and sales to our regional channel partners, and in respect of SaaS products, we generate revenues from sales to our paying end group customers both directly and through our regional channel partners
"SaaS"	software as a service, a cloud-based software licensing and delivery model in which software and associated data are centrally hosted
"Skyline PaaS 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 2022