

明源雲

Stock Code
0909.HK

MING YUAN CLOUD GROUP HOLDINGS LIMITED

明源雲集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

2024 INTERIM REPORT



Focusing on Digital Technology Consistently to Promote Industrial Upgrading

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Gao Yu (*Chairman*)
Mr. Jiang Haiyang (*Chief Executive Officer*)
Mr. Chen Xiaohui (*Vice President*)

Non-executive Director

Mr. Liang Guozhi

Independent Non-executive Directors

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

AUDIT COMMITTEE

Ms. Tong Naqiong (*Chairperson*)
Mr. Li Hanhui
Mr. Zhao Liang

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

Mr. Gao Yu (*Chairperson*)
Ms. Tong Naqiong
Mr. Zhao Liang

REGISTERED OFFICE

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

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

PRINCIPAL SHARE REGISTRAR

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

HONG KONG SHARE REGISTRAR

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

INDEPENDENT AUDITOR

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

HONG KONG LEGAL ADVISER

Davis Polk & Wardwell
10th Floor, The Hong Kong Club Building
3A Chater Road
Hong Kong

COMPLIANCE ADVISOR

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

AUTHORIZED REPRESENTATIVES

Mr. Gao Yu
Mr. Ye Junwen

JOINT COMPANY SECRETARIES

Mr. Ye Junwen
Ms. Leung Shui Bing

PRINCIPAL BANKS

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

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

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

STOCK CODE

909

COMPANY WEBSITE

www.mingyuanyun.com

FINANCIAL HIGHLIGHTS

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | Six months ended 30 June | |
|------------------------|--------------------------|--------------------|
| | 2024 | 2023 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| | <i>(Unaudited)</i> | <i>(Unaudited)</i> |
| Revenues | 720,106 | 762,340 |
| Gross profit | 577,696 | 608,768 |
| Operating loss | (210,434) | (403,167) |
| Loss before income tax | (116,287) | (324,569) |
| Loss for the period | (115,369) | (324,733) |
| Adjusted net loss | (16,962) | (97,136) |

FINANCIAL HIGHLIGHTS

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | As at 30 June 2024 RMB'000 (Unaudited) | As at 31 December 2023 RMB'000 (Audited) |
|---|---|---|
| ASSETS | | |
| Non-current assets | 1,318,355 | 1,108,788 |
| Current assets | 4,286,385 | 4,743,430 |
| Total assets | 5,604,740 | 5,852,218 |
| LIABILITIES | | |
| Non-current liabilities | 83,823 | 122,034 |
| Current liabilities | 789,554 | 796,227 |
| Total liabilities | 873,377 | 918,261 |
| EQUITY | | |
| Equity attributable to the Company's owners | 4,731,363 | 4,933,957 |
| Non-controlling interests | – | – |
| Total equity | 4,731,363 | 4,933,957 |
| Total equity and liabilities | 5,604,740 | 5,852,218 |

Overall financial data

Revenue was RMB720.1 million for the six months ended 30 June 2024, representing a year-on-year decrease of 5.5%.

Total expenses were RMB802.8 million for the six months ended 30 June 2024, representing a year-on-year decrease of 23.0%.

Adjusted net loss was RMB17.0 million for the six months ended 30 June 2024, representing a year-on-year decrease of 82.5%.

Net cash outflow used in operating activities was approximately RMB164.5 million, representing a year-on-year decrease of 39.1%.

BUSINESS REVIEW AND OUTLOOK

I. INDUSTRY REVIEW

1. Residential Market

In the first half of 2024, China's cumulative sales area of commercial housing was 480 million square meters, representing a year-on-year decrease of 19.0%, and China's cumulative sales were RMB4,700 billion, representing a year-on-year decrease of 25.0%. China's newly started area of houses for the first half of 2024 was approximately 380 million square meters, representing a year-on-year decrease of 23.7%. In terms of policies, on 17 May 2024, the People's Bank of China announced a reduction in the minimum percentage of down payments for the first and second homes, a reduction in the interest rate on individual housing provident fund loans, and the cancellation of the lower-bound range of mortgage interest rates for the first and second home at the national level. At the same time, local state-owned enterprises were encouraged to purchase some existing commercial housing at reasonable prices for use as affordable housing.

Based on the introduction of favorable policies, the national sales of commercial housing in June 2024 was RMB1,100 billion, representing a month-on-month increase of 50.9% from May and a year-on-year decrease of 13.8%. The decline narrowed compared with the previous months, and the market showed signs of marginal improvement.

2. Commercial, Industrial and Infrastructure Market

In the first half of 2024, the cumulative investment in infrastructure in China increased by 7.7% year-on-year, which was slightly lower than the growth rate at the beginning of the year. Due to factors such as the decrease in local land transaction and fiscal revenue, as well as slow issuance of special bonds, local government funds have tightened, slowing down the progress of infrastructure investment.

Under the new situation, local state-owned platform companies are actively seeking for business transformation. In the past six months, about 200 urban construction investment companies in China have been renamed as industrial investment or operation companies, aiming to gradually transform from development and construction entities to comprehensive urban operation service providers and increase the proportion of their operational business. Under this trend, these state-owned platform companies need to enhance their asset operation capabilities, consolidate their operational assets and market-oriented business. Business transformation will bring corresponding digital transformation needs.

II. BUSINESS REVIEW

1. Products and Services

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

1.1 Cloud Services

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

During the Reporting Period, the product lines of Construction Management SaaS, Property Management & Operation SaaS highly related to the commercial, industrial and infrastructure market all achieved year-on-year growth in revenue. The product lines of CRM SaaS and Skyline PaaS Platform highly related to the residential market experienced varying degrees of year-on-year decline in revenue due to the continued downturn in the industry, resulting in a negative impact on revenue from Cloud Services for the Reporting Period.

For the six months ended 30 June 2024, the revenue from Cloud Services was RMB612.2 million, representing a year-on-year decrease of 3.6% (same period in 2023: RMB635.1 million), accounting for 85.0% of the total revenue.

(1) CRM SaaS

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

In the first half of 2024, the Company increased research and development in products for customer acquisition. At the end of March, CRM Cloud released multiple new products such as “Video Marketing (視頻營銷)”, which now cover real estate marketing business processes such as content generation, platform dissemination, sales lead operation, and conversion transactions. The Company also utilizes generative AI and intelligent analysis to improve the operational efficiency for customers in channel operations, advertising placement, and other businesses, driving continuous growth in the average revenue per user for CRM Cloud projects.

BUSINESS REVIEW AND OUTLOOK

In the first half of 2024, Ming Yuan Cloud, as the only real estate digitalization company ranking on the list, was selected in the AI marketing authoritative report, “Generative AI Changes Marketing Paradigm 《生成式 AI 改變營銷範式》”, released by IDC. “Ming Yuan Cloud Client X Yuexiu Property (明源雲客 X 越秀地產)” was also selected as the only real estate industry case, demonstrating the deep integration and huge potential of AI and real estate marketing.

For the six months ended 30 June 2024, the product line of CRM SaaS recorded a total revenue of RMB441.3 million, representing a year-on-year decrease of 6.0% (same period in 2023: RMB469.5 million). In particular, the products of CRM Cloud recorded a total revenue of RMB396.8 million, representing a year-on-year decrease of 6.6% (same period in 2023: RMB425.0 million). Due to the continued decline in new construction and sales in the residential market in China, the number of property sales offices covered by CRM Cloud in China was reduced to 10,794, representing a year-on-year decrease of 9.1% (same period in 2023: 11,871).

Through continuous innovation, new products developed by CRM Cloud meet customers’ current core business needs. Project stickiness has increased, and some existing and new projects have seen a certain degree of additional purchases. For the six months ended 30 June 2024, the average revenue per user for CRM Cloud in a single property sales office for the half year was RMB36,800, representing a year-on-year increase of 2.8% (same period in 2023: RMB35,800). As of 30 June 2024, the customer account retention rate of CRM Cloud was 88% (same period in 2023: 85%).

(2) *Construction Management SaaS*

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

BUSINESS REVIEW AND OUTLOOK

In the first half of 2024, the Company accelerated the promotion of the “Construction Project Management (工程項目管理)” series of products to local state-owned platform companies, and revenue from the product lines increased. In June 2024, the product line of Construction Management SaaS launched “AI Smart Cost (AI 智慧成本)” solutions of Ming Yuan Cloud, which automatically collected data from the project workload lists and analyzed it with AI intelligence to achieve automatic precipitation of cost indicators, enabling cost estimation, procurement bidding, contract performance and other business processes.

For the six months ended 30 June 2024, the product line of Construction Management SaaS recorded a total revenue of RMB62.5 million, representing a year-on-year increase of 4.9% (same period in 2023: RMB59.6 million). The number of construction sites covered by Construction Management SaaS in China was 7,316, representing a year-on-year decrease of 1.6% (same period in 2023: 7,435). In particular, the number of industrial and infrastructure construction sites was 2,036, representing a year-on-year increase of 86.6% (same period in 2023: 1,091). The average revenue per user in a single construction site for the half year was RMB8,500, representing a year-on-year increase of 6.3% (same period in 2023: RMB8,000). As of 30 June 2024, the customer account retention rate of Construction Management SaaS was 78% (same period in 2023: 83%).

(3) *Property Management & Operation SaaS*

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

In the first half of 2024, state-owned enterprise customers paid more and more attention to the revitalization of existing real estate, with the aim of improving the operational efficiency of real estate projects and thus increasing corporate revenue. “Asset Management Cloud (雲資管)” and “Cloud Lease (雲租賃)”, self-developed products of the Company, can provide dynamic project supervision and overall analysis of operating data, helping customers to sort out their assets and keep track of operational benefits. During the Reporting Period, the revenue from the product line of Property Management & Operation SaaS maintained a high growth.

BUSINESS REVIEW AND OUTLOOK

In May 2024, state-owned platform companies nationwide successively started commercial housing resumption, converting the acquired commercial housing projects into affordable housing projects. The digital demand related to the leasing and operational business of affordable housing projects gradually emerged, and the “Operation Management Platform for Affordable Housing (保障房運營管理平台)” solution created by the Company ushered in more market opportunities.

For the six months ended 30 June 2024, the product line of Property Management & Operation SaaS recorded a total revenue of RMB46.3 million, representing a year-on-year increase of 30.5% (same period in 2023: RMB35.5 million). As of 30 June 2024, the customer account retention rate of Property Management & Operation SaaS was 94% (same period in 2023: 93%).

(4) Skyline PaaS Platform

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

In the first half of 2024, Skyline PaaS Platform completed multi-language, multi-time zone, and multi-currency architecture support. Through a unified translation workbench integrated with AI tools, the platform application is adapted to multiple languages including English, Traditional Chinese, etc., providing the product configuration support for the international expansion of the Company.

In terms of AI empowerment, Skyline PaaS Platform has added GPT capabilities, including prompt builders, technology builders, model builders and GPT assistants, etc. It can provide Copilot assistant for building business process automation scenarios for enterprise management, improving work efficiency and accuracy; for application development, it provides AIGC + Low Code capability, significantly improves productivity, and supports visual correction, making it easier for users to develop applications more efficiently.

As China’s residential market is in a state of deep adjustment, residential property developers reduced the procurement of Skyline products and services. For the six months ended 30 June 2024, the product line of Skyline PaaS Platform recorded a total revenue of RMB62.1 million, representing a year-on-year decrease of 12.0% (same period in 2023: RMB70.6 million). Currently, Skyline PaaS Platform has established cooperation with a total of over 2,400 customers.

1.2 *On-premise Software and Services*

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

In the first half of 2024, China's residential market is still in a stage of deep adjustment. Private residential property developers' IT expenditure tended to be conservative. Except for product support and special value-added services that address the necessary demands of existing customers, revenues from new product licenses and delivery have both declined year-on-year. For the six months ended 30 June 2024, the total revenue from On-premise Software and Services was RMB107.9 million, representing a year-on-year decrease of 15.1% (same period in 2023: RMB127.2 million).

2. Sales and Distribution Network

We sell and deliver Cloud Services and On-premise Software and Services through our direct sales force and a nationwide network of regional channel partners. Our sales team is organized by geographic region and divided into different teams targeting different types of customers and offerings, which results in a higher level understanding of customers' varying needs. We conduct direct sales through our sales teams in Beijing, Shanghai, Guangzhou and Shenzhen, and closely work with our regional channel partners to market our Cloud Services and On-premise Software and Services to customers in the rest of China for greater cost efficiency.

As of 30 June 2024, our direct sales force consisted of more than 300 employees with good knowledge about products, technology and the real estate industry and extensive professional experience. The Company organizes the direct sales force by geographic locations and customer types to maximize sales efficiency.

3. Management and Operation

In the first half of 2024, the Company continued to implement the management policy of cost reduction and efficiency improvement, and optimizing resource allocation. At the organizational level, the Company optimized some organizational structures and streamlined management levels. At the financial level, the Company strengthened internal budget management and expense control, effectively controlled expenses from the source and process, and reduced a number of unnecessary expenses.

BUSINESS REVIEW AND OUTLOOK

For the six months ended 30 June 2024, the Company's selling and marketing expenses were RMB407.8 million, representing a year-on-year decrease of 9.8% (same period in 2023: RMB452.0 million). Our general and administrative expenses were RMB140.9 million, representing a year-on-year decrease of 46.6% (same period in 2023: RMB263.8 million). Our research and development expenses were RMB254.1 million, representing a year-on-year decrease of 22.2% (same period in 2023: RMB326.7 million). The Company's per capita output for the half year of 2024 was RMB301,000, representing a year-on-year increase of 22.9% (same period in 2023: RMB245,000).

III. INDUSTRY PROSPECT

1. Residential Market

- 1.1 In the short to medium term, residential real estate policy in China is expected to continue to be relaxed. On 18 July 2024, the Third Plenary Session of the 20th Central Committee of the Communist Party of China passed the Resolution of the Central Committee of the Communist Party of China on Further Deepening Reform Comprehensively to Advance Chinese Modernization 《中共中央關於進一步全面深化改革推進中國式現代化的決定》, which mentions that "municipal governments will be given greater decision-making powers to regulate the real estate market, and based on local conditions, some cities will be permitted to abolish or reduce restrictions on housing purchases and to scrap relevant standards for ordinary and non-ordinary housing". It is expected that cities with restrictive residential transactions will continue to launch house purchasing incentive policies in the future to stimulate demand for house purchasing from perspectives such as subsidies for house purchasing and exemptions on transaction taxes and fees, aiding the market recovery.
- 1.2 In the long term, structural demand in the residential market still exists. According to the analysis of the China Housing Stock Measurement Report 《中國住房存量測算報告》, China's urbanization rate was 66.2% in 2023, and it is expected that there will be an inflow of more than 200 million urban population into the metropolitan areas and city clusters in the future, the core cities will continue to face housing shortage, and the demand for improved housing will remain strong. Due to the low-frequency and high-value characteristics of residential transactions in China, a large number of business scenarios rely heavily on offline environment, resulting in a significantly lower digital penetration rate of real estate compared to other industries. With the continuous evolution of emerging technologies such as AI and market recovery, residential developers will still maintain the digital upgrades of their core business, and the market penetration rate is expected to continue to increase in the long term.

- 1.3 China continues to increase its investment in affordable housing. In May 2024, the People's Bank of China set up an affordable housing central bank lending of RMB300 billion to support local state-owned enterprises in acquiring stock commercial housing at a reasonable price to be used as affordable housing for sale or lease to boost the stock reduction in the commercial housing market and increase the supply of affordable housing. Published on 18 July 2024, the Resolution of the Central Committee of the Communist Party of China on Further Deepening Reform Comprehensively to Advance Chinese Modernization 《中共中央關於進一步全面深化改革，推進中國式現代化的決定》 mentioned, "shall accelerate the establishment of rent and purchase housing system; accelerate the construction of a new model of real estate development and increase the construction and supply of affordable housing to meet the rigid housing demand of wage earners". It is expected that China will gradually establish a "market + affordable" housing supply system in the future. As the local acquisition and reservation of commercial housing is generally carried out by local platform companies, the business digital demand of the renovation, business solicitation and operation involved after the acquisition and reservation of relevant commercial housing projects will provide the Company with clear market opportunities.

2. Commercial, Industrial and Infrastructure Market

- 2.1 National treasury instruments will continue to support infrastructure investment, and the special bonds and ultra-long-term special treasury bonds issued by the central government will enter an intensive issuance period in the second half of the year. With the funding support in place, China's infrastructure investment volume growth is expected to increase, the funding of local state-owned platform companies will improve significantly, and the digital demand derived from relevant project construction is expected to be enhanced.
- 2.2 Local governments regard the revitalization of existing assets as an important channel for raising finance income, thus realizing the comprehensive effects of increasing the efficiency of enterprises, increasing government tax revenue, and revitalizing cities by changing the use of stock assets and improving the utilization rate of assets. The digital system can effectively help state-owned enterprises identify the base number of the stock real estate, establish a real-time dynamic management mechanism, and provide data and information basis for the subsequent optimization and transformation of the stock real estate and the allocation of resources. In the long run, the inventory of real estate management & operation product line still has strong customer demand and growth potential.

BUSINESS REVIEW AND OUTLOOK

IV. BUSINESS OUTLOOK

China's residential market is still undergoing a period of deep adjustment. In the face of this tremendous negative impact, the Company has timely carried out business transformation and attained some progress, achieving year-on-year revenue growth in some product lines. In the long term, the Company believes in the digital opportunities brought about by China's real estate market in trillions and is determined to implement the strategic objective of "shifting from new real estate market development to both new real estate development and existing real estate management", and to accelerate its business transformation in key customer base and target markets.

In the second half of 2024, the Company will continue to implement the four major strategies set out at the beginning of the year:

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

- 1.1 We will focus on the demand of high-quality state-owned residential property developers, and accelerate the promotion of customer acquisition products such as "video marketing" to facilitate the selling of customer projects. We will integrate AI technology into management products to provide customers with a more customized service experience and strive to increase the market share of state-owned residential property developers.
- 1.2 We will select state-owned platform companies with high ratings and stable operations and provide them with more vertical digital solutions for their respective business areas. For example, we will provide affordable housing construction companies with digital solutions on basic affordable housing projects to meet the management needs in the business stages of construction, business solicitation, and operation. We will continue to cultivate customer demands in different subsectors and accelerate the increase in revenue from state-owned platform company customers.

BUSINESS REVIEW AND OUTLOOK

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

- 2.1 We will build “AI + SaaS” applications and incubate more functional modules with scenario value leveraging large models. The Company has successively released products and solutions such as “Creative Factory (創意工廠)” and “AI Smart Cost (AI 智慧成本)” in the business fields of smart marketing and project construction, which have proven their commercial value to customers. In the future, the Company will continue to help customers realize the intelligent upgrade of their business and management, and create the most professional AI large model for the real estate industry in China.
- 2.2 We will realize “AI + PaaS” integration and enhance the productivity of the PaaS platform through large models. The Skyline PaaS platform launched productivity tools such as “Application Development Assistant (應用開發助手)” and “Data Analysis Assistant (數據分析助手)”, which can quickly generate data models, pages/forms, business processes, report analysis and other objects based on natural semantics, images and documents, and support zero/low code customization requirements to help customers quickly build and expand their own applications. The Company will continue to utilize AI to empower the Skyline PaaS platform and enhance the production capabilities of its developers.

3. Launching internationalization strategy and actively expanding overseas markets

- 3.1 At present, the Company has made partial breakthroughs in the Southeast Asian market, established cooperative relationships with a number of ecological partners, and successfully contracted a number of overseas customers. In the second half of the year, the Company will accelerate the promotion in the Southeast Asian market and Hong Kong market to establish more local benchmark customers.
- 3.2 In the first half of the year, the Company completed the international adaptation and transformation of its overseas products, and its key products have been ready for delivery. In combination with the expansion of customers, the Company will launch a number of overseas products and solutions integrating AI capabilities in the second half of the year and will ensure high-quality deliveries to contracted customers.

BUSINESS REVIEW AND OUTLOOK

3.3 The Company will further expand the scale of its overseas team. Based on the establishment of the Singapore subsidiary, we will continue to establish local teams in Malaysia and Hong Kong in the future, and at the same time, continue to expand the overseas product research and development team, so as to lay a good foundation of talents for accelerating the expansion of overseas markets in 2025.

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

4.1 We will improve the quality of our operations and continue to optimize cost inputs while ensuring the delivery and service quality. Especially in terms of research and development resources, the Company will adopt more stringent product project establishment management to ensure that the resources are invested in research and development projects with the highest potential and in line with the Company's strategic objectives. The Company will adopt the outsourcing partnership model in non-core areas to continuously reduce research and development costs.

4.2 We will continue to improve our human efficiency, strengthen the construction of cadres and professional capabilities, and improve skills and work efficiency of employees. The Company will expand the scale of campus recruitment to reserve more high-potential new talents, further improve the talent structure, enhance the reasonable mobility of talents and resource sharing, and improve the overall operating efficiency of the Company.

4.3 We will intensify the application of AI across the Company, and our research and development personnel will use development tools such as "Skyline GPT-Application Development Assistant (天際GPT-應用開發助手)" and "Data Analysis Assistant (數據分析助手)" to enhance the research and development efficiency of the Company in development/testing and other aspects. In the future, the Company will continue to strengthen the training of service/delivery/function line employees to ensure that they use AI tools to achieve human-machine collaboration, maximize production capacity and innovation capabilities, and enable the Company to maintain a leading position in the competition.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

| | Six months ended 30 June | |
|--|--------------------------|-----------------|
| | 2024 RMB'000 | 2023 RMB'000 |
| Revenues | 720,106 | 762,340 |
| Cost of sales | (142,410) | (153,572) |
| Gross profit | 577,696 | 608,768 |
| Selling and marketing expenses | (407,759) | (452,004) |
| General and administrative expenses | (140,944) | (263,849) |
| Research and development expenses | (254,068) | (326,700) |
| Net impairment losses on financial assets and contract assets | (18,979) | (16,752) |
| Other income | 49,371 | 27,890 |
| Other (losses)/gains, net | (15,751) | 19,480 |
| Operating loss | (210,434) | (403,167) |
| Finance income | 97,006 | 83,852 |
| Finance costs | (2,668) | (4,218) |
| Finance income, net | 94,338 | 79,634 |
| Share of losses of investments accounted for using the equity method | (191) | (1,036) |
| Loss before income tax | (116,287) | (324,569) |
| Income tax credit/(expense) | 918 | (164) |
| Loss for the period | (115,369) | (324,733) |
| Loss attributable to: | | |
| Owners of the Company | (115,369) | (323,324) |
| Non-controlling interests | – | (1,409) |
| | (115,369) | (324,733) |

MANAGEMENT DISCUSSION AND ANALYSIS

Revenues

During the Reporting Period, our total revenue was RMB720.1 million, representing a year-on-year decrease of 5.5% (same period in 2023: RMB762.3 million). The following table sets forth a breakdown of our revenue by business segment for the financial period(s) indicated.

| | Six months ended 30 June | | |
|---|---|-------------|-------------|
| | 2024 RMB | 2023 RMB | Change % |
| | <i>(RMB in thousand, except percentage)</i> | | |
| Cloud Services | 612,174 | 635,140 | (3.6) |
| – CRM SaaS | 441,280 | 469,521 | (6.0) |
| – Construction Management SaaS | 62,452 | 59,554 | 4.9 |
| – Property Management & Operation SaaS | 46,303 | 35,489 | 30.5 |
| – Skyline PaaS Platform | 62,139 | 70,576 | (12.0) |
| On-premise Software and Services | 107,932 | 127,200 | (15.1) |
| Total | 720,106 | 762,340 | (5.5) |

For the six months ended 30 June 2024, the revenue from Cloud Services was RMB612.2 million, representing a year-on-year decrease of 3.6%, accounting for 85.0% of the total revenue (same period in 2023: 83.3%). In terms of the segmented product lines of Cloud Services, the revenue from CRM SaaS was RMB441.3 million, representing a year-on-year decrease of 6.0% during the Reporting Period. The revenue from Construction Management SaaS was RMB62.5 million, representing a year-on-year increase of 4.9%, the revenue from Property Management & Operation SaaS was RMB46.3 million, representing a year-on-year increase of 30.5%.

For the six months ended 30 June 2024, the revenue from On-premise Software and Services was RMB107.9 million, representing a year-on-year decrease of 15.1%.

Gross Profit

During the Reporting Period, the Group's overall gross profit was RMB577.7 million, representing a year-on-year decrease of 5.1% (same period in 2023: RMB608.8 million). Our overall gross profit margin remained stable at 80.2% (same period in 2023: 79.9%).

MANAGEMENT DISCUSSION AND ANALYSIS

Selling and Marketing Expenses

During the Reporting Period, our selling and marketing expenses were RMB407.8 million, representing a year-on-year decrease of 9.8% (same period in 2023: RMB452.0 million). Our selling and marketing expenses after excluding the share-based compensation were RMB394.1 million, representing a year-on-year decrease of 6.5% (same period in 2023: RMB421.4 million).

General and Administrative Expenses

During the Reporting Period, our general and administrative expenses were RMB140.9 million, representing a year-on-year decrease of 46.6% (same period in 2023: RMB263.8 million). Our general and administrative expenses after excluding the share-based compensation were RMB61.3 million, representing a year-on-year decrease of 17.5% (same period in 2023: RMB74.3 million).

Research and Development Expenses

During the Reporting Period, our research and development expenses were RMB254.1 million, representing a year-on-year decrease of 22.2% (same period in 2023: RMB326.7 million). Our research and development expenses after excluding the share-based compensation were RMB248.9 million, representing a year-on-year decrease of 22.0% (same period in 2023: RMB319.2 million).

Net Impairment Losses on Financial Assets and Contract Assets

During the Reporting Period, our net impairment losses were RMB19.0 million, representing a year-on-year increase of 13.1% (same period in 2023: RMB16.8 million).

Other Income

During the Reporting Period, our other income was RMB49.4 million, representing a year-on-year increase of 77.1% (same period in 2023: RMB27.9 million).

Other (Losses)/Gains, Net

During the Reporting Period, our other losses, net amounted to RMB15.8 million, representing a year-on-year increase of RMB35.3 million (other gains, net for the same period in 2023: RMB19.5 million).

MANAGEMENT DISCUSSION AND ANALYSIS

Operating Loss

During the Reporting Period, our operating loss amounted to RMB210.4 million, representing a year-on-year decrease of 47.8% (operating loss for the same period in 2023: RMB403.2 million).

Finance Income

During the Reporting Period, our finance income amounted to RMB97.0 million, representing a year-on-year increase of 15.6% (same period in 2023: RMB83.9 million), primarily due to an increase in interest income from bank deposits.

Finance Costs

During the Reporting Period, our finance costs amounted to RMB2.7 million, representing a year-on-year decrease of 35.7% (same period in 2023: RMB4.2 million).

Loss Before Income Tax

As a result of the foregoing, we had a loss before income tax of RMB116.3 million for the six months ended 30 June 2024, representing a year-on-year decrease of 64.2% (loss before income tax for the same period in 2023: RMB324.6 million).

Income Tax Credit/(Expense)

During the Reporting Period, our income tax credit amounted to RMB0.9 million (income tax expense for the same period in 2023: RMB0.2 million).

Loss for the Period

As a result of the foregoing, during the Reporting Period, we recorded a loss for the period of approximately RMB115.4 million, representing a year-on-year decrease of 64.5% (loss for the same period in 2023: RMB324.7 million).

MANAGEMENT DISCUSSION AND ANALYSIS

Non-IFRS Measures

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

Adjusted Net Loss

We define adjusted net loss as net loss for the period adjusted by adding back share-based compensation expenses.

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

| | Six months ended 30 June | | Change % |
|--|--------------------------|-----------------|-------------|
| | 2024 RMB'000 | 2023 RMB'000 | |
| Reconciliation of net loss and adjusted net loss | | | |
| Net loss for the period | (115,369) | (324,733) | (64.5) |
| Share-based compensation expenses | 98,407 | 227,597 | (56.8) |
| Adjusted net loss | (16,962) | (97,136) | (82.5) |

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.

MANAGEMENT DISCUSSION AND ANALYSIS

Cash and Cash Equivalents and Term Deposits

As at 30 June 2024, cash and cash equivalents and term deposits of the Group recorded a total of approximately RMB3,841.5 million (31 December 2023: RMB4,392.0 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 and USD.

Current Ratio

As at 30 June 2024, net current assets of the Group were approximately RMB3,496.8 million (31 December 2023: RMB3,947.2 million). As at 30 June 2024, the current ratio of current assets to current liabilities was approximately 5.43, down from 5.96 as at 31 December 2023.

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 30 June 2024, the Group has a net cash position.

Capital Commitments

As at 30 June 2024, we did not have material capital commitments with respect to assets under construction (31 December 2023: nil).

Contingent Liabilities

As at 30 June 2024, we did not have any material contingent liabilities.

MANAGEMENT DISCUSSION AND ANALYSIS

FOREIGN EXCHANGE RISK MANAGEMENT

We mainly carry out our operations in the PRC with most transactions settled in Renminbi, and we are exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the 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. However, 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 of the Group manages the credit risk by placing deposits in state-owned financial institutions in the PRC or reputable banks and financial institutions having high-credit-quality in the PRC and Hong Kong.

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

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 six-month funding plans, reviewing and summarizing six-month 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 six-month and monthly funding plans, we have established prudent fund management principle, 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.

CHARGE OF ASSETS

As at 30 June 2024, we did not charge any of our assets.

MATERIAL ACQUISITIONS, DISPOSALS AND SIGNIFICANT INVESTMENTS

As at 30 June 2024, we did not hold any significant investments.

MANAGEMENT DISCUSSION AND ANALYSIS

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

During the six months ended 30 June 2024, there were no material acquisitions, disposals of subsidiaries, associates and joint ventures.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

During the six months ended and as of 30 June 2024, the Group did not have plans for material investments and capital assets.

EMPLOYEES

As at 30 June 2024, we had 2,202 (31 December 2023: 2,577) employees in total, representing a decrease of 14.6% compared with 31 December 2023. For the six months ended June 30, 2024, the Group's total staff costs amounted to approximately RMB593.0 million, including wages, salaries, 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.

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

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

We have granted and planned to continue to grant share-based incentive awards to our employees in the future to incentivize their contributions to our growth and development.

SUBSEQUENT EVENT

Since 30 June 2024 and up to the date of this report, there were no other significant events affecting the Group.

OTHER INFORMATION

CONSTITUTIONAL DOCUMENTS

Upon the Shareholders' approval on 10 May 2024 at the AGM, the Company has adopted the Third Amended and Restated Articles of Association for the purpose of, *among others*, bringing the then-existing articles of association of the Company in line with certain amendments to the Listing Rules regarding electronic dissemination of corporate communications by listed issuers which took effect from 31 December 2023 and other house-keeping amendments that are consistent with such amendments and the applicable laws and the Listing Rules. For further details, please refer to the announcement of the Company dated 19 March 2024 and the circular of the Company dated 17 April 2024.

CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance to safeguard the interests of the Shareholders and to enhance corporate value and accountability. The Company has adopted the Corporate Governance Code (the "**CG Code**") contained in Appendix C1 to the Listing Rules as its own code of corporate governance. For the six months ended 30 June 2024, the Board is of the opinion that the Company has complied with all the code provisions set out in the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix C3 to the Listing Rules as its own code of conduct regarding Directors' securities transactions since the Listing Date. Having made specific enquiry with the Directors, all of the Directors confirmed that he/she has complied with the required standards as set out in the Model Code during the Reporting Period.

The Company's employees, who are likely to be in possession of unpublished inside information of the Company, are also subject to the Model Code. No incident of non-compliance of the Model Code by the employees was noted by the Company as at 30 June 2024.

CHANGES TO DIRECTORS' INFORMATION

There was no change to any information required to be disclosed in relation to any Director pursuant to paragraphs (a) to (e) and (g) under Rule 13.51(2) of the Listing Rules since the publication of the annual report of the Company for the financial year ended 31 December 2023.

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2024 (for the six months ended 30 June 2023: Nil).

AUDIT COMMITTEE

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

The Audit Committee has jointly reviewed with the management of the Company the accounting principles and policies adopted by the Company and discussed internal control and financial reporting matters (including the review of the unaudited interim financial information for the six months ended 30 June 2024) of the Group. The Audit Committee considered that the interim financial information is in compliance with the applicable accounting standards, laws and regulations.

REVIEW OF INTERIM FINANCIAL INFORMATION

The independent auditor of the Company, namely PricewaterhouseCoopers, has carried out a review of the interim financial information in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". The comparative information for the interim condensed consolidated statement of financial position is based on the audited financial statements as of 31 December 2023. The comparative information for the interim condensed consolidated statements of comprehensive income, changes in equity and cash flows, and the related explanatory notes, for the six months ended 30 June 2024 have been reviewed.

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

During the Reporting Period, the Company has repurchased a total of 7,251,000 Shares (collectively, the "**Shares Repurchased**") on the Stock Exchange at an aggregate consideration of HK\$15,272,040.43 before expenses. On 6 June 2024, the Company has cancelled a total of 8,311,000 Shares Repurchased from 5 December 2023 until 28 March 2024. As at 30 June 2024, all Shares Repurchased during the Reporting Period had been cancelled.

OTHER INFORMATION

Further details of the Shares Repurchased during the Reporting Period are as follows:

| Month of repurchase | Total number of Shares Repurchased | Purchase price paid per Share | | Aggregate consideration <i>HK\$</i> |
|---------------------|--|-------------------------------|-----------------------|---|
| | | Highest <i>HK\$</i> | Lowest <i>HK\$</i> | |
| 2024 | | | | |
| January | 2,020,000 | 2.15 | 2.05 | 4,219,048.81 |
| February | 4,351,000 | 2.15 | 1.92 | 8,916,048.93 |
| March | 880,000 | 2.50 | 2.37 | 2,136,942.69 |
| Total | 7,251,000 | | | 15,272,040.43 |

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

As at 30 June 2024, there is no treasury shares held by the Company. Subsequent to the Reporting Period and as of August 31, 2024, being the latest practicable date of this report, the Company had repurchased a total of 12,316,000 Shares on the Stock Exchange held as treasury shares at the aggregate consideration of HK\$24,160,730.28. Subject to compliance with the Listing Rules, the Company may consider applying such treasury shares for funding existing share schemes of the Company.

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

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.

USE OF NET PROCEEDS FROM THE GLOBAL OFFERING

The Shares were listed on the Main Board of the Stock Exchange on 25 September 2020. Our Company received net proceeds (after deduction of underwriting commissions and related costs and expenses) from the Global Offering (including the proceeds from the full exercise of over-allotment option) of approximately HK\$6,910.3 million (collectively, the “**Net Proceeds**”).

The table below illustrates, among others, (i) the utilization of the Net Proceeds during the Reporting Period and the unutilized amount of Net Proceeds as of 30 June 2024; and (ii) the change in use of proceeds (details as disclosed in the announcement of Company dated 15 August 2024), in each case, in accordance with paragraph 11(8) of Appendix D2 to the Listing Rules:

| Item | Approximate % of total Net Proceeds as disclosed in the Prospectus | Net Proceeds from the Global Offering <i>HK\$ million</i> | Unutilized Net Proceeds as at 1 January 2024 <i>HK\$ million</i> | Net Proceeds utilized during the Reporting Period <i>HK\$ million</i> | Utilized Net Proceeds as at 30 June 2024 <i>HK\$ million</i> | Unutilized Net Proceeds as at 30 June 2024 <i>HK\$ million</i> | Current expected timeline of full utilization of the unutilized Net Proceeds ^(Note 1) |
|---|--|---|---|--|---|---|--|
| Further upgrade and enhance the functionalities and features of our existing SaaS products ^(Note 2) | | | | | | | |
| (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 | 305.39 | 157.79 | 1,096.26 | 147.60 | Before 31 December 2026 |
| (b) Purchase from qualified suppliers advanced equipment, infrastructure and applications | 6.0% | 414.62 | 179.21 | 76.60 | 312.01 | 102.61 | Before 31 December 2026 |
| (c) Invest in product development to introduce new SaaS products | 6.0% | 414.62 | 198.95 | 72.72 | 288.39 | 126.23 | Before 31 December 2026 |

OTHER INFORMATION

| Item | Approximate % of total Net Proceeds as disclosed in the Prospectus | Net Proceeds from the Global Offering <i>HK\$ million</i> | Unutilized Net Proceeds as at 1 January 2024 <i>HK\$ million</i> | Net Proceeds utilized during the Reporting Period <i>HK\$ million</i> | Utilized Net Proceeds as at 30 June 2024 <i>HK\$ million</i> | Unutilized Net Proceeds as at 30 June 2024 <i>HK\$ million</i> | Current expected timeline of full utilization of the unutilized Net Proceeds <i>(Note 1)</i> |
|--|--|---|---|--|---|---|--|
| Enhance research and development efforts in cutting-edge technologies <i>(Note 2)</i> | | | | | | | |
| (a) Develop our proprietary key fundamental technologies that support product innovation | 8.0% | 552.82 | 356.57 | 39.80 | 236.05 | 316.77 | Before 31 December 2030 |
| (b) Develop our own technology infrastructure | 12.0% | 829.24 | 534.87 | 59.70 | 354.07 | 475.17 | Before 31 December 2030 |
| Further upgrade and enhance the functionalities and features of our cloud-based ERP solutions | | | | | | | |
| (a) Enhance our existing product support and value-added service capabilities | 6.0% | 414.62 | – | – | 414.62 | – | Not applicable |
| (b) Expand our existing ERP modules and functions to cover more internal business and operational processes of property developers | 4.0% | 276.41 | – | – | 276.41 | – | Not applicable |
| Enhance our sales and marketing capabilities and strengthen our brand reputation | | | | | | | |
| (a) Expand, retain and train our direct sales force | 3.0% | 207.31 | – | – | 207.31 | – | Not applicable |
| (b) Establish an interactive, knowledge-sharing platform with leading property developers | 2.0% | 138.21 | – | – | 138.21 | – | Not applicable |
| (c) Enhance our branding and marketing activities to acquire new customers | 3.0% | 207.31 | – | – | 207.31 | – | Not applicable |
| (d) Invest to strengthen and expand our regional channel partner network | 2.0% | 138.21 | – | – | 138.21 | – | Not applicable |

OTHER INFORMATION

| Item | Approximate % of total Net Proceeds as disclosed in the Prospectus | Net Proceeds from the Global Offering <i>HK\$ million</i> | Unutilized Net Proceeds as at 1 January 2024 <i>HK\$ million</i> | Net Proceeds utilized during the Reporting Period <i>HK\$ million</i> | Utilized Net Proceeds as at 30 June 2024 <i>HK\$ million</i> | Unutilized Net Proceeds as at 30 June 2024 <i>HK\$ million</i> | Current expected timeline of full utilization of the unutilized Net Proceeds ^(Note 1) |
|--|--|---|---|--|---|---|--|
| Selectively pursue strategic investments and acquisitions ^(Note 2) | 20.0% | 1,382.06 | 802.55 | – | 579.51 | 802.55 | Before 31 December 2028 |
| Working capital and general corporate purposes | 10.0% | 691.03 | – | – | 691.03 | – | Not applicable |
| Total | 100.0% | 6,910.32 | 2,377.54 | 406.61 | 4,939.39 | 1,970.93 | |

Notes:

1. The aforesaid current expected timeline was devised based on the Company's estimation of its business needs as of the date of this report and is subject to change(s) so long as it is deemed to be in the best interests of the Company and to the extent permitted by applicable laws and regulations and the actual circumstances of the Company.
2. To the extent that any of such unutilized Net Proceeds are not immediately required for the allocated purpose, or if the Company is unable to put into effect any part of its plans as intended, the Company may temporarily use such funds to invest in short-term wealth management products so long as it is deemed to be in the best interests of the Company. In such event, the Company will comply with the appropriate disclosure requirements under the Listing Rules. Together with the income to be generated from the investment in wealth management products, the Company will continue to apply the unutilized Net Proceeds in the manner disclosed in the Prospectus.

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

As far as the Company is aware, as at 30 June 2024, 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 its associated corporations (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:

OTHER INFORMATION

Interests in the Shares

| Name of Director | Capacity/Nature of Interest | Number of Shares interested | Approximate percentage of shareholding ⁽⁴⁾ |
|---|-----------------------------|-----------------------------|---|
| Mr. Gao Yu (“ Mr. Gao ”) ⁽¹⁾ | Settlor of a trust | 384,256,934 (L) | 19.62% |
| | | 8,333,334 (S) | 0.43% |
| Mr. Chen Xiaohui (“ Mr. Chen ”) ⁽²⁾ | Settlor of a trust | 303,644,800 (L) | 15.50% |
| | | 41,500,000 (S) | 2.12% |
| Mr. Jiang Haiyang (“ Mr. Jiang ”) ⁽³⁾ | Settlor of a trust | 187,826,600 (L) | 9.59% |
| | | 26,000,000 (S) | 1.33% |

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

Notes:

- (1) As at 30 June 2024, GHTongRui Investment Limited directly held 384,256,934 Shares in our Company. GHTongRui Investment Limited is 99% held by MYTongRui Holdings Limited, which is in turn wholly-owned by TMF (Cayman) Ltd., the trustee of the family trust established by Mr. Gao (as the settlor) with him and his family members being the beneficiaries. Accordingly, Mr. Gao is deemed to be interested in the total number of Shares held by GHTongRui Investment Limited.
- (2) As at 30 June 2024, HengXinYuan Investment Limited and SunshineSmoor Holdings Limited directly held 299,644,800 Shares and 4,000,000 Shares in our Company, respectively. HengXinYuan Investment Limited and SunshineSmoor Holdings Limited are 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 30 June 2024, LINGFAN Investment Limited directly held 187,826,600 Shares in our Company. LINGFAN Investment Limited is 99% held by Mindfree Holdings Limited, which is in turn wholly-owned by TMF (Cayman) Ltd., the trustee of the family trust established by Mr. Jiang (as the settlor) with him and his family members being the beneficiaries. Accordingly, Mr. Jiang is deemed to be interested in the total number of Shares held by LINGFAN Investment Limited.
- (4) As at 30 June 2024, there were 1,958,784,020 Shares in issue.

OTHER INFORMATION

Interests in Associated Corporations

| Name of Director | Name of associated corporation | Amount of registered capital held | Approximate percentage of interests |
|-------------------------|---------------------------------------|--|--|
| Mr. Gao | Ming Yuan Cloud Procurement | RMB4,000,000.05 | 45.00% |
| Mr. Chen | Ming Yuan Cloud Procurement | RMB3,022,222.26 | 34.00% |
| Mr. Jiang | Ming Yuan Cloud Procurement | RMB1,866,666.69 | 21.00% |

Save as disclosed above and to the best knowledge of our Directors, none of the Directors or chief executive of our Company had or was deemed to have any interest or short positions in the Shares, underlying Shares or debentures of our Company or any of its associated corporations as at 30 June 2024.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as otherwise disclosed in this report, at no time during the six months ended 30 June 2024 was the Company or any of its subsidiaries, a party to any arrangement that would enable the Directors to acquire benefits by means of acquisition of Shares in, or debentures of, the Company or any other body corporate, and none of the Directors or any of their spouses or children under the age of 18 had any right to subscribe for the share capital or debt securities of the Company or any other body corporate or had exercised any such right.

OTHER INFORMATION

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

As far as the Company is aware, as at 30 June 2024, 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:

Interests in the Shares

| Name of Shareholder | Capacity/Nature of Interest | Number of Shares interested | Approximate percentage of shareholding ⁽⁶⁾ |
|---|------------------------------------|-----------------------------|---|
| GHTongRui Investment Limited ⁽¹⁾ | Beneficial interest | 384,256,934 (L) | 19.62% |
| | | 8,333,334 (S) | 0.43% |
| MYTongRui Holdings Limited ⁽¹⁾ | Interest in controlled corporation | 384,256,934 (L) | 19.62% |
| | | 8,333,334 (S) | 0.43% |
| HengXinYuan Investment Limited ⁽²⁾ | Beneficial interest | 299,644,800 (L) | 15.30% |
| | | 41,500,000 (S) | 2.12% |
| SunshineMorning Holdings Limited ⁽²⁾ | Interest in controlled corporation | 303,644,800 (L) | 15.50% |
| | | 41,500,000 (S) | 2.12% |
| LINGFAN Investment Limited ⁽³⁾ | Beneficial interest | 187,826,600 (L) | 9.59% |
| | | 26,000,000 (S) | 1.33% |
| Mindfree Holdings Limited ⁽³⁾ | Interest in controlled corporation | 187,826,600 (L) | 9.59% |
| | | 26,000,000 (S) | 1.33% |
| TMF (Cayman) Ltd. ⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾ | Trustee of 3 trusts | 875,728,334 (L) | 44.71% |
| | | 75,833,334 (S) | 3.87% |
| TMF Trust (HK) Limited ⁽⁵⁾ | Trustee | 195,172,078 (L) | 9.96% |

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

Notes:

- (1) GHTongRui Investment Limited is 99% held by MYTongRui Holdings Limited, which is in turn wholly-owned by TMF (Cayman) Ltd., the trustee of the family trust established by Mr. Gao (as the settlor) with him and his family members being the beneficiaries. Accordingly, MYTongRui Holdings Limited is deemed to be interested in the total number of Shares held by GHTongRui Investment Limited.
- (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 4,000,000 issued Shares and is wholly held by SunshineMorning Holdings Limited.

Accordingly, SunshineMorning Holdings Limited is deemed to be interested in the total number of Shares held by HengXinYuan Investment Limited and SunshineSmoor Holdings Limited.
- (3) LINGFAN Investment Limited is 99% held by Mindfree Holdings Limited, which is in turn wholly-owned by TMF (Cayman) Ltd., the trustee of the family trust established by Mr. Jiang (as the settlor) with him and his family members being the beneficiaries. Accordingly, Mindfree Holdings Limited is deemed to be interested in the total number of Shares held by LINGFAN Investment Limited.
- (4) TMF (Cayman) Ltd. is deemed to be interested in the total number of Shares held by each of GHTongRui Investment Limited, HengXinYuan Investment Limited, LINGFAN Investment Limited and SunshineSmoor Holdings Limited as noted above.
- (5) TMF Trust (HK) Limited is deemed to be interested in the total number of Shares held by MYC and JIABAOSZ Investment Limited. JIABAOSZ Investment Limited beneficially holds 82,180,000 of our issued Shares and is 99% held by JINBAOSZ Holdings Limited, which is in turn wholly-owned by TMF Trust (HK) Limited, the trustee of the family trust established by Mr. Yao Wu (as the settlor) with him and his family members being the beneficiaries. MYC is a special purpose vehicle wholly-owned by TMF Trust (HK) Limited, the trustee appointed by the Company for the administration of the Share Award Scheme.
- (6) As at 30 June 2024, there were 1,958,784,020 Shares in issue.

OTHER INFORMATION

Save as disclosed above and to the best knowledge of our Directors, as at 30 June 2024, 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.

SHARE SCHEMES

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

At the beginning of the Reporting Period, the total number of Options, Awards and/or RSUs available for grant under the Share Incentive Plan, the Share Award Scheme and the Share Option Scheme were 13,719,580, 36,461,453 and 55,357,499, respectively.

On 10 May 2024 (the “**Amendment Date**”), the terms of the Share Schemes were amended (by way of Shareholders’ approval) to fully comply with Chapter 17 of the Listing Rules. For further details of the amendments of the Share Schemes that took effect from the Amendment Date, please refer to the circular of the Company dated 17 April 2024 and the poll results announcement of the Company dated 10 May 2024. With effect from the Amendment Date and after the adoption of the Scheme Limit and the Service Provider Sublimit, 196,709,502 underlying Shares shall be available for future grants under Scheme Limit and 9,835,475 Shares will be available for future grants under Service Provider Sublimit. The total number of Shares that may be issued in respect of options and awards granted under all share schemes of the Company during the Reporting Period divided by the weighted average number of Shares in issue (excluding treasury shares) for the Reporting Period was 1.34%.

As no grants were made since the Amendment Date up to 30 June 2024, the number of options and awards available for grant under the Scheme Limit and the Service Provider Sublimit at the end of the Reporting Period were 196,709,502 and 9,835,475. As at the date of this report, the total number of Shares available for issue under all the Share Schemes was 196,709,502, representing approximately 10.08% of the issued Shares (excluding any treasury shares held by the Company).

Further details regarding the Share Schemes are set out below.

(1) SHARE INCENTIVE PLAN

The Share Incentive Plan was adopted and approved by resolutions in writing by the Board on 29 March 2020 and further amended and restated on the Amendment Date to comply with the provisions of Chapter 17 of the Listing Rules (which took effect from 1 January 2023) and has a remaining term of approximately 5 years and 7 months as at the date of this report. The purposes of the Share Incentive Plan are to (i) 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 (ii) encourage and retain eligible persons to make contributions to the long-term growth and profits of the Group.

During the Reporting Period, no grants were made under the Share Incentive Plan. At the beginning of the Reporting Period (that is, prior to the adoption of the Scheme Limit on the Amendment Date), the total number of awards available for grant under the scheme mandate of the Share Incentive Plan was 13,719,580.

Further details of movement of awards (funded by (i) new Shares to be issued or (ii) Shares previously issued to, and held on trust by, MYC for the purpose of funding future grant of awards) of the Group under the Share Incentive Plan and the Share Award Scheme, in each case during the Reporting Period have been set out in pages 38 to 40 of this report.

Save as disclosed herein, since the adoption of the Share Incentive Plan and up to 30 June 2024, no Awards had been granted or agreed to be granted, vested, exercised, released or cancelled pursuant to the Share Incentive Plan.

(2) SHARE AWARD SCHEME

We adopted the Share Award Scheme on 11 June 2021 and further amended and restated on the Amendment Date to comply with the provisions of Chapter 17 of the Listing Rules (which took effect from 1 January 2023) and has a remaining term of approximately 6 years and 9 months as at the date of this report. The purposes of the Share Award Scheme are to (i) 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 (ii) encourage and retain eligible persons to make contributions to the long-term growth and profits of the Group.

OTHER INFORMATION

During the Reporting Period, 24,779,266 Awards were granted under the Share Award Scheme. Save as disclosed herein, since the adoption of the Share Award Scheme and up to 30 June 2024, no awards had been granted or agreed to be granted, vested, transferred, released, forfeited or repurchased pursuant to the Share Award Scheme. At the beginning of the Reporting Period (that is, prior to the adoption of the Scheme Limit on the Amendment Date), the total number of Awards available for grant under the scheme mandate of the Share Award Scheme was 36,461,453.

Set forth below are the details of movement in awards under the Share Incentive Plan and the Share Award Scheme during the Reporting Period pursuant to Rule 17.07 of the Listing Rules

| Date of award | Number of Shares underlying awards | | | | | | Vesting Period | Weighted average closing price of the Shares immediately before the dates on which the awards were vested (HK\$) | Performance target(s), if any |
|------------------------------|--------------------------------------|-------------------------------------|------------------------------------|---|---------------------------------------|------------------------------------|--|--|-------------------------------|
| | Unvested awards as at 1 January 2024 | Granted during the Reporting Period | Vested during the Reporting Period | Lapsed/ forfeited during the Reporting Period | Cancelled during the Reporting Period | Unvested awards as at 30 June 2024 | | | |
| Employee Participants | | | | | | | | | |
| 10 April 2020 (Note 6) | 4,960,000 | - | - | 200,000 | - | 4,760,000 | 25 September 2022 to 25 September 2025 | - | N/A |
| 1 July 2021 (Note 6) | 22,614,294 | - | - | 1,240,653 | - | 21,373,641 | 1 July 2023 to 1 July 2026 | - | See Note 1 |
| 29 October 2021 (Note 6) | 1,030,212 | - | - | 147,497 | - | 882,715 | 29 October 2023 to 29 October 2026 | - | See Note 1 |
| 11 January 2022 (Note 6) | 4,598,613 | - | 1,379,579 | 1,561,402 | - | 1,657,632 | 11 January 2024 to 11 January 2027 | 2.42 | See Note 1 |
| 30 May 2022 (Note 6) | 2,608,943 | - | 2,463,107 | 145,836 | - | - | 30 May 2024 to 30 May 2027 | 2.50 | See Note 2 |
| 14 November 2022 (Note 6) | 598,627 | - | - | - | - | 598,627 | 14 November 2024 | - | See Note 2 |

OTHER INFORMATION

Number of Shares underlying awards

| Date of award | Unvested awards as at 1 January 2024 | Granted during the Reporting Period | Vested during the Reporting Period | Lapsed/ forfeited during the Reporting Period | Cancelled during the Reporting Period | Unvested awards as at 30 June 2024 | Vesting Period | Weighted average closing price of the Shares immediately before the dates on which the awards were vested (HK\$) | Performance target(s), if any |
|-------------------------------|--------------------------------------|-------------------------------------|------------------------------------|---|---------------------------------------|------------------------------------|--------------------------------------|--|-------------------------------|
| | | | | | | | | | |
| 14 November 2022 (Note 6) | 4,903,018 | - | - | 316,456 | - | 4,586,562 | 1 July 2023 to 1 July 2026 | - | See Note 2 |
| 17 January 2023 | 29,283 | - | - | - | - | 29,283 | 17 January 2025 | - | See Note 2 |
| 28 April 2023 | 4,756,370 | - | - | 280,721 | - | 4,475,649 | 28 April 2025 | - | See Note 2 |
| 7 July 2023 | 7,233,939 | - | - | 494,992 | - | 6,738,947 | 7 July 2025 | - | See Note 2 |
| 15 November 2023 | 1,742,618 | - | - | 425,894 | - | 1,316,724 | 15 November 2025 | - | See Note 2 |
| 15 November 2023 | 418,796 | - | - | 262,635 | - | 156,161 | 15 November 2023 to 15 November 2025 | - | See Note 3 |
| 29 April 2024 (Notes 4 and 8) | - | 24,779,266 | - | 122,014 | - | 24,657,252 | 29 April 2026 | - | See Note 2 |

Notes:

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

OTHER INFORMATION

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

4 The following grants were made under the Share Award Scheme during the Reporting Period:

| Date of grant | Number of award shares granted | Closing price of Shares immediately before date of grant <i>HK\$</i> | Fair value of awards at the date of grant per Share <i>HK\$</i> |
|---------------------------------|-----------------------------------|--|---|
| Employee Participants* | | | |
| 29 April 2024 (<i>Note 8</i>) | 24,779,266 | 2.31 | 2.39 |

5 These grants were made without any exercise period, exercise price nor purchase price attached thereto.

6 These grants were made prior to the amendment to Chapter 17 of the Listing Rules taking effect.

7 None of the grantees under the Share Incentive Plan and the Share Award Scheme is (i) a Director, chief executive or substantial shareholder of the Company, or an associate (as defined in the Listing Rules) of any of them; (ii) a participant with options and awards granted and to be granted exceeding the 1% individual limit under Rule 17.03D of the Listing Rules; or (iii) a related entity participant or service provider with options and awards granted and to be granted in any 12-month period exceeding 0.1% of the issued Shares.

8 Details of the valuation of the share awards of the Company during the Reporting Period, including the accounting standard and policy adopted for the share schemes, are set out in note 23 to the interim condensed consolidated financial statements.

* Employee Participants include employees of any member of the Group

(3) SHARE OPTION SCHEME

The Company has adopted the Share Option Scheme, which was approved by the Shareholders on 11 June 2021 and further amended and restated on the Amendment Date and has a remaining term of approximately 6 years and 9 months as at the date of this report. The purposes of the Share Option Scheme are to (i) 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 (ii) encourage and retain eligible persons to make contributions to the long-term growth and profits of the Group.

Since the adoption of the Share Option Scheme and up to 30 June 2024, save for the grant of 41,200,000 Options in 17 January 2023, no other option had been granted or agreed to be granted by the Company under the Share Option Scheme. At the beginning of the Reporting Period (that is, prior to the adoption of the Scheme Limit on the Amendment Date), the total number of options available for grant under the scheme mandate of the Share Option Scheme was 55,357,499.

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

| Date of grant | Outstanding as at 1 January 2024 | Granted during the Reporting Period | Vested during the Reporting Period | Exercised during the Reporting Period | Weighted average closing price of the Shares immediately before the dates on which the options were exercised | Lapsed/ forfeited during the Reporting Period | Cancelled during the Reporting Period | As at 30 June 2024 | Exercise Price | Exercise Performance period/ targets |
|------------------------------|---|--|---|--|---|---|--|-----------------------|-------------------|---|
| | | | | | HK\$ | | | | HK\$ | |
| Employee Participants | | | | | | | | | | |
| 17 January 2023 | 41,000,000 | - | - | - | - | 4,100,000 | - | 36,900,000 | 8.196 | See Note 1 |
| Total: | 41,000,000 | - | - | - | - | 4,100,000 | - | 36,900,000 | | |

OTHER INFORMATION

Notes:

- 1 The aforesaid Options shall automatically lapse upon the expiry of the tenth anniversary of the grant date. Provided that a grantee remains as an eligible participant under the Share Option Scheme and employed with the Group at the time of vesting of the Share Options, the vesting of each tranche shall be subject to fulfilment of performance targets, including (i) not having been graded "C" or worse for his or her personal evaluations in accordance with the performance management policies of the Group; or (ii) not having received any assessment which, by nature, indicates a failure to meet prescribed performance targets or standards, in each case, for each financial year ending 31 December preceding the aforesaid vesting dates.
- 2 These Options are to be vested: 1) 25% of the Share Options on 17 January 2025; 2) 25% of the Share Options on 17 January 2026; 3) 25% of the Share Options on 17 January 2027; and 4) 25% of the Share Options on 17 January 2028.
- 3 Since the adoption of the Share Option Scheme, the only Options ever granted were those granted on 17 January 2023 to eligible employee participants of the Group; and no Options had been granted to (i) any Director, chief executive, substantial shareholder or their respective associates; or (ii) related entity participant or service provider. In addition, there is no participant with options and awards granted and to be granted in excess of the 1% individual limit.
- 4 The closing price of the Shares immediately before the date of grant of the aforesaid Options was HK\$7.73. For the fair value per share of the aforesaid Options as at the date of grant, please refer to note 23 to the interim condensed consolidated financial statements.
- 5 None of the grantees under the Share Option Scheme is (i) a Director, chief executive or substantial shareholder of the Company, or an associate (as defined in the Listing Rules) of any of them; (ii) a participant with options and awards granted and to be granted exceeding the 1% individual limit under Rule 17.03D of the Listing Rules; or (iii) a related entity participant or service provider with options and awards granted and to be granted in any 12-month period exceeding 0.1% of the issued Shares.

COMPETING INTERESTS

Our Directors are not aware of any business or interest of our Directors or the controlling shareholders (as defined in the Listing Rules) of the Company nor any of their respective associates (as defined in the Listing Rules) that competed or might compete, either directly or indirectly, with the business of the Group and any other conflicts of interest which any such person had or might have with the Group during the six months ended 30 June 2024.

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

Shenzhen, PRC, 15 August 2024

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

TO THE BOARD OF DIRECTORS OF MING YUAN CLOUD GROUP HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 44 to 89, which comprises the interim condensed consolidated statement of financial position of Ming Yuan Cloud Group Holdings Limited (the “**Company**”) and its subsidiaries (together, the “**Group**”) as at 30 June 2024 and the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the six-month period then ended, and selected explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 “Interim Financial Reporting”. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

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

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 15 August 2024

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | Note | Six months ended 30 June | |
|---|------|--------------------------------|--------------------------------|
| | | 2024 RMB'000 (Unaudited) | 2023 RMB'000 (Unaudited) |
| Revenues | 8 | 720,106 | 762,340 |
| Cost of sales | 9 | (142,410) | (153,572) |
| Gross profit | | 577,696 | 608,768 |
| Selling and marketing expenses | 9 | (407,759) | (452,004) |
| General and administrative expenses | 9 | (140,944) | (263,849) |
| Research and development expenses | 9 | (254,068) | (326,700) |
| Net impairment losses on financial assets and contract assets | 19 | (18,979) | (16,752) |
| Other income | 10 | 49,371 | 27,890 |
| Other (losses)/gains, net | 11 | (15,751) | 19,480 |
| Operating loss | | (210,434) | (403,167) |
| Finance income | | 97,006 | 83,852 |
| Finance costs | | (2,668) | (4,218) |
| Finance income, net | 12 | 94,338 | 79,634 |
| Share of losses of investments accounted for using the equity method | | (191) | (1,036) |
| Loss before income tax | | (116,287) | (324,569) |
| Income tax credit/(expense) | 13 | 918 | (164) |
| Loss for the period | | (115,369) | (324,733) |
| Loss attributable to: | | | |
| Owners of the Company | | (115,369) | (323,324) |
| Non-controlling interests | | – | (1,409) |
| | | (115,369) | (324,733) |
| Losses per share for loss attributable to owners of the Company (expressed in RMB per share) | | | |
| Basic | 14 | (0.06) | (0.18) |
| Diluted | 14 | (0.06) | (0.18) |

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | Note | <u>Six months ended 30 June</u> | |
|---|------|---|--------------------------------|
| | | 2024 RMB'000 (Unaudited) | 2023 RMB'000 (Unaudited) |
| Loss for the period | | (115,369) | (324,733) |
| Other comprehensive income, net of tax | | | |
| <i>Items that may be reclassified to profit or loss</i> | | | |
| Currency translation differences from foreign operations | | (16,579) | (95,950) |
| <i>Items that will not be reclassified to profit or loss</i> | | | |
| Currency translation differences | | 39,121 | 156,245 |
| Changes in fair value of financial assets at fair value through other comprehensive loss, net of tax | | (182) | – |
| Total comprehensive loss for the period | | (93,009) | (264,438) |
| Total comprehensive loss attributable to: | | | |
| Owners of the Company | | (93,009) | (263,029) |
| Non-controlling interests | | – | (1,409) |
| | | (93,009) | (264,438) |

The above condensed consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | Note | As at 30 June 2024 RMB'000 (Unaudited) | As at 31 December 2023 RMB'000 (Audited) |
|---|------|--|--|
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | 16 | 206,139 | 224,713 |
| Investment properties | 16 | 176,788 | 178,646 |
| Right-of-use assets | 17 | 262,968 | 304,981 |
| Intangible assets | 16 | 1,396 | 1,996 |
| Financial assets at fair value through profit or loss | 18 | 44,313 | 77,222 |
| Financial assets at fair value through other comprehensive income | | 146 | 360 |
| Contract acquisition costs | 8 | 4,478 | 7,639 |
| Prepayments and other receivables | 19 | 28,955 | 32,477 |
| Deferred income tax assets | | 25,962 | 23,033 |
| Investments accounted for using the equity method | | 13,743 | 19,184 |
| Term deposit with original maturity over three months | 20 | 552,748 | 237,792 |
| Restricted cash | 20 | 719 | 745 |
| Total non-current assets | | 1,318,355 | 1,108,788 |
| Current assets | | | |
| Inventories | | 9,545 | 9,536 |
| Contract assets | 8 | 100,673 | 80,663 |
| Contract acquisition costs | 8 | 223,872 | 255,337 |
| Trade receivables | 19 | 86,593 | 66,168 |
| Prepayments and other receivables | 19 | 49,973 | 55,767 |
| Financial assets at fair value through profit or loss | 18 | 514,229 | 111,257 |
| Term deposit with original maturity over three months | 20 | 837,178 | 181,290 |
| Restricted cash | 20 | 1,725 | 260 |
| Cash and cash equivalents | 20 | 2,451,619 | 3,972,900 |
| | | 4,275,407 | 4,733,178 |
| Assets classified as held for sale | | 10,978 | 10,252 |
| Total current assets | | 4,286,385 | 4,743,430 |
| Total assets | | 5,604,740 | 5,852,218 |
| EQUITY | | | |
| Share capital | 21 | 171 | 170 |
| Treasury shares | 21 | (1,765) | (4,492) |
| Reserves | 22 | 7,319,032 | 7,408,985 |
| Accumulated losses | | (2,586,075) | (2,470,706) |
| Total equity | | 4,731,363 | 4,933,957 |

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | Note | As at 30 June 2024 RMB'000 (Unaudited) | As at 31 December 2023 RMB'000 (Audited) |
|--------------------------------------|------|--|--|
| LIABILITIES | | | |
| Non-current liabilities | | | |
| Contract liabilities | 8 | 26,450 | 32,013 |
| Lease liabilities | 17 | 57,251 | 89,919 |
| Deferred income tax liabilities | | 122 | 102 |
| Total non-current liabilities | | 83,823 | 122,034 |
| Current liabilities | | | |
| Trade payables | 24 | 26,142 | 23,762 |
| Other payables and accruals | 25 | 301,342 | 214,970 |
| Contract liabilities | 8 | 429,596 | 514,861 |
| Current income tax liabilities | | 1,958 | – |
| Lease liabilities | 17 | 30,516 | 42,634 |
| Total current liabilities | | 789,554 | 796,227 |
| Total liabilities | | 873,377 | 918,261 |
| Total equity and liabilities | | 5,604,740 | 5,852,218 |

The above condensed consolidated statement of financial position should be read in conjunction with the accompanying notes.

The interim financial information on pages 44 to 89 were approved and authorized for issue by the Board of Directors on 15 August 2024 and were signed on its behalf.

Gao Yu
Director

Xiao Zhimiao
Chief Financial Officer

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| | Note | Attributable to owners of the Company | | | | Total equity RMB'000 |
|--|------|---------------------------------------|-------------------------------|---------------------|----------------------------------|-------------------------|
| | | Share capital RMB'000 | Treasury Shares RMB'000 | Reserves RMB'000 | Accumulated losses RMB'000 | |
| (Unaudited) | | | | | | |
| As at 1 January 2024 | | 170 | (4,492) | 7,408,985 | (2,470,706) | 4,933,957 |
| Loss for the period | | - | - | - | (115,369) | (115,369) |
| Changes in fair value of financial assets at fair value through other comprehensive loss, net of tax | | - | - | (182) | - | (182) |
| Currency translation differences | | - | - | 22,542 | - | 22,542 |
| Total comprehensive income for the period | | - | - | 22,360 | (115,369) | (93,009) |
| Transactions with owners: | | | | | | |
| Issuance of ordinary shares | 21 | 2 | - | - | - | 2 |
| Treasury shares | 21 | - | (2) | - | - | (2) |
| Share-based compensation reserve | 23 | - | - | 98,407 | - | 98,407 |
| Transfer of vested restricted share units from treasury shares | | - | - | (15,334) | - | (15,334) |
| Repurchase of the shares of the Company | 21 | - | (13,914) | - | - | (13,914) |
| Dividend distribution | 21 | - | - | (178,744) | - | (178,744) |
| Cancellation of shares | 21 | (1) | 16,643 | (16,642) | - | - |
| Total transactions with owners of the Company | | 1 | 2,727 | (112,313) | - | (109,585) |
| As at 30 June 2024 | | 171 | (1,765) | 7,319,032 | (2,586,075) | 4,731,363 |

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| | | Attributable to owners of the Company | | | | | | |
|--|------|---------------------------------------|-------------------------------|---------------------|----------------------------------|------------------|---|----------------------------|
| | Note | Share capital RMB'000 | Treasury Shares RMB'000 | Reserves RMB'000 | Accumulated losses RMB'000 | Total RMB'000 | Non- controlling interests RMB'000 | Total equity RMB'000 |
| (Unaudited) | | | | | | | | |
| As at 1 January 2023 | | 172 | (219,501) | 7,207,104 | (1,885,025) | 5,102,750 | (8,297) | 5,094,453 |
| Loss for the period | | - | - | - | (323,324) | (323,324) | (1,409) | (324,733) |
| Currency translation differences | | - | - | 60,295 | - | 60,295 | - | 60,295 |
| Total comprehensive income for the period | | - | - | 60,295 | (323,324) | (263,029) | (1,409) | (264,438) |
| Transactions with owners: | | | | | | | | |
| Issuance of ordinary shares | 21 | 1 | - | - | - | 1 | - | 1 |
| Treasury shares | 21 | - | (1) | - | - | (1) | - | (1) |
| Share-based compensation reserve | 23 | - | - | 227,597 | - | 227,597 | - | 227,597 |
| Repurchase of the shares of the Company | 21 | - | (909) | - | - | (909) | - | (909) |
| Cancellation of shares | 21 | (4) | 217,739 | (217,735) | - | - | - | - |
| Disposal of a subsidiary | | - | - | - | - | - | 9,706 | 9,706 |
| Total transactions with owners of the Company | | (3) | 216,829 | 9,862 | - | 226,688 | 9,706 | 236,394 |
| As at 30 June 2023 | | 169 | (2,672) | 7,277,261 | (2,208,349) | 5,066,409 | - | 5,066,409 |

The above condensed consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

| | Note | Six months ended 30 June | |
|---|------|--------------------------------|--------------------------------|
| | | 2024 RMB'000 (Unaudited) | 2023 RMB'000 (Unaudited) |
| Cash flows from operating activities | | | |
| Cash used in operations | | (243,822) | (295,186) |
| Interest received | | 79,283 | 25,129 |
| Net cash used in operating activities | | (164,539) | (270,057) |
| Cash flows from investing activities | | | |
| Payments for purchase of property, plant and equipment | | (2,157) | (7,242) |
| Payments for purchase of intangible assets | | – | (193) |
| Proceeds from disposals of property, plant and equipment | | 727 | 705 |
| Payments for purchase of financial assets at fair value through profit or loss | | (1,329,511) | (1,293,730) |
| Proceeds from disposal of financial assets at fair value through profit or loss | | 958,202 | 1,010,704 |
| Proceeds from disposal of investments in associates | | 5,250 | – |
| Placement of term deposits with initial terms over three months | | (3,334,749) | (930,997) |
| Receipt from maturity of term deposits with initial terms over three months | | 2,382,069 | 773,710 |
| Disposal of a subsidiary | | – | (36) |
| Net cash used in investing activities | | (1,320,169) | (447,079) |
| Cash flows from financing activities | | | |
| Principal elements of lease payments | | (22,812) | (39,065) |
| Interest paid | | (2,668) | (4,218) |
| Payment for the repurchase of the shares of the Company | | (13,914) | (909) |
| Shares withheld for restricted share units | | (15,334) | – |
| Net cash used in financing activities | | (54,728) | (44,192) |
| Net decrease in cash and cash equivalents | | | |
| Cash and cash equivalents at beginning of the period | | 3,972,900 | 1,642,078 |
| Effects of exchange rate changes on cash and cash equivalents | | 18,155 | 34,065 |
| Cash and cash equivalents at the end of the period | 20 | 2,451,619 | 914,815 |

The above condensed consolidated statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE INTERIM FINANCIAL INFORMATION

1 GENERAL INFORMATION

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

The Company is an investment holding company. The Company and its subsidiaries (collectively, the “**Group**”) are principally engaged in the provision of cloud services, on-premise software and Services for property developers and other industry participants along the real estate value chain in the People’s Republic of China (the “**PRC**”), which enable property developers and other real estate industry participants to streamline and digitalise their business operations.

The interim financial information for the six months ended 30 June 2024 (“**Interim Financial Information**”) is presented in Renminbi (“**RMB**”), unless otherwise stated, and was approved for issue by the Company on 15 August 2024.

2 BASIS OF PREPARATION

This Interim Financial Information has been prepared in accordance with the International Accounting Standard 34 “Interim Financial Reporting”. This Interim Financial Information should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2023 (“**2023 Financial Statements**”), which have been prepared in accordance with IFRS Accounting Standards (“**IFRS**”) issued by International Accounting Standards Board (“**IASB**”).

3 ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the 2023 Financial Statements, as described in those annual consolidated financial statements, except for the adoption of amended IFRS effective as of 1 January 2024. Income tax expense was recognised based on management’s estimate of the annual income tax rate expected for the full financial year.

NOTES TO THE INTERIM FINANCIAL INFORMATION

3 ACCOUNTING POLICIES (CONTINUED)

(a) New and amended standards adopted by the Group

The Group has applied new and amended standards effective for the financial period beginning on 1 January 2024. The adoption of these new and revised standards does not have any significant impact on the consolidated financial statements of the Group.

(b) New standards, amendments to standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations have been issued and are effective for annual periods beginning on or after 1 January 2025 and have not been early adopted by the Group.

| | | Effective for annual periods beginning on or after |
|----------------------------------|---|---|
| Amendments to IAS 21 | Lack of Exchangeability | 1 January 2025 |
| Amendments to IFRS 9 and IFRS 7 | Financial Instruments Standards | 1 January 2026 |
| IFRS 18 | Presentation and Disclosure in Financial Statements | 1 January 2027 |
| IFRS 19 | Subsidiaries without Public Accountability: Disclosures | 1 January 2027 |
| Amendments to IFRS 10 and IAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint venture | To be determined |

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

NOTES TO THE INTERIM FINANCIAL INFORMATION

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

In preparing this Interim Financial Information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the 2023 Financial Statements.

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

There was no significant change in principal subsidiaries of the Group during the six months ended 30 June 2024.

NOTES TO THE INTERIM FINANCIAL INFORMATION

6 FINANCIAL RISK MANAGEMENT

6.1 Financial risk factors

The Interim Financial Information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the 2023 Financial Statements.

There have been no significant changes in the risk factors and management policies since the year ended 31 December 2023.

(a) Liquidity Risk

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

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

| | Less than 1 year RMB'000 | Between 1 and 2 years RMB'000 | Between 2 and 5 years RMB'000 | Total Contractual Cash flows RMB'000 | Carrying amount RMB'000 |
|--|--------------------------------|--|--|---|-------------------------------|
| (Unaudited) | | | | | |
| At 30 June 2024 | | | | | |
| Trade payable | 26,142 | – | – | 26,142 | 26,142 |
| Other payables and accruals (excluding salary and staff welfare payables and taxes payable) | 196,255 | – | – | 196,255 | 196,255 |
| Lease liabilities | 36,140 | 50,463 | 8,895 | 95,498 | 87,767 |
| | 258,537 | 50,463 | 8,895 | 317,895 | 310,164 |

NOTES TO THE INTERIM FINANCIAL INFORMATION

6 FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1 Financial risk factors (Continued)

(a) Liquidity Risk (Continued)

| | Less than 1 year RMB'000 | Between 1 and 2 years RMB'000 | Between 2 and 5 years RMB'000 | Total contractual cash flows RMB'000 | Carrying amount RMB'000 |
|--|--------------------------------|--|--|---|-------------------------------|
| (Audited) | | | | | |
| At 31 December 2023 | | | | | |
| Trade payable | 23,762 | – | – | 23,762 | 23,762 |
| Other payables and accruals (excluding salary and staff welfare payables and tax payable) | 21,719 | – | – | 21,719 | 21,719 |
| Lease liabilities | 49,774 | 49,615 | 43,941 | 143,330 | 132,553 |
| | 95,255 | 49,615 | 43,941 | 188,811 | 178,034 |

6.2 Capital management

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

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt. The Group monitors capital on basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as liquid liabilities, which are lease liabilities, less cash and cash equivalents, restricted cash, term deposits and liquid investments which are investments in wealth management products included in financial assets at fair value through profit or loss ("FVPL"). Total capital is calculated as "equity" as shown in the consolidated statements of financial position plus net debts. As at 30 June 2024 and 31 December 2023, the Group has a net cash position.

NOTES TO THE INTERIM FINANCIAL INFORMATION

6 FINANCIAL RISK MANAGEMENT (CONTINUED)

6.3 Fair value estimation

6.3.1 Fair value hierarchy

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

The tables below analyse the Group's financial instruments carried at fair value as at 30 June 2024 and 31 December 2023 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

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

NOTES TO THE INTERIM FINANCIAL INFORMATION

6 FINANCIAL RISK MANAGEMENT (CONTINUED)

6.3 Fair value estimation (Continued)

6.3.1 Fair value hierarchy (Continued)

| | Level 1 RMB'000 | Level 2 RMB'000 | Level 3 RMB'000 | Total RMB'000 |
|--|--------------------|--------------------|--------------------|------------------|
| (Unaudited) | | | | |
| As at 30 June 2024 | | | | |
| Financial assets at FVPL | | | | |
| Investments in wealth management products (Note 18(a)) | – | – | 514,229 | 514,229 |
| Investments in unlisted equity securities (Note 18(b)) | – | – | 44,313 | 44,313 |
| | – | – | 558,542 | 558,542 |
| Financial assets at Fair Value through Other Comprehensive Income (“FVOCI”) | | | | |
| Investments in unlisted equity securities | – | – | 146 | 146 |
| | Level 1 RMB'000 | Level 2 RMB'000 | Level 3 RMB'000 | Total RMB'000 |
| (Audited) | | | | |
| As at 31 December 2023 | | | | |
| Financial assets at FVPL | | | | |
| Investments in wealth management products (Note 18(a)) | – | – | 136,771 | 136,771 |
| Investments in unlisted equity securities (Note 18(b)) | – | – | 51,708 | 51,708 |
| | – | – | 188,479 | 188,479 |
| Financial assets at FVOCI | | | | |
| Investments in unlisted equity securities | – | – | 360 | 360 |

NOTES TO THE INTERIM FINANCIAL INFORMATION

6 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

6.3 Fair value estimation *(Continued)*

6.3.2 Valuation techniques used to determine fair values

Specific valuation techniques used to value financial instruments include:

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

There were no changes to valuation techniques during the six months ended 30 June 2024.

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

NOTES TO THE INTERIM FINANCIAL INFORMATION

6 FINANCIAL RISK MANAGEMENT (CONTINUED)

6.3 Fair value estimation (Continued)

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

The following table presents the changes in level 3 items including investments in wealth management products, investments in unlisted equity securities for the six months ended 30 June 2024.

| | Financial assets at FVPL | | Financial assets at FVOCI |
|----------------------------------|--|--|--|
| | Investments in wealth management products RMB'000 | Investments in unlisted equity securities RMB'000 | Investments in unlisted equity securities RMB'000 |
| (Unaudited) | | | |
| As 1 January 2024 | 136,771 | 51,708 | 360 |
| Acquisitions | 1,329,511 | – | – |
| Disposals | (958,202) | – | – |
| Unrealised changes in fair value | 2,237 | (7,395) | (214) |
| Realised gains | 3,912 | – | – |
| As at 30 June 2024 | 514,229 | 44,313 | 146 |

NOTES TO THE INTERIM FINANCIAL INFORMATION

6 FINANCIAL RISK MANAGEMENT (CONTINUED)

6.3 Fair value estimation (Continued)

6.3.4 Valuation process, inputs and relationships to fair value

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

At each financial year end the finance department:

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

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

The valuation of the level 3 instruments mainly included investments in wealth management products (Note 18(a)) and investments in unlisted equity securities (Note 18(b)). As these instruments are not traded in an active market, their fair values have been determined by using various applicable valuation techniques, including option pricing and equity allocation model, discounted cash flow model and market approach etc.

NOTES TO THE INTERIM FINANCIAL INFORMATION

6 FINANCIAL RISK MANAGEMENT (CONTINUED)

6.3 Fair value estimation (Continued)

6.3.4 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 | | Unobservable inputs | Range of inputs | | Relationship of unobservable inputs to fair value |
|--|-----------------|---------------------|-------------------------|-----------------|---------------------|--|
| | at 30 June 2024 | at 31 December 2023 | | at 30 June 2024 | at 31 December 2023 | |
| | RMB'000 | RMB'000 | | | | |
| Investments in wealth management products | 514,229 | 136,771 | Expected rate of return | 2.75%-5.54% | 2.85%-3.70% | The higher the expected rate of return, the higher the fair value |
| Investments in unlisted equity securities included in financial assets at FVPL | 44,313 | 51,708 | Expected volatility | 53.96%-58.99% | 53.96%-58.99% | Increasing the expected volatility by 5% would decrease the fair value by RMB715,000 approximately; and decreasing the expected volatility by 5% would increase the fair value by RMB733,000 approximately |

NOTES TO THE INTERIM FINANCIAL INFORMATION

6 FINANCIAL RISK MANAGEMENT (CONTINUED)

6.3 Fair value estimation (Continued)

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

| Description | Fair value | | Unobservable inputs | Range of inputs | | Relationship of unobservable inputs to fair value |
|-------------|----------------------------|--------------------------------|-------------------------------------|-----------------|---------------------|--|
| | at 30 June 2024 RMB'000 | at 31 December 2023 RMB'000 | | at 30 June 2024 | at 31 December 2023 | |
| | | | Risk-free rate | 2.22%-2.39% | 2.22%-2.39% | The higher the risk-free rate, the lower the fair value |
| | | | P/S ratio | 4.20-5.92 | 6.49-7.17 | Increasing the P/S ratio by 5% would increase the fair value by RMB1,161,000 approximately; and decreasing the P/S ratio by 5% would decrease the fair value by RMB1,097,000 approximately |
| | | | Discounts for lack of marketability | 25.00%-30.00% | 25.00%-30.00% | The higher the DLOM, the lower the fair value |

NOTES TO THE INTERIM FINANCIAL INFORMATION

6 FINANCIAL RISK MANAGEMENT (CONTINUED)

6.3 Fair value estimation (Continued)

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

| Description | Fair value | | Unobservable inputs | Range of inputs | | Relationship of unobservable inputs to fair value |
|---|------------|----------------|---------------------|-----------------|----------------|---|
| | at 30 June | at 31 December | | at 30 June | at 31 December | |
| | 2024 | 2023 | | 2024 | 2023 | |
| | RMB'000 | RMB'000 | | | | |
| Investments in unlisted equity securities included in financial assets at FVOCI (*) | 146 | 360 | n/a | n/a | n/a | n/a |

Note: Investments in unlisted equity securities included in financial assets at FVOCI which fair values were valued based on net asset values of the unlisted companies. There were no significant inter-relationships between unobservable inputs that materially affect fair values.

There were no transfers between level 1, 2 and 3 of fair value hierarchy classifications during the six months ended 30 June 2024.

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

NOTES TO THE INTERIM FINANCIAL INFORMATION

7 SEGMENT INFORMATION

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

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

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

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

The segment information for the six months ended 30 June 2024 (unaudited) is as follows:

| | Cloud services RMB'000 | On-premise software and services RMB'000 | Total RMB'000 |
|---------------------|----------------------------------|--|-------------------------|
| Revenues | 612,174 | 107,932 | 720,106 |
| Cost of sales | (70,413) | (71,997) | (142,410) |
| Gross profit | 541,761 | 35,935 | 577,696 |

The segment information for the six months ended 30 June 2023 (unaudited) is as follows:

| | Cloud services RMB'000 | On-premise software and services RMB'000 | Total RMB'000 |
|---------------------|---------------------------|---|------------------|
| Revenues | 635,140 | 127,200 | 762,340 |
| Cost of sales | (72,988) | (80,584) | (153,572) |
| Gross profit | 562,152 | 46,616 | 608,768 |

NOTES TO THE INTERIM FINANCIAL INFORMATION

8 REVENUES

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

| | Six months ended 30 June | |
|----------------------------------|---------------------------------|-------------|
| | 2024 | 2023 |
| | RMB'000 | RMB'000 |
| | (Unaudited) | (Unaudited) |
| Cloud services | 612,174 | 635,140 |
| On-premise software and services | 107,932 | 127,200 |
| | 720,106 | 762,340 |

| | Six months ended 30 June | |
|----------------------------------|---------------------------------|-------------|
| | 2024 | 2023 |
| | RMB'000 | RMB'000 |
| | (Unaudited) | (Unaudited) |
| Cloud services | | |
| – Revenues over time | 594,779 | 611,555 |
| – Revenues at a point in time | 17,395 | 23,585 |
| On-premise software and services | | |
| – Revenues over time | 84,261 | 96,164 |
| – Revenues at a point in time | 23,671 | 31,036 |
| | 720,106 | 762,340 |

NOTES TO THE INTERIM FINANCIAL INFORMATION

8 REVENUES (CONTINUED)

(a) Assets and liabilities related to contracts with customers

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

| | As at 30 June 2024 RMB'000 (Unaudited) | As at 31 December 2023 RMB'000 (Audited) |
|--------------------------------|---|--|
| Contract assets | 147,159 | 120,152 |
| Less: Loss allowance (Note 19) | (46,486) | (39,489) |
| Total contract assets | 100,673 | 80,663 |
| Contract acquisition costs | 228,350 | 262,976 |
| Less: non-current portion | (4,478) | (7,639) |
| | 223,872 | 255,337 |
| Contract liabilities | 456,046 | 546,874 |
| Less: non-current portion | (26,450) | (32,013) |
| | 429,596 | 514,861 |

(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 primarily arise from the Group's On-premise Software and Services 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 primarily arise from the Group's Cloud Services 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 primarily arise from the Group's Cloud Services business.

NOTES TO THE INTERIM FINANCIAL INFORMATION

9 EXPENSES BY NATURES

| | Six months ended 30 June | |
|---|---|--------------------------------|
| | 2024 RMB'000 (Unaudited) | 2023 RMB'000 (Unaudited) |
| Employee benefit expenses | 494,595 | 583,830 |
| Commission expenses | 185,975 | 200,496 |
| Share-based compensation (Note 23) | 98,407 | 227,597 |
| Outsourcing expenses | 30,219 | 29,552 |
| Depreciation of property, plant and equipment (Note 16) | 21,652 | 19,422 |
| Depreciation of right-of-use assets (Note 17) | 21,310 | 28,933 |
| Professional and technical service fees | 21,071 | 17,946 |
| IT and communication charges | 19,035 | 22,671 |
| Costs of inventories sold | 12,409 | 17,965 |
| Traveling and entertainment expenses | 11,736 | 12,124 |
| Exhibition and promotion charges | 8,794 | 10,238 |
| Short-term rental and utilities expenses | 6,483 | 8,715 |
| Taxes and surcharges | 5,132 | 4,801 |
| Office expenses | 4,153 | 5,961 |
| Depreciation of investment properties (Note 16) | 1,858 | 1,857 |
| Amortization of intangible assets (Note 16) | 600 | 1,577 |
| Others | 1,752 | 2,440 |
| | 945,181 | 1,196,125 |

No research and development expenses had been capitalised for the six months ended 30 June 2024 and 2023.

NOTES TO THE INTERIM FINANCIAL INFORMATION

10 OTHER INCOME

| | Six months ended 30 June | |
|---|--------------------------------|--------------------------------|
| | 2024 RMB'000 (Unaudited) | 2023 RMB'000 (Unaudited) |
| Government grants | 31,973 | 8,791 |
| VAT refund | 4,666 | 3,131 |
| Income from wealth management products (Note 18(a)) | 6,149 | 7,482 |
| Income generated from offline activities and others | – | 1,889 |
| Rental income | 6,571 | 6,574 |
| Others | 12 | 23 |
| | 49,371 | 27,890 |

11 OTHER (LOSSES)/GAINS, NET

| | Six months ended 30 June | |
|--|--------------------------------|--------------------------------|
| | 2024 RMB'000 (Unaudited) | 2023 RMB'000 (Unaudited) |
| Fair value losses on investments in unlisted equity securities included in financial assets at FVPL (Note 18(b)) | (7,395) | (2,505) |
| Foreign exchange (losses)/gains | (4,732) | 29,831 |
| Termination of leases | (2,750) | (7,661) |
| Net (losses)/gains on disposal of property, plant and equipment | (498) | 130 |
| Net losses on disposal of assets held for sale | (271) | – |
| Disposal of a subsidiary | – | 124 |
| Others | (105) | (439) |
| | (15,751) | 19,480 |

NOTES TO THE INTERIM FINANCIAL INFORMATION

12 FINANCE INCOME, NET

| | Six months ended 30 June | |
|---|--------------------------------|--------------------------------|
| | 2024 RMB'000 (Unaudited) | 2023 RMB'000 (Unaudited) |
| Finance income: | | |
| – Interest income from bank deposits | 97,006 | 83,852 |
| Finance costs: | | |
| – Unwinding of interests on lease liabilities (Note 17) | (2,668) | (4,218) |
| | 94,338 | 79,634 |

13 INCOME TAX (CREDIT)/EXPENSE

| | Six months ended 30 June | |
|-----------------------------|--------------------------------|--------------------------------|
| | 2024 RMB'000 (Unaudited) | 2023 RMB'000 (Unaudited) |
| Current income tax | 1,958 | 3 |
| Deferred income tax | (2,876) | 161 |
| Income tax (credit)/expense | (918) | 164 |

NOTES TO THE INTERIM FINANCIAL INFORMATION

14 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 during the six months ended 30 June 2024 and 2023.

(a) Basic losses per share

| | Six months ended 30 June | |
|--|--------------------------|---------------------|
| | 2024 (Unaudited) | 2023 (Unaudited) |
| Loss attributable to owners of the Company (RMB'000) | (115,369) | (323,324) |
| Weighted average number of ordinary shares in issue (thousand) | 1,844,378 | 1,811,795 |
| Basic losses per share (in RMB) | (0.06) | (0.18) |

(b) Diluted losses per share

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

During the six months ended 30 June 2024 and 2023, as the Group incurred losses, the potential ordinary shares of restricted share units and share options as mentioned in Note 23 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 six months ended 30 June 2024 and 2023 are the same as basic losses per share.

15 DIVIDENDS

On 19 March 2024, the board of directors of the Company recommended the declaration and payment of the special dividend of HK\$0.1 (equivalent to RMB0.091) per share out of the share premium. The special dividend recommendation was approved at the annual general meeting on 10 May 2024. The special dividend of RMB179,532,000 was paid on 5 July 2024.

The board of directors of the Company did not propose any interim dividend for the six months ended 30 June 2024.

NOTES TO THE INTERIM FINANCIAL INFORMATION

16 PROPERTY, PLANT AND EQUIPMENT, INVESTMENT PROPERTIES AND INTANGIBLE ASSETS

| | Property, plant and equipment RMB'000 | Investment properties RMB'000 | Goodwill RMB'000 | Other intangible assets RMB'000 | Total RMB'000 |
|--------------------------------------|--|-------------------------------------|---------------------|--|------------------|
| (Unaudited) | | | | | |
| Six months ended 30 June 2024 | | | | | |
| Opening net book amount | 224,713 | 178,646 | – | 1,996 | 405,355 |
| Additions | 4,303 | – | – | – | 4,303 |
| Disposals | (1,225) | – | – | – | (1,225) |
| Depreciation charge | (21,652) | (1,858) | – | (600) | (24,110) |
| Closing net book amount | 206,139 | 176,788 | – | 1,396 | 384,323 |
| At 30 June 2024 | | | | | |
| Cost | 343,965 | 191,913 | – | 15,058 | 550,936 |
| Accumulated depreciation | (137,826) | (15,125) | – | (13,662) | (166,613) |
| Net book amount | 206,139 | 176,788 | – | 1,396 | 384,323 |
| (Unaudited) | | | | | |
| Six months ended 30 June 2023 | | | | | |
| Opening net book amount | 253,799 | 182,361 | 13,088 | 6,594 | 455,842 |
| Additions | 8,934 | – | – | 170 | 9,104 |
| Disposal of a subsidiary | (27) | – | (13,088) | (2,169) | (15,284) |
| Disposals | (968) | – | – | – | (968) |
| Depreciation charge | (19,422) | (1,857) | – | (1,577) | (22,856) |
| Closing net book amount | 242,316 | 180,504 | – | 3,018 | 425,838 |
| At 30 June 2023 | | | | | |
| Cost | 361,227 | 191,913 | – | 16,718 | 569,858 |
| Accumulated depreciation | (118,911) | (11,409) | – | (13,700) | (144,020) |
| Net book amount | 242,316 | 180,504 | – | 3,018 | 425,838 |

The investment property comprises nineteen floors of two buildings located in Wuhan for offices, held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties through rental. The fair value of the investment properties as of 30 June 2024 was RMB194,091,000 (31 December 2023: RMB201,442,000).

NOTES TO THE INTERIM FINANCIAL INFORMATION

17 LEASES

| | As at 30 June 2024 RMB'000 (Unaudited) | As at 31 December 2023 RMB'000 (Audited) |
|---------------------|---|--|
| Right-of-use assets | | |
| – Buildings | 82,244 | 121,849 |
| – Land use right | 180,724 | 183,132 |
| | 262,968 | 304,981 |
| Lease liabilities | | |
| – Current | 30,516 | 42,634 |
| – Non-current | 57,251 | 89,919 |
| | 87,767 | 132,553 |

Additions to the buildings in right-of-use assets for the six months ended 30 June 2023 and 2024 were RMB4,125,000 and RMB15,157,000, respectively. There is no addition to the land use right in right-of-use assets for the six months ended 30 June 2023 and 2024.

Disposals to the buildings in right-of-use assets for the six months ended 30 June 2023 and 2024 were RMB53,436,000 and RMB68,141,000 respectively.

| | Six months ended 30 June | |
|--|---|--------------------------------|
| | 2024 RMB'000 (Unaudited) | 2023 RMB'000 (Unaudited) |
| Depreciation charge of right-of-use assets | | |
| – Buildings | 21,249 | 28,872 |
| – Land use right | 61 | 61 |
| | 21,310 | 28,933 |
| Interest expense (included in finance costs) | 2,668 | 4,218 |

NOTES TO THE INTERIM FINANCIAL INFORMATION

17 LEASES (CONTINUED)

The total cash outflow from financing activities for leases for the six months ended 30 June 2023 and 2024 were RMB38,699,000 and RMB25,480,000 respectively, and the total cash outflow from operating activities for leases for the six months ended 30 June 2023 and 2024 were RMB324,000 and RMB118,000.

18 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | As at 30 June 2024 RMB'000 (Unaudited) | As at 31 December 2023 RMB'000 (Audited) |
|---|--|--|
| Investments in wealth management products (a) | 514,229 | 136,771 |
| Investments in unlisted equity securities (b) | 44,313 | 51,708 |
| | 558,542 | 188,479 |
| Less: non-current portion | | |
| Investments in wealth management products (a) | – | (25,514) |
| Investments in unlisted equity securities (b) | (44,313) | (51,708) |
| | 514,229 | 111,257 |

NOTES TO THE INTERIM FINANCIAL INFORMATION

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

(a) Investment in wealth management products

Movements in investment in wealth management products were as follows:

| | Six months ended 30 June | |
|--|--------------------------------|--------------------------------|
| | 2024 RMB'000 (Unaudited) | 2023 RMB'000 (Unaudited) |
| At the beginning of the period | 136,771 | 29,702 |
| Acquisitions | 1,329,511 | 1,292,695 |
| Disposals | (958,202) | (1,010,704) |
| Unrealised changes in fair value (Note 10) | 2,237 | 1,373 |
| Realised income (Note 10) | 3,912 | 6,109 |
| At the end of the period | 514,229 | 319,175 |

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

NOTES TO THE INTERIM FINANCIAL INFORMATION

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

(b) Investments in unlisted equity securities

The Group's investments in unlisted equity securities included in financial assets at FVPL represent the investment in certain privately owned companies.

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

| | Six months ended 30 June | |
|--|--------------------------------|--------------------------------|
| | 2024 RMB'000 (Unaudited) | 2023 RMB'000 (Unaudited) |
| At the beginning of the period | 51,708 | 53,387 |
| Additions | – | 1,035 |
| Transfer | – | 266 |
| Unrealised changes in fair value (Note 11) | (7,395) | (2,505) |
| At the end of the period | 44,313 | 52,183 |

NOTES TO THE INTERIM FINANCIAL INFORMATION

19 TRADE RECEIVABLES, PREPAYMENTS AND OTHER RECEIVABLES

| | As at 30 June 2024 RMB'000 (Unaudited) | As at 31 December 2023 RMB'000 (Audited) |
|--|---|--|
| Trade receivables from contracts with customers | 172,753 | 140,353 |
| Less: Loss allowance | (86,160) | (74,185) |
| Trade receivables – net | 86,593 | 66,168 |
| Prepayments to suppliers | 32,410 | 32,727 |
| Prepayments for property, plant and equipment | 12,161 | 12,161 |
| Prepayments for employee benefits | 4,464 | 5,231 |
| Total prepayments | 49,035 | 50,119 |
| Rental and other deposits | 17,546 | 21,814 |
| Others | 12,391 | 16,348 |
| Less: Loss allowance | (44) | (37) |
| Other receivables – net | 29,893 | 38,125 |
| Trade receivables, prepayments and other receivables | 165,521 | 154,412 |
| Less: Non-current deposits and prepayments | (28,955) | (32,477) |
| Current portion | 136,566 | 121,935 |

NOTES TO THE INTERIM FINANCIAL INFORMATION

19 TRADE RECEIVABLES, PREPAYMENTS AND OTHER RECEIVABLES (CONTINUED)

(a) Trade receivables

The Group normally allows 0 to 90 days credit period to its customers. Aging analysis of the trade receivables as at 30 June 2024 and 31 December 2023, based on date of recognition, is as follows:

| | As at 30 June 2024 RMB'000 (Unaudited) | As at 31 December 2023 RMB'000 (Audited) |
|--------------------|---|--|
| Aging | | |
| Up to 3 months | 45,893 | 37,344 |
| 3 to 6 months | 17,016 | 16,356 |
| 6 months to 1 year | 37,788 | 22,995 |
| 1 to 2 years | 47,535 | 36,670 |
| Over 2 years | 24,521 | 26,988 |
| | 172,753 | 140,353 |

NOTES TO THE INTERIM FINANCIAL INFORMATION

19 TRADE RECEIVABLES, PREPAYMENTS AND OTHER RECEIVABLES (CONTINUED)

(a) Trade receivables (Continued)

The loss allowances for trade receivables and contract assets as at 30 June 2024 and 30 June 2023 reconcile to the opening loss allowances as follows:

| | Contract assets | | Trade receivables | |
|--|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
| | Six months ended 30 June | | Six months ended 30 June | |
| | 2024 RMB'000 (Unaudited) | 2023 RMB'000 (Unaudited) | 2024 RMB'000 (Unaudited) | 2023 RMB'000 (Unaudited) |
| At the beginning of the period | 39,489 | 37,245 | 74,185 | 74,323 |
| Impairment provision | 6,997 | 4,636 | 11,975 | 12,095 |
| Receivables written off during the period as uncollectible | – | (2,957) | – | (16,740) |
| At the end of the period | 46,486 | 38,924 | 86,160 | 69,678 |

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

(b) Other receivables

For other receivables, management makes periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experience. Impairment on other receivables is measured as 12-month expected credit losses since the directors of the Company believe that there has been no significant increase in credit risk since initial recognition.

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

NOTES TO THE INTERIM FINANCIAL INFORMATION

20 CASH AND BANK BALANCES

| | As at 30 June 2024 RMB'000 (Unaudited) | As at 31 December 2023 RMB'000 (Audited) |
|------------------------------|---|--|
| Cash at bank and on hand (i) | 3,843,989 | 4,392,987 |
| Less: Restricted cash (ii) | (2,444) | (1,005) |
| Term deposits (iii) | (1,389,926) | (419,082) |
| Cash and cash equivalents | 2,451,619 | 3,972,900 |

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

| | As at 30 June 2024 RMB'000 (Unaudited) | As at 31 December 2023 RMB'000 (Audited) |
|-----|---|--|
| RMB | 707,738 | 1,287,327 |
| USD | 3,126,081 | 3,094,585 |
| HKD | 10,060 | 11,075 |
| SGD | 110 | – |
| | 3,843,989 | 4,392,987 |

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

NOTES TO THE INTERIM FINANCIAL INFORMATION

20 CASH AND BANK BALANCES (CONTINUED)

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

| | As at 30 June 2024 RMB'000 (Unaudited) | As at 31 December 2023 RMB'000 (Audited) |
|---|---|--|
| Included in non-current assets: | | |
| RMB term deposits over 1 year | 552,748 | 237,792 |
| Included in current assets: | | |
| RMB term deposits over 3 months to 1 year | 32,468 | 110,442 |
| USD term deposits over 3 months to 1 year | 804,710 | 70,848 |
| | 837,178 | 181,290 |
| | 1,389,926 | 419,082 |

As at 30 June 2024, the term deposits carried the interest rates of 2.60% to 5.33% per annum.

21 SHARE CAPITAL

Authorised:

| | Number of ordinary shares '000 | Nominal value of ordinary shares HKD'000 | Number of Preferred Shares '000 | Nominal value of Preferred Shares HKD'000 |
|--|---|--|--|---|
| As at 31 December 2023 and 30 June 2024 | 3,800,000 | 380 | – | – |

NOTES TO THE INTERIM FINANCIAL INFORMATION

21 SHARE CAPITAL (CONTINUED)

Issued:

| | Number of ordinary shares '000 | Nominal value of ordinary shares HKD'000 | Share capital RMB'000 | Treasury shares RMB'000 | Total RMB'000 |
|---------------------------------|---|--|-----------------------------|-------------------------------|------------------|
| As at 1 January 2024 | 1,942,316 | 194 | 170 | – | 170 |
| Issuance of ordinary shares (a) | 24,779 | 2 | 2 | – | 2 |
| Cancellation of shares (b) | (8,311) | (1) | (1) | – | (1) |
| Less: Treasury shares | (115,864) | (11) | – | (1,765) | (1,765) |
| As at 30 June 2024 | 1,842,920 | 184 | 171 | (1,765) | (1,594) |
| As at 1 January 2023 | 1,959,526 | 196 | 172 | – | 172 |
| Issuance of ordinary shares (c) | 27,233 | 2 | 2 | – | 2 |
| Cancellation of shares (d) | (44,443) | (4) | (4) | – | (4) |
| Less: Treasury shares | (92,145) | (9) | – | (4,492) | (4,492) |
| As at 31 December 2023 | 1,850,171 | 185 | 170 | (4,492) | (4,322) |

- (a) On 28 March 2024, the Company allotted and issued total 24,779,266 ordinary shares to MYC Marvellous Limited. The issuance resulted in the increase in share capital of RMB2,000 and the ordinary shares issued were also presented as treasury shares.
- (b) During the six months ended 30 June 2024, the Group repurchased a total of 7,251,000 ordinary shares that were listed on the Stock Exchange of Hong Kong Limited at a total cash consideration of RMB13,914,000. The total of 8,311,000 shares were cancelled on 8 May 2024, resulting in the decrease in the Company's share capital.
- (c) On 19 May 2023, 4 August 2023 and 30 November 2023, the Company allotted and issued total 27,232,775 ordinary shares to MYC Marvellous Limited. The issuance resulted in the increase in share capital of RMB2,000 and the ordinary shares issued were also presented as treasury shares.
- (d) During the year ended 31 December 2023, the Group repurchased a total of 1,373,000 ordinary shares that were listed on the Stock Exchange of Hong Kong Limited at a total cash consideration of RMB3,638,000. The total of 44,443,000 shares were cancelled on 16 March 2023 and 30 November 2023, resulting in the decrease in the Company's share capital.

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

NOTES TO THE INTERIM FINANCIAL INFORMATION

22 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 |
|---|-----------------------------|-------------------------------|--------------------------------|---|-----------------------------|------------------------------|
| (Unaudited) | | | | | | |
| At 1 January 2024 | 7,529,943 | 129 | (46,942) | 644,192 | (718,337) | 7,408,985 |
| Changes in fair value of financial assets at FVOCI, net of tax | - | - | - | - | (182) | (182) |
| Share-based compensation expenses (Note 23) | - | - | - | 98,407 | - | 98,407 |
| Transfer of vested restricted share units from treasury shares | 24,868 | - | - | (40,202) | - | (15,334) |
| Dividend distribution to the owners of the company | (178,744) | - | - | - | - | (178,744) |
| Cancellation of shares | (16,642) | - | - | - | - | (16,642) |
| Currency translation differences | - | - | 22,542 | - | - | 22,542 |
| At 30 June 2024 | 7,359,425 | 129 | (24,400) | 702,397 | (718,519) | 7,319,032 |
| (Unaudited) | | | | | | |
| At 1 January 2023 | 7,360,863 | 82 | (63,578) | 622,815 | (713,078) | 7,207,104 |
| Share-based compensation expenses (Note 23) | - | - | - | 227,597 | - | 227,597 |
| Cancellation of shares | (217,735) | - | - | - | - | (217,735) |
| Currency translation differences | - | - | 60,295 | - | - | 60,295 |
| At 30 June 2023 | 7,143,128 | 82 | (3,283) | 850,412 | (713,078) | 7,277,261 |

NOTES TO THE INTERIM FINANCIAL INFORMATION

23 SHARE-BASED COMPENSATION

2020 Share incentive plan

On 17 January 2023 and 15 November 2023, the Company granted restricted share units (“**RSUs**”) to the Grantees, representing 1,817,655 ordinary shares of par value HKD0.0001 each in the share capital of the Company. The RSUs awarded are subject to a vesting scale in tranches from the grant date over a certain service period, on condition that employees remain in service with certain performance requirements. Once the vesting conditions underlying the respective RSUs are met and the RSUs are vested, the shares shall be subject to applicable restrictions in the award and any legal restrictions.

2021 Share Award Scheme

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

On 29 April 2024, the Company granted Award Shares to the Grantees, representing 24,779,266 ordinary shares of par value HKD0.0001 each in the share capital of the Company. The Award Shares are subject to a vesting scale in tranches from the grant date over a certain service period, on condition that employees remain in service with certain performance requirements. Once the vesting conditions underlying the respective Award Shares are met and the Award Shares are vested, the shares shall be subject to applicable restrictions in the award and any legal restrictions.

NOTES TO THE INTERIM FINANCIAL INFORMATION

23 SHARE-BASED COMPENSATION (CONTINUED)

2021 Share Option Scheme

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

The share-based compensation expenses recognised during the six months ended 30 June 2024 and 2023 are summarised in the following table:

| | Six months ended 30 June | |
|-----------------------------------|---------------------------------|-------------|
| | 2024 | 2023 |
| | RMB'000 | RMB'000 |
| | (Unaudited) | (Unaudited) |
| Share-based compensation expenses | 98,407 | 227,597 |

Expected retention rate

The Group has to estimate the expected percentage of grantees that will stay within the Group at the end of the vesting periods of the virtual share options (the “**Expected Retention Rate**”) in order to determine the amount of share-based compensation expenses charged to the consolidated statements of comprehensive income. As at 30 June 2024 and 31 December 2023, the Expected Retention Rate was assessed to be 96%.

NOTES TO THE INTERIM FINANCIAL INFORMATION

23 SHARE-BASED COMPENSATION (CONTINUED)

(a) RSUs

Movements in the number of RSUs granted and the respective weighted average grant date fair value per RSU are as follows:

| | Number of RSUs | Weighted average grant date fair value per RSU (RMB) |
|--|--------------------|--|
| Outstanding as at 1 January 2024 | 55,494,713 | 16.72 |
| Granted during the six months ended 30 June 2024 | 24,779,266 | 2.17 |
| Vested during the period | (3,842,686) | 10.46 |
| Lapsed/Forfeited | (5,213,821) | 14.83 |
| Outstanding as at 30 June 2024 | 71,217,472 | 12.13 |
| Outstanding as at 1 January 2023 | 65,902,074 | 20.76 |
| Granted during the six months ended 30 June 2023 | 5,252,366 | 3.55 |
| Lapsed/Forfeited | (6,725,219) | 13.42 |
| Outstanding as at 30 June 2023 | 64,429,221 | 20.12 |

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.

NOTES TO THE INTERIM FINANCIAL INFORMATION

23 SHARE-BASED COMPENSATION (CONTINUED)

(b) Share options

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

| | Number of share options | Weighted average grant date fair value per share option (RMB) |
|--|----------------------------|--|
| Outstanding as at 1 January 2024 | 41,000,000 | 3.88 |
| Lapsed/Forfeited | (4,100,000) | 3.88 |
| Outstanding as at 30 June 2024 | 36,900,000 | 3.88 |
| Outstanding as at 1 January 2023 | | |
| Granted during the six months ended 30 June 2023 | 41,200,000 | 3.88 |
| Lapsed/Forfeited | (100,000) | 3.88 |
| Outstanding as at 30 June 2023 | 41,100,000 | 3.88 |

24 TRADE PAYABLES

| | As at 30 June 2024 RMB'000 (Unaudited) | As at 31 December 2023 RMB'000 (Audited) |
|---------------------------------|--|--|
| Trade payables to third parties | 26,142 | 23,762 |

NOTES TO THE INTERIM FINANCIAL INFORMATION

24 TRADE PAYABLES (CONTINUED)

As at 30 June 2024 and 31 December 2023, the aging analysis of the trade payables based on date of recognition is as follows:

| | As at 30 June 2024 RMB'000 (Unaudited) | As at 31 December 2023 RMB'000 (Audited) |
|--------------------|---|--|
| Aging | | |
| Up to 3 months | 13,030 | 15,509 |
| 3 to 6 months | 764 | 473 |
| 6 months to 1 year | 5,301 | 2,141 |
| Over 1 year | 7,047 | 5,639 |
| | 26,142 | 23,762 |

25 OTHER PAYABLES AND ACCRUALS

| | As at 30 June 2024 RMB'000 (Unaudited) | As at 31 December 2023 RMB'000 (Audited) |
|--|---|--|
| Dividend payable (Note 15) | 179,532 | – |
| Accrued payroll and employee benefit expenses | 101,265 | 187,764 |
| VAT and surcharges payable | 3,822 | 5,487 |
| Commissions payable to regional channel partners | 8,762 | 7,144 |
| Deposits from regional channel partners | 1,602 | 1,652 |
| Accrued auditor's remuneration | 600 | 4,200 |
| Others | 5,759 | 8,723 |
| | 301,342 | 214,970 |

NOTES TO THE INTERIM FINANCIAL INFORMATION

26 COMMITMENTS

(a) Capital commitments

The Group at the end of the reporting period doesn't has material capital commitments with respect to assets under construction.

(b) Operating lease commitments

The Group leases certain offices and land under non-cancellable operating lease arrangements with lease terms less than 1 year, which can be exempted from IFRS 16. The Group's future aggregate minimum lease payments for such short term non-cancellable operating leases were as follows:

| | As at 30 June 2024 RMB'000 (Unaudited) | As at 31 December 2023 RMB'000 (Audited) |
|---------------|---|---|
| Within 1 year | 34 | 113 |

27 SIGNIFICANT RELATED PARTY TRANSACTIONS

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

Save as disclosed elsewhere in this report, the directors of the Company are of the view that the following parties were related parties that had transactions or balances with the Group for the six months ended 30 June 2024 and 2023:

NOTES TO THE INTERIM FINANCIAL INFORMATION

27 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Key management personnel compensation

| | Six months ended 30 June | |
|---|--|--|
| | 2024 RMB'000 (Unaudited) | 2023 RMB'000 (Unaudited) |
| Salaries, wages, and bonuses | 2,091 | 2,280 |
| Pension costs – defined contribution plans | 151 | 153 |
| Other social security costs, housing benefits and other employee benefits | 183 | 213 |
| | 2,425 | 2,646 |
| | | |
| | As at 30 June 2024 RMB'000 (Unaudited) | As at 31 December 2023 RMB'000 (Audited) |
| Accrued payroll and employee benefit expenses | 352 | 396 |

28 CONTINGENT LIABILITIES

The Group had no material contingent liabilities outstanding as at 30 June 2024.

29 SUBSEQUENT EVENT

There were no material subsequent events after 30 June 2024 up to the approval date the Interim Financial Information by the Board of Directors on 15 August 2024.

DEFINITIONS

In this report, unless the context otherwise requires, the following terms have the meanings ascribed below. These terms and their definitions may not correspond to any industry standard definitions, and may not be directly comparable to similarly titled terms adopted by other companies operating in the same industries as our Company.

| | |
|--|--|
| “AGM” | the annual general meeting of the Company held on 10 May 2024 |
| “Audit Committee” | the audit committee of the Board |
| “Award(s)” | in the context of Share Award Scheme, an award granted by the Board to a Selected Participant, which may vest in the form of Award Shares or the actual selling price of the Award Shares in cash, as the Board may determine in accordance with the terms of the scheme rules; or in the context of Share Incentive Plan, an Option, RSU, restricted share, or other share-based award or right granted or sold pursuant to terms of the Share Incentive Plan |
| “Award Letter” | a letter issued by the Company to each Selected Participant in such form as the Board or the committee of the Board or person(s) to which the Board has delegated its authority may from time to time determine, specifying the grant date, the number of Award Shares underlying the Award, the vesting criteria and conditions, and the vesting date and such other details as they may consider necessary |
| “Board” or “our Board” or “Board of Directors” | the board of Directors |
| “Chairman” | the chairman of the Board |
| “China” or “PRC” | the People’s Republic of China, for the purposes of this report only, excluding Hong Kong, Macau Special Administrative Region and Taiwan |
| “Company” or “our Company” or “the Company” or “Ming Yuan Cloud” | Ming Yuan Cloud Group Holdings Limited (明源雲集團控股有限公司), an exempted company with limited liability incorporated in the Cayman Islands on 3 July 2019 |
| “Consolidated Affiliated Entity” | the entity that we control through contractual arrangements |

DEFINITIONS

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| “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 Dollar, the lawful currency of Hong Kong |
| “Hong Kong” or “HK” | the Hong Kong Special Administrative Region of the PRC |
| “IFRS” | IFRS Accounting Standards |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time |
| “Ming Yuan Cloud Procurement” | Shenzhen Mingyuan Cloud Procurement Technology Limited (深圳市明源雲採購科技有限公司) (previously known as Shenzhen Mingyuan Yunlian Electronic Commerce Co., Ltd. (深圳市明源雲鏈電子商務有限公司)), a limited liability company established in Shenzhen, the PRC on 22 April 2014 and is our Consolidated Affiliated Entity |
| “Model Code” | the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix C3 to the Listing Rules |
| “MYC” | MYC Marvellous Limited, a limited liability company incorporated in the British Virgin Islands and a special purpose vehicle wholly owned by TMF Trust (HK) Limited, the trustee appointed by the Company for the administration of the relevant share schemes of the Company |

DEFINITIONS

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| “Net Proceeds” | has the meaning ascribed to it under the section headed “ <i>USE OF NET PROCEEDS FROM THE GLOBAL OFFERING</i> ” in this report |
| “Option(s)” | in the context of Share Incentive Plan, an option to subscribe for Shares as granted pursuant to the Share Incentive Plan; or in the context of Share Option Scheme, the right to subscribe for a specified number of Shares in issue at the subscription price pursuant to the terms of the Share Option Scheme |
| “Prospectus” | the prospectus of our Company, dated 15 September 2020, in relation to the Global Offering |
| “Reporting Period” | for the six months ended 30 June 2024 |
| “RSU(s)” | a restricted unit share granted by the Board to a selected participant, which may vest in the form of RSU shares or the actual selling price of the RSU shares in cash, as the Board may determine in accordance with the terms of the Share Incentive Plan |
| “RMB” or “Renminbi” | Renminbi Yuan, the lawful currency of China |
| “Scheme Limit” | the total number of Shares which may be issued in respect of all options, awards and RSUs to be granted under the Share Scheme(s) (as the case may be) and, and any other schemes of the Company |
| “Selected Participant(s)” | any eligible person approved for participation in the Share Award Scheme and who has been granted any Award pursuant to the Share Award Scheme |
| “Service Provider Sublimit” | the total number of new Shares which may be issued pursuant to Awards, Options and/or RSUs granted and to be granted under the relevant Amended Share Scheme(s) to Service Providers, which must not exceed 0.5% of the total number of issued Shares as at the date of the Shareholders’ approval of the Service Provider Sublimit |

DEFINITIONS

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| “SFO” | the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time |
| “Share(s)” | ordinary share(s) in the share capital of our Company with a nominal value of HK\$0.0001 each |
| “Share Award Scheme” | the share award scheme of the Company as approved and adopted by the Board on 11 June 2021 and further amended on 10 May 2024 |
| “Share Incentive Plan” | the share incentive plan of the Company approved and adopted by the Board on 29 March 2020 and further amended on 10 May 2024 |
| “Share Option Scheme” | the share option scheme of the Company approved and adopted by the Board on 11 June 2021 and further amended on 10 May 2024 |
| “Share Schemes” | collectively, the Share Award Scheme, the Share Incentive Plan and the Share Option Scheme |
| “Shareholder(s)” | holder(s) of our Shares |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Third Amended and Restated Articles of Association” | the third amended and restated articles of association of the Company adopted by the Shareholders at the AGM |
| “U.S.” | United States of America |
| “USD” or “US\$” or “US dollars” | United States Dollar, the lawful currency of the U.S. |
| “%” | per cent. |

In this report, unless otherwise indicated, the terms “associate”, “associated corporation”, “connected person”, “controlling shareholder”, “subsidiary” and “substantial shareholder” shall have the meanings given to such terms in the Listing Rules.

GLOSSARY OF TECHNICAL TERMS

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|-------------------------|---|
| “AI” | artificial intelligence |
| “application” | application software designed to run on smartphones and other mobile devices |
| “cloud-based” | applications, services or resources made available to users on demand via the Internet from a cloud computing provider’s servers with access to shared pools of configurable resources |
| “CRM” | customer relationship management, a strategy for managing an organization’s relationships and interactions with customers and potential customers |
| “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 property developers to build applications over the Internet |
| “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 |