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明源雲

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)

(Stock Code: 909)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED DECEMBER 31, 2021

The Board is pleased to announce the consolidated annual results of the Group for the year ended December 31, 2021 together with the comparative figures for the year ended December 31, 2020. The consolidated annual results of the Group for the Reporting Period have been audited by the Company's auditor and reviewed by the Audit Committee.

FINANCIAL HIGHLIGHTS

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

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

SaaS products

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

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

ERP solutions

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

Investments in the research and development

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

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

BUSINESS REVIEW AND OUTLOOK

Industry Review

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

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

Business Review

Our Products and Services

We specialize in providing enterprise-grade SaaS products and ERP solutions for major participants in the real estate ecological chain, helping real estate development/operation/service providers to better achieve their business goals through digital upgrades. Capitalizing on the powerful scalability, connectivity of our Skyline PaaS Platform and integration with software solutions, our SaaS products and ERP solutions enable our customers to carry out their businesses internally and with their business partners in a more efficient and intelligent manner.

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

SaaS products

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

CRM Cloud

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

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

Construction Cloud

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

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

Procurement Cloud

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

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

Space Cloud

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

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

ERP solutions

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

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

Skyline PaaS Platform

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

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

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

Our Sales and Distribution Network

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

As at December 31, 2021, our direct sales force consisted of more than 370 employees with good knowledge about our products, technology and the real estate industry and extensive professional experience. We organize our direct sales force by geographic locations and customer accounts to maximize sales efficiency.

Outside of tier-1 cities served by our direct sales force, we deploy an extensive sales and service network across China, to rapidly scale up our presence in regional market in a cost-effective manner.

Future and Outlook

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

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

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

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

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

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

2. *Building a three-level SaaS growth driver*

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

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

- 1.1 CRM Cloud: Our CRM Cloud will continue to empower property developers with multi-level digital marketing solutions, and deepen our cooperation with property developers to become the first-choice partner for the digital property marketing. CRM Cloud will provide a series of segmented marketing solutions for different customer bases, and empower our customers to expand pre-sales consumer flows, enhance sales conversion rate and improve after-sales services relying on AI cloud store, virtual digital exhibition hall, MA automation engine, SCN universal marketing, marketing capability model, marketing cockpit, 3D online property launch, digital staff and LTV customer operation technologies.
 - 1.2 Construction Cloud: Our Construction Cloud will provide more segmented solutions based on the demand of different customer bases through the combination of new and existing products. Construction Cloud will offer package solutions combining quality inspection and progress management for private enterprises that are significantly affected by fluctuations of the industry, so as to help such customers improve project management and planning and recover funds. Meantime, Construction Cloud will provide comprehensive solutions covering quality control SOP, intelligent inspection and intelligent measurement for state-owned enterprises and some private enterprises that are less affected by fluctuations of the industry, and develop digital transformation packages that meet the requirements of high-quality construction, thus better matching the higher quality and safety demand of enterprises.
- (2) As the public cloud is increasingly popular and SaaS products are gradually recognized by customers, we will fully implement the SaaS transformation based on core businesses of the real estate value chain, and actively explore the SaaS model for our existing core digital businesses, which will become a key engine to drive the overall SaaS revenue of the Company:
- 2.1 In order to fully expand into the industrial development, operation and services market, the Company will mainly adopt the SaaS model to provide products and services to customers.
 - 2.2 For the residential property development market, the Company initiated the transition of ERP to subscription-based model. The first SaaS products have officially launched in March 2022. We will focus on expanding our presence into small and medium property developers at the initial stage, and then further penetrate into large and medium property developers.
- (3) We will proactively develop more innovative SaaS products for the upstream and downstream of the real estate value chain, including Procurement Cloud for suppliers, Property Management Cloud for the residential property market, and Commercial Management Cloud for shopping malls. There are over 1 million upstream suppliers and over 200,000 downstream property management companies in China's real estate value chain, but the digital upgrade of such customers have barely started. Meantime, the Company will also make an active exploration in the commercialization of the Skyline PaaS Platform.

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

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

- (1) In terms of products, we will further strengthen the platform construction of BI&Big Data platform, enhance the data intelligence of SaaS business scenarios through the “Data + AI” method. In terms of the China-made strategy and the IT application innovation, we will enhance the independent research on China-made multi-dimensional databases and the full adaptability of such databases. In terms of technologies, we will develop a new composable application architecture integrating BPA&Portal, iPaaS and BI&Big Data, so as to accelerate the R&D and innovation of SaaS products for the industrial development and operation market.
- (2) Capitalizing on our PaaS Platform, we will provide more efficient and flexible customized services, expand the scope of the Stars Program, and develop more Offshore Development Centres (ODC). Through cooperation and joint innovation with our customers in the real estate value chain, we will provide our customers with iterative SaaS applications as well as more customized services relying on our powerful Skyline PaaS Platform.
- (3) In terms of the ecology, we will actively explore the “platform + ecology” model and develop more high-quality technology partners based on iPaaS, thus providing more out-of-the-box technical services for companies in the real estate value chain.

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

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

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

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended December 31, 2021

		Year ended December 31,	
		2021	2020
	Note	RMB'000	RMB'000
Revenues	4	2,184,490	1,705,276
Cost of sales	5	<u>(433,361)</u>	<u>(365,554)</u>
Gross profit		1,751,129	1,339,722
Selling and marketing expenses	5	(897,209)	(590,428)
General and administrative expenses	5	(1,002,776)	(207,656)
Research and development expenses	5	(642,295)	(355,945)
Net impairment losses on financial assets and contract assets		(43,593)	(4,358)
Other income	6	97,016	94,642
Other gains, net	7	<u>110,957</u>	<u>50,479</u>
Operating (loss)/profit		(626,771)	326,456
Finance income	8	126,613	14,391
Finance costs	8	<u>(3,132)</u>	<u>(2,058)</u>
Finance income, net		123,481	12,333
Share of losses of investments accounted for using the equity method		(264)	–
Net losses upon financial liabilities at fair value through profit or loss transferred to equity		<u>–</u>	<u>(988,875)</u>
Loss before income tax		(503,554)	(650,086)
Income tax credit/(expense)	9	<u>7,636</u>	<u>(18,114)</u>
Loss for the year		<u>(495,918)</u>	<u>(668,200)</u>
Loss attributable to:			
Owners of the Company		(343,982)	(704,482)
Non-controlling interests		<u>(151,936)</u>	<u>36,282</u>
		<u>(495,918)</u>	<u>(668,200)</u>
Losses per share for loss attributable to owners of the Company (expressed in RMB per share)			
Basic	10	(0.18)	(0.48)
Diluted	10	<u>(0.18)</u>	<u>(0.48)</u>

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 2021

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

		As at December 31,	
		2021	2020
	<i>Note</i>	RMB'000	RMB'000
LIABILITIES			
Non-current liabilities			
Contract liabilities	4	32,092	25,338
Lease liabilities		61,620	33,872
Deferred income tax liabilities		458	66
		<hr/>	<hr/>
Total non-current liabilities		94,170	59,276
		<hr/>	<hr/>
Current liabilities			
Trade payables	13	66,062	42,837
Other payables and accruals	14	239,958	224,004
Contract liabilities	4	601,001	548,938
Current income tax liabilities		9	–
Lease liabilities		41,421	27,575
		<hr/>	<hr/>
Total current liabilities		948,451	843,354
		<hr/>	<hr/>
Total liabilities		1,042,621	902,630
		<hr/> <hr/>	<hr/> <hr/>
Total equity and liabilities		6,972,797	7,472,166
		<hr/> <hr/>	<hr/> <hr/>

NOTES

1. GENERAL INFORMATION

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

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

The consolidated annual results are presented in Renminbi (“**RMB**”), unless otherwise stated.

2. BASIS OF PREPARATION

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

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

The preparation of the consolidated annual results in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies.

(a) New and amended standards adopted by the Group

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

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

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

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

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

3. SEGMENT INFORMATION

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

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

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

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

The segment information for the year ended December 31, 2021 is as follows:

	SaaS products <i>RMB'000</i>	ERP solutions <i>RMB'000</i>	Unallocated items <i>RMB'000</i>	Total <i>RMB'000</i>
Revenues	1,337,680	846,810	–	2,184,490
Cost of sales	<u>(123,903)</u>	<u>(309,458)</u>	<u>–</u>	<u>(433,361)</u>
Gross profit	1,213,777	537,352	–	1,751,129
Segment results	<u>19,328</u>	<u>149,504</u>	<u>(664,750)</u>	<u>(495,918)</u>

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

	SaaS products <i>RMB'000</i>	ERP solutions <i>RMB'000</i>	Unallocated items <i>RMB'000</i>	Total <i>RMB'000</i>
Revenues	871,199	834,077	–	1,705,276
Cost of sales	<u>(112,753)</u>	<u>(252,801)</u>	<u>–</u>	<u>(365,554)</u>
Gross profit	758,446	581,276	–	1,339,722
Segment results	<u>18,663</u>	<u>306,837</u>	<u>(993,700)</u>	<u>(668,200)</u>

4. REVENUES

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

	Year ended December 31,	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
SaaS products	1,337,680	871,199
ERP solutions		
– Revenues from rendering of value-added services	323,244	343,502
– Revenues from software licensing	254,448	249,691
– Revenues from rendering of product support services	174,689	137,814
– Revenues from rendering of implementation services	<u>94,429</u>	<u>103,070</u>
	<u>2,184,490</u>	<u>1,705,276</u>

	Year ended December 31,	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
SaaS products		
– Revenues over time	1,257,908	784,875
– Revenues at a point in time	79,772	86,324
ERP solutions		
– Revenues over time	592,362	584,386
– Revenues at a point in time	<u>254,448</u>	<u>249,691</u>
	<u>2,184,490</u>	<u>1,705,276</u>

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

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

	As at December 31,	
	2021	2020
	RMB'000	RMB'000
Contract assets	107,263	52,083
Less: Loss allowance	(24,281)	(4,049)
Total contract assets	<u>82,982</u>	<u>48,034</u>
Contract acquisition costs	284,208	191,939
Less: non-current portion	(5,561)	(490)
	<u>278,647</u>	<u>191,449</u>
Contract liabilities	633,093	574,276
Less: non-current portion	(32,092)	(25,338)
	<u>601,001</u>	<u>548,938</u>

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

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

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

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

(ii) **Revenue recognised in relation to contract liabilities**

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

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
Revenue recognised in relation to contract liabilities	<u>536,364</u>	<u>372,930</u>

(iii) Unsatisfied long-term contracts

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

	As at December 31,	
	2021	2020
	RMB'000	RMB'000
Unsatisfied long-term contracts		
– ERP solutions	256,795	274,795
– SaaS products	837,645	622,295
	<u>1,094,440</u>	<u>897,090</u>

Management expects that unsatisfied performance obligations of approximately RMB984,788,000 as at December 31, 2021 (2020: RMB806,963,000) will be recognised as revenue within 1 year. The remaining unsatisfied performance obligations of approximately RMB109,652,000 (2020: RMB90,127,000) will be recognised as revenue in 1 to 2 years.

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

5. EXPENSES BY NATURE

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
Employee benefit expenses	1,254,925	820,348
Share-based compensation expenses	803,152	18,054
Commission expenses	462,173	294,371
Outsourcing expenses	120,008	92,353
Costs of inventories sold	62,505	70,470
Professional and technical service fees	54,374	31,387
Traveling and entertainment expenses	44,279	32,675
IT and communication charges	40,874	24,039
Depreciation of right-of-use assets	34,129	22,754
Exhibition and promotion charges	20,703	17,944
Office expenses	19,353	14,028
Depreciation of property, plant and equipment	18,687	9,525
Taxes and surcharges	14,508	11,565
Short-term rental and utilities expenses	13,495	8,167
Auditor's remuneration	6,090	4,930
– Audit services	4,900	4,380
– Non-audit services	1,190	550
Amortisation of intangible assets	3,158	1,528
Depreciation of investment properties	705	–
Listing expenses	–	43,961
Others	2,523	1,484
	<u>2,975,641</u>	<u>1,519,583</u>

No research and development expenses had been capitalised during the years ended December 31, 2021 and 2020.

6. OTHER INCOME

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

- (a) Before April 1, 2019, the applicable VAT rate for sales of computer software was 16%. From April 1, 2019 onwards, according to the circular “Announcement of Ministry of Finance, the General Administration of Taxation and the General Administration of Customs on deepening policies related to VAT reformation” (Announcement of Ministry of Finance, the General Administration of Taxation and the General Administration of Customs [2019] No.39財政部稅務總局海關總署公告2019年第39號), the application VAT rate for sales of computer software has been adjusted from 16% to 13%.

According to the circular Cai Shui [2011] No.100 (財稅[2011] 100號, “Circular 100”), software enterprises which engage in the sales of self-developed software in the PRC are entitled to VAT refund to the extent that the effective VAT rate of the sales of the software in the PRC exceeds 3%.

- (b) It represented interest income and fair value changes from wealth management products that are measured at fair value through profit or loss.

7. OTHER GAINS, NET

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

8. FINANCE INCOME, NET

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
<i>Finance income</i>		
– Interest income from bank deposits	<u>126,613</u>	<u>14,391</u>
<i>Finance costs</i>		
– Interest expenses on lease liabilities	<u>(3,132)</u>	<u>(2,058)</u>
Finance income – net	<u>123,481</u>	<u>12,333</u>

9. INCOME TAX (CREDIT)/EXPENSE

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
Current income tax	9	17,338
Deferred income tax	<u>(7,645)</u>	<u>776</u>
Income tax (credit)/expense	<u>(7,636)</u>	<u>18,114</u>

10. LOSSES PER SHARE

(a) Basic losses per share

Basic losses per share is calculated by dividing the loss attributable to owners of the Company by the weighted average number of ordinary shares in issue and outstanding during the years ended December 31, 2021 and 2020.

	Year ended December 31,	
	2021	2020
Loss attributable to owners of the Company (RMB'000)	(343,982)	(704,482)
Weighted average number of ordinary shares in issue and outstanding (thousand)	<u>1,864,358</u>	<u>1,467,688</u>
Basic losses per share (in RMB)	<u>(0.18)</u>	<u>(0.48)</u>

(b) Diluted losses per share

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

For the year ended December 31, 2021 and 2020, as the Group incurred losses, the potential ordinary shares of restricted share units were not included in the calculation of dilutive losses per share, as their inclusion would be anti-dilutive. Accordingly, diluted losses per share for the year ended December 31, 2021 and 2020 are the same as basic losses per share.

11. DIVIDENDS

- (a) Dividends of RMB5,248,000 were paid to the non-controlling interests in Shenzhen Mingyuan Yunke Electronic Commerce Co., Ltd, an indirect subsidiary of the Company, for the year ended December 31, 2020.
- (b) A final dividend of RMB0.07 (equivalent to approximately HKD0.083) per ordinary share was approved by the shareholders at the 2020 annual general meeting of the Company held on June 11, 2021, amounting to RMB127,913,000 paid on June 29, 2021.

A final dividend in respect of the year ended December 31, 2021 of RMB0.055 per share (equivalent to HKD0.068 per share) was proposed pursuant to a resolution passed by the Board on March 28, 2022 and subject to the approval of the shareholders at the 2021 annual general meeting of the Company to be held in May 2022 or any adjournment thereof. This proposed dividend is not reflected as dividend payable in the consolidated annual results.

12. TRADE RECEIVABLES, PREPAYMENTS AND OTHER RECEIVABLES

	As at December 31,	
	2021	2020
	RMB'000	RMB'000
Trade receivables from contracts with customers (a)	108,495	35,428
Less: Loss allowance	(28,915)	(5,578)
Trade receivables – net	79,580	29,850
Prepayments to suppliers	29,435	18,739
Prepayments for land use right	36,440	–
Prepayments for leasehold improvements	14,431	–
Prepayments for employee benefits	7,596	4,788
Total prepayments	87,902	23,527
Rental and other deposits	39,654	7,861
Receivables from disposal of a financial asset at fair value through profit or loss	–	19,800
Interest receivables from bank deposits	14,265	4,575
Others	2,970	2,425
Less: Loss allowance	(71)	(52)
Other receivables – net	56,818	34,609
Total trade receivables, prepayments and other receivables	224,300	87,986
Less: Non-current deposits and prepayments	(79,467)	(6,705)
Current portion	144,833	81,281

(a) Trade receivables

	As at December 31,	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables from contracts with customers	108,495	35,428
Less: Loss allowance	(28,915)	(5,578)
	<u>79,580</u>	<u>29,850</u>

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

	As at December 31,	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Ageing		
Up to 3 months	70,391	23,030
3 to 6 months	14,526	3,316
6 months to 1 year	12,707	3,618
1 to 2 years	6,950	3,432
Over 2 years	3,921	2,032
	<u>108,495</u>	<u>35,428</u>

13. TRADE PAYABLES

	As at December 31,	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables to third parties	<u>66,062</u>	<u>42,837</u>

As at December 31, 2021 and 2020, the ageing analysis of the trade payables based on date of recognition are as follows:

	As at December 31,	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Ageing:		
Up to 3 months	<u>66,062</u>	<u>42,837</u>

14. OTHER PAYABLES AND ACCRUALS

	As at December 31,	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Accrued payroll and employee benefit expenses	205,045	175,269
VAT and surcharges payable	14,550	23,926
Accrued auditor's remuneration	5,500	4,914
Payable in respect of investments in unlisted equity securities	5,000	–
Commissions payable to regional channel partners	2,097	2,149
Deposits from regional channel partners	1,662	1,465
Operating expenses advanced by employees	97	4,980
Accrued listing expenses	–	4,306
Others	6,007	6,995
	<u>239,958</u>	<u>224,004</u>

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

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

Revenues

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

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

SaaS products

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

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

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

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

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

ERP solutions

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

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

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

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

Cost of Sales

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

SaaS products

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

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

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

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

ERP solutions

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

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

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

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

Gross Profit

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

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

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

Selling and Marketing Expenses

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

General and Administrative Expenses

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

Research and Development Expenses

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

Net Impairment Losses on Financial Assets and Contract Assets

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

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

Other Income

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

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

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

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

Other Gains, Net

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

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

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

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

Operating (Loss)/Profit

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

Finance Income

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

Finance Costs

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

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

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

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

Loss Before Income Tax

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

Income Tax Credit/(Expense)

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

(Loss)/profit for the Year

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

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

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

Non-IFRS Measures

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

EBITDA AND ADJUSTED EBITDA

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

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

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

Adjusted net income

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

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

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

LIQUIDITY AND CAPITAL RESOURCES

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

Cash and Cash Equivalents and Term Deposits

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

Current Ratio

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

CAPITAL MANAGEMENT AND GEARING RATIO

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

CAPITAL COMMITMENTS

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

CONTINGENT LIABILITIES

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

FOREIGN EXCHANGE RISK MANAGEMENT

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

CREDIT RISK

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

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

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

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

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

FUND AND WORKING CAPITAL MANAGEMENT

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

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

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

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

PLEDGE OF ASSETS

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

USE OF NET PROCEEDS FROM GLOBAL OFFERING

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

Item	Approximate % of total net proceeds	Net proceeds from the Global Offering <i>(HK\$ million)</i>	Utilized as at December 31, 2021 <i>(HK\$ million)</i>	Unutilized as at December 31, 2021 <i>(HK\$ million)</i>	Expected timeline of full utilization of the unutilized net proceeds
Further upgrade and enhance the functionalities and features of our existing SaaS products					
(a) Hire and train more high-quality IT specialists, technology architects, software developers and examiners, as well as SaaS product managers	18.0%	1,243.86	232.60	1,011.26	Before December 31, 2023
(b) Purchase from qualified suppliers advanced equipment, infrastructure and applications	6.0%	414.62	31.74	382.88	Before December 31, 2023
(c) Invest in product development to introduce new SaaS products	6.0%	414.62	–	414.62	Before December 31, 2023
Enhance research and development efforts in cutting-edge technologies					
(a) Develop our proprietary key fundamental technologies that support product innovation	8.0%	552.82	55.70	497.12	Before December 31, 2023
(b) Develop our own technology infrastructure	12.0%	829.24	83.54	745.70	Before December 31, 2023
Further upgrade and enhance the functionalities and features of our cloud-based ERP solutions					
(a) Enhance our existing product support and value-added service capabilities	6.0%	414.62	157.43	257.19	Before December 31, 2023
(b) Expand our existing ERP modules and functions to cover more internal business and operational processes of property developers	4.0%	276.41	–	276.41	Before December 31, 2023

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

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

DIVIDENDS

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

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

CLOSURE OF REGISTER OF MEMBERS

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

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

IMPACT OF THE COVID-19 OUTBREAK

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

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

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

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

CORPORATE GOVERNANCE

The Board is committed to achieving good corporate governance standards.

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

The Company has adopted the principles and code provisions of the Corporate Governance Code (the “**CG Code**”) contained in Appendix 14 to the Listing Rules as the basis of the Company's corporate governance practices.

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

MODEL CODE FOR SECURITIES TRANSACTIONS

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

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

MATERIAL ACQUISITIONS, DISPOSALS AND SIGNIFICANT INVESTMENTS

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

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

The Acquisition

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

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

SOCIAL RESPONSIBILITIES

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

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

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

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

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

EMPLOYEES

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

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

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

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

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

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

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

AUDIT COMMITTEE

The Board has established the Audit Committee, which comprises three independent non-executive Directors, namely, Ms. ZENG Jing (曾靜) (Chairperson), Mr. LI Hanhui (李漢輝) and Mr. ZHAO Liang (趙亮). 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 the Stock Exchange).

The Audit Committee has, together with the senior management of the Company, reviewed the accounting principles and practices adopted by the Group as well as the audited consolidated financial statements of the Group for the year ended December 31, 2021.

SCOPE OF WORK OF AUDITOR

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of comprehensive income and the related notes thereto for the year ended December 31, 2021 as set out in the preliminary results announcement have been compared by the Company's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year ended December 31, 2021 and the amounts were found to be in agreement. The work performed by the Company's auditor in this respect did not constitute an audit, review or other assurance engagement and consequently no assurance has been expressed by the Company's auditor on this announcement.

SUBSEQUENT EVENT

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

On January 11, 2022, the Board has resolved to grant a total of 6,435,898 RSUs under the Share Incentive Plan to 18 employees of the Group, representing an aggregate of 6,435,898 Shares. The RSUs awarded are subject to a vesting scale in tranches from the grant date over a certain service period, on condition that employees remain in service with certain performance requirements. Once the vesting conditions underlying the respective RSUs are met and the RSUs are released, the shares shall be subject to applicable restrictions in the award and any legal restrictions. For details, please refer to the announcement of the Company dated January 11, 2022.

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

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

PUBLICATION OF ANNUAL RESULTS AND 2021 ANNUAL REPORT

This annual results announcement is published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.mingyuanyun.com. The annual report of the Company for the year ended December 31, 2021 containing all the information required by the Listing Rules will be dispatched to the Shareholders and published on the respective websites of the Stock Exchange and the Company in accordance with the requirements under the Listing Rules.

APPRECIATION

The Board would like to express its sincere gratitude to the Shareholders, management team, employees, business partners and customers of the Group for their support and contribution to the Group.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following respective meanings:

“Audit Committee”	the audit committee of the Board
“Board”, “our Board” or “Board of Directors”	the board of directors of our Company
“Chairman”	the chairman of the Board
“China” or “PRC”	the People’s Republic of China, for the purposes of this announcement only, excluding Hong Kong, Macau Special Administrative Region and Taiwan
“Company”, “our Company”, or “the Company”	Ming Yuan Cloud Group Holdings Limited (明源雲集團控股有限公司), an exempted company with limited liability incorporated in the Cayman Islands on July 3, 2019
“Consolidated Affiliated Entity”	the entity that we control through contractual arrangements
“Director(s)”	the director(s) of our Company
“Global Offering”	the Hong Kong public offering and the international offering of the offer shares
“Group”, “our Group”, “the Group”, “we”, “us”, or “our”	our Company and its subsidiaries and Consolidated Affiliated Entity from time to time or, where the context so requires, in respect of the period prior to our Company becoming the holding company of its present subsidiaries and Consolidated Affiliated Entity, such subsidiaries and Consolidated Affiliated Entity as if they were subsidiaries and Consolidated Affiliated Entity of our Company at the relevant time
“HKD” or “HK\$” or “HK dollars”	Hong Kong Dollars, the lawful currency of Hong Kong
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“IFRS”	International Financial Reporting Standards
“Listing Date”	September 25, 2020, being the date on which the Shares were listed on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time

“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules
“Prospectus”	the prospectus of our Company, dated September 15, 2020, in relation to the Global Offering
“Reporting Period”	the year ended December 31, 2021
“RMB” or “Renminbi”	Renminbi Yuan, the lawful currency of China
“RSU(s)”	restricted share unit(s) granted under the Share Incentive Plan
“SASAC”	the State-owned Assets Supervision and Administration Commission of the State Council of China
“Share(s)”	ordinary share(s) in the share capital of our Company with a nominal value of HK\$0.0001 each
“Share Incentive Plan”	the share incentive plan of the Company approved and adopted by the Board on March 29, 2020, in its present form or as amended from time to time in accordance with the Share Incentive Plan
“Shareholder(s)”	holder(s) of our Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“U.S.”	United States of America
“USD” or “US\$” or “US dollars”	United States Dollars, the lawful currency of the U.S.
“%”	per cent.

GLOSSARY OF TECHNICAL TERMS

“AI”	artificial intelligence
“AIoT”	artificial intelligence of things, the combination of artificial intelligence technologies with the Internet of Things (IoT) infrastructure to achieve more efficient IoT operations, improve human-machine interactions and enhance data management and analytics
“app” or “application”	application software designed to run on smartphones and other mobile devices
“cloud-based”	applications, services or resources made available to users on demand via the Internet from a cloud computing provider’s servers with access to shared pools of configurable resources
“COVID-19”	coronavirus disease 2019, a disease caused by a novel virus designated as severe acute respiratory syndrome coronavirus 2
“CRM”	customer relationship management, a strategy for managing an organization’s relationships and interactions with customers and potential customers
“customer entity”	a legal entity which subscribes for our software solutions by entering into contracts with us or our regional channel partners (who are responsible for marketing and selling our software solutions in designated geographic locations), as the case may be, and uses such software solutions, during the relevant period
“data analytics”	the use of advanced analytic techniques against very large, diverse data sets to uncover hidden patterns, unknown correlations, market trends, customer preferences, and other useful information that can help organizations make more informed business decisions
“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

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

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

Shenzhen, PRC, March 28, 2022

As of the date of this announcement, the Board comprises Mr. GAO Yu, Mr. JIANG Haiyang, Mr. CHEN Xiaohui and Mr. JIANG Keyang as executive Directors, Mr. LIANG Guozhi and Mr. YI Feifan as non-executive Directors, and Mr. LI Hanhui, Mr. ZHAO Liang and Ms. ZENG Jing as independent non-executive Directors.