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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 31 DECEMBER 2022

The Board hereby announces the consolidated annual results of the Group for the year ended 31 December 2022 together with the comparative figures for the year ended 31 December 2021. 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

Overall financial data

Revenue was approximately RMB1,816.4 million in 2022, representing a year-on-year decrease of approximately 16.9%.

Adjusted net loss was approximately RMB627.0 million in 2022, representing a year-on-year decrease of approximately 304.1%.

SaaS products

Revenue was approximately RMB1,426.6 million in 2022, representing a year-on-year increase of approximately 6.6% and accounting for 78.5% of the total revenue.

ERP solutions

Revenue was approximately RMB389.8 million in 2022, representing a year-on-year decrease of approximately 54.0% and accounting for 21.5% of the total revenue.

Investment in research and development

Investment in research and development was approximately RMB816.9 million in 2022, representing a year-on-year increase of approximately 27.2%.

BUSINESS REVIEW AND OUTLOOK

I. Industry Review

In 2022, the residential real estate market has undergone difficulties. Due to the impact of various factors such as the economy and COVID-19, indicators of the industry declined significantly. According to the National Bureau of Statistics, China's real estate development investment in 2022 was RMB13.3 trillion, representing a year-on-year decrease of 10.0%; and China's sales of commercial housing was RMB13.3 trillion, representing a year-on-year decrease of 26.7%. Some businesses of the Company were also materially affected by the declining confidence in both the supply and demand sides.

In order to stabilize the market, the Chinese government has launched various bailout policies since the second quarter of 2022, including the measures to ensure the successful handover of buildings in July, the financial and tax support for housing mortgages at the end of September, and "16 supportive financial measures" and the "three arrows" of credit, equity and bond financing in November. The regulators have fundamentally changed the attitude towards real estate enterprises shifting from rescuing troubled projects to rescuing both troubled projects and enterprises, and local governments have gradually implemented policies to stimulate the demand side of residential housing. With the stimulation of new policies, the real estate market is expected to resume a more stable development, and our business lines related to residential property are expected to gradually pick up with the improvement in the market supply and demand.

II. Business Review

1. 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 the 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.

Under the adverse impact of the industrial downturn in 2022, the Company invested its resources in customer bases and markets with high certainty. In terms of customer bases, our business focus was shifted to state-owned developers and local urban investment and construction companies, with revenue from state-owned enterprises accounting for 40.3% of the total revenue in the year. In terms of the market, the Company accelerated its expansion in the markets of the industrial and infrastructural development/operation/service digitalization, reduced its reliance on the residential market, and achieved certain results.

1.1 SaaS products

In 2022, the Company's SaaS products continued to grow, and recorded product revenue of RMB1,426.6 million, representing a year-on-year increase of 6.6% (same period in 2021: RMB1,337.7 million) and accounting for 78.5% of the total revenue.

(1) CRM Cloud

In 2022, the downturn in the industry led to a market demand contraction, and residential developers paid more attention to project marketability. On top of the existing solutions, the Company further launched new functional modules of CRM Cloud including MA automatic marketing engine, SCN universal marketing system, ten-thousand store alliance system for customer acquisition based on big data, video streaming channel risk control, sales-office smart employee badge 3.0 to help developers further improve customer acquisition capacity and transaction conversion rate, and improve average revenue per user from CRM Cloud in a single sales office. Furthermore, CRM Cloud applies VR, AI and data analysis technology to the investment attraction scenario of industrial parks, and successively launches functional modules such as big data investment attraction and AI portal to facilitate public investment attraction of industrial parks and constantly enhance investment efficiency and benefits.

In 2022, the number of property sales offices covered by CRM Cloud in China was 12,278, representing a year-on-year decrease of approximately 26.0% (same period in 2021: approximately 16,600). The average revenue per user in a single property sales office in the year was RMB74,400, representing a year-on-year increase of 20.4% (same period in 2021: RMB61,800). The annual customer account retention rate was 82.0% (same period in 2021: 88.0%).

(2) Construction Cloud

Construction Cloud provided developers with standardised products regarding quality control processes to help construction sites safeguard the bottom line of quality. In 2022, private developers paid less attention to product quality due to the impact of industry downturn. On the other hand, state-owned developers and local urban investment and construction enterprises paid more attention to product quality and put forward more requirements for multi-business project management and production safety. Therefore, Construction Cloud launched functional modules such as project management and safety management in 2022, which have been successfully applied to many industrial/infrastructure projects.

In 2022, the number of construction sites covered by Construction Cloud in China was 7,150, representing a year-on-year decrease of approximately 4.7% (same period in 2021: approximately 7,500). The average revenue per user in a construction site in the year was RMB23,900, representing a year-on-year decrease of 5.2% (same period in 2021: RMB25,200). The annual customer account retention rate was 84.0% (same period in 2021: 90.0%).

(3) Procurement Cloud

In 2022, Procurement Cloud continued to help connect real estate developers with suppliers closely, promoted efficient cooperation between upstream and downstream players of the industry, and assisted suppliers in enhancing their marketing efficiency and quality by multiple approaches online/offline. The new products launched, such as online connection meeting/pool of selected suppliers, were highly recognised by both suppliers and developers.

In 2022, there were approximately 4,400 real estate developers and 99,000 suppliers using the Procurement Cloud platform to carry out their businesses, representing a year-on-year increase of approximately 15.8% and 11.2% (same period of 2021: approximately 3,800 real estate developers and 89,000 suppliers).

(4) Space Cloud

Space Cloud provided various forms of asset management and operation digitalization solutions for real estate owners, with business scenarios including asset inventory, lease management, space operations, property services, etc. In 2022, the General Office of the State Council and the National Development and Reform Commission successively issued guidance documents on the counting and revitalization of state-owned assets. Under the influence of the market and policies, most of the state-owned enterprise customers had larger demand for asset management digitalization products, such that the Space Cloud products maintained stable growth.

In 2022, the total area of various forms of properties managed by Space Cloud exceeded 440 million square meters, representing a year-on-year increase of approximately 27.9% (same period in 2021: over 344 million square meters). The annual customer account retention rate of Space Cloud was 85.0% (same period in 2021: 78.0%).

1.2 ERP solutions

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

Due to the impact of the continuous decline of the industry and the recurrent pandemic, customers are more cautious in investing in ERP products and services, and a number of projects have been postponed or cancelled, especially for private developers, which have significantly curtailed their investment in digitalization. In 2022, revenue from ERP solutions was RMB389.8 million, representing a year-on-year decrease of 54.0% (same period in 2021: RMB846.8 million).

1.3 Skyline PaaS Platform

Since its launch in November 2020, 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.

In 2022, Skyline PaaS Platform made new breakthroughs. Among them, iPaaS integrated a total of over 3,200 systems, accumulated over 60 connectors of technology partners in the real estate industry; BI&Big Data developed a fully domestic business intelligence (BI) and big data computing platform, and accumulated approximately 300 indicators for industry data assets and over 200 large and small industry screens; 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 aPaaS released a zero-code platform for implementation consultants and a low-code platform for customers, and covered a total of over 2,200 implementation consultants and customers’ IT employees through the Stars Program. The low-code capacity covered over 1,400 product research development personnel and customers’ IT employees.

In terms of technology, Skyline PaaS Platform increased its investment in the digital technology innovation systems, and obtained seven new certifications for digital technology innovation systems, including Phytium, Kirin, Kunpeng and Dameng, and three evaluation certificates on product capability. Meanwhile, it released integrated real estate solutions based on the cloud-native database GaussDB of Huawei Cloud and worked with China Electronics Corporation to develop digital technology innovation solutions for the real estate industry, laying a solid technological foundation for upgrading the digital capabilities of state-owned and central enterprises. The Skyline PaaS Platform was honored a number of recognitions and awards, including the “2022 Top 10 High-value Technical Teams” by InfoQ, the “2022 China Economic Product Innovation List” by Jazzyear and the “Excellent Low-Code Platform Products” by HAP Academy and SOFT6.COM.

During the Reporting Period, the Company comprehensively promoted the commercialisation of Skyline PaaS Platform, which achieved revenue of RMB204.0 million (same period in 2021: RMB19.1 million) and served a total of more than 1,900 customers.

2. 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 31 December 2022, our direct sales force consisted of more than 350 employees with good knowledge about our products, technology and the real estate industry and extensive professional experience. We organize our direct sales force by geographic locations and customer accounts to maximize sales efficiency.

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

III. Future and Outlook

As a typical cyclical industry, China's real estate industry is prone to being affected by global and Chinese economic and financial policies and government regulation factors. After the industry passes the transition period, the Company will strengthen its judgment and analysis of macro trends, grasp the definite opportunities in the real estate market, and strive to achieve healthy and sustainable development in a highly uncertain external environment.

1. Trend Analysis

- 1.1 The residential real estate market is picking up from the bottom. On the one hand, residents are expected to have stronger power to purchase commercial housing, with the gradual recovery of the economy of various regions after the easing of pandemic control measures, while residential developers will continue to increase their marketing efforts to raise the selling rate of projects. On the other hand, the government actively promotes the "dual-track" approach for housing. During the "14th Five-Year" period, China plans to invest in the construction of nearly 9 million low-income housing units. A large number of digitalization demands will be generated around the development, construction and operation of low-income housing units.
- 1.2 Industrial/infrastructure project investment will be the new driving force for the growth of the real estate market. According to the data from the National Bureau of Statistics and the local Bureau of Land and Resources, the investment in infrastructure in China increased year-on-year by 9.4% in 2022, and the area of land used for industrial and infrastructure construction increased year-on-year by 17.6%. The demand for digitalization around the stage of industrial and infrastructure development and construction will increase continuously.
- 1.3 China's real estate industry is accelerating the transition from the stage of focusing on incremental market to the stage of highlighting both existing and incremental markets. On the one hand, the development of the Real Estate Investment Trusts (REITs) is being accelerated, which encourages the inclusion of more existing assets in a different form in the scope of capitalization. On the other hand, urban renewal accelerates. The 20th CPC National Congress Report points out that "efforts should be made to carry out urban renewal actions, strengthen urban infrastructure construction and build livable, resilient and smart cities". Urban renewal projects in various regions will provide more opportunities for the transformation and development of the real estate industry.

- 1.4 State-owned enterprises have larger demands for counting and revitalizing existing assets, and relevant policies are published, such as the Opinions on Further Activating Existing Assets and Expanding Effective Investment issued by the General Office of the State Council in 2022 (Guo Ban Fa [2022] No.19) (國辦發[2022]19號); the Notice on Properly Activating Existing Assets and Expanding Effective Investment issued by the National Development and Reform Commission. According to statistics from the State Council, in 2021, the asset scale of China's state-owned enterprises was approximately RMB308 trillion, so the counting and revitalisation of stock assets of state-owned enterprises will significantly increase the demand for digital products and services.
- 1.5 The accelerated development of digital China contributes to new demand for software purchase and replacement. In 2023, the State Council issued the "Overall Layout Planning for the Construction of Digital China", which stressed the need to build a self-reliant digital technology innovation system and to foster and strengthen core industries of the digital economy. Independently developed software products in line with the standards of digital technology innovation system will have greater market opportunities.

2. Acceleration of strategic transformation and upgrading

Based on the above development trends, the Company will continue to focus on the digital field of the real estate ecological chain and accelerate strategic transformation and upgrading in three aspects.

- 2.1 **Target market aspect:** Accelerate the transformation from covering the residential real estate market to covering also the industrial/infrastructure non-residential real estate market, so as to further expand the Company's customer base in industrial and infrastructure markets; and accelerate the transformation from incremental development market to management/operation/service market of stock assets, so as to achieve full coverage of the Company's incremental and stock asset business areas in the residential, industrial and infrastructure markets.
- 2.2 **Product aspect:** Upgrade the Company's overall product lines into three major segments of CRM, construction and assets management & operation, so as to achieve full coverage of major customer groups and core business areas in the real estate ecological chain.
- 2.3 **Technology aspect:** Continue to invest in the construction of Skyline PaaS Platform, and accelerate the comprehensive adaptation of the Company's product lines to the digital technology innovation system, so as to better serve the digital strategy of state-owned and central enterprises.

3. Development Strategies for 2023

Based on the above strategic transformation and upgrading aspects, the Company has further determined its core development strategies for 2023.

3.1 Optimising the product layout and reshaping the growth engine

In order to better cope with changes in the industry, the Company will make adjustments to its overall product line and divide it into three major product lines, namely CRM, construction and asset management and operation, by focusing on the core business areas of the real estate ecological chain, so as to achieve comprehensive coverage of the core business areas such as development/construction/management/operation/service of the real estate industry.

- (1) **CRM:** To help each participant of the real estate ecological chain achieve digital operation of their customer relationship management. This product line comprises CRM Cloud, Procurement Cloud, some modules of ERP Cloud, and other products involving real estate marketing scenarios. The customers mainly cover approximately 100,000 residential and industrial real estate developers and operators, and hundreds of thousands of upstream real estate suppliers and distributors.
- (2) **Construction:** To help residential, industrial and infrastructure real estate developers and builders achieve digital management of all processes and scenarios of project construction, achieve efficient management of construction projects in terms of schedule, cost, quality, safety, etc., and enhance the operational efficiency of major upstream and downstream participants through multi-party collaboration to achieve win-win results. This product line comprises Construction Cloud, some modules of ERP Cloud and other products involving real estate construction scenarios. The customers mainly cover approximately 100,000 residential, industrial and infrastructure real estate developers and builders.
- (3) **Assets management & operation:** To help stock real estate holders and operators achieve digital control on their asset management and multi-business space operations & services, with products covering business areas of asset management, investment promotion, leasing, space operations, property services, etc., so as to enhance the asset operation efficiency, and promote the value preservation and appreciation of assets. This product line comprises Space Cloud, Property Management Cloud, Commercial Management Cloud and other products involving real estate operation scenarios. The customers mainly cover nearly 10,000 state-owned assets management enterprises, tens of thousands of asset operation companies and tens of thousands of property management companies nationwide.

3.2 Accelerating the adaptation of the digital technology innovation system and continuing to promote the commercialisation process of Skyline PaaS Platform

In 2023, the Company will maintain continuous investment in the research and development of Skyline PaaS Platform in line with the “SaaS + PaaS + Ecology” strategy, accelerate the adaptation of the digital technology innovation system, and continue to promote the commercialisation process of Skyline PaaS Platform.

- (1) **Accelerating the adaptation of the digital technology innovation system:** Under the background of the “Overall Layout Planning for the Construction of Digital China”, state-owned and central enterprises have accelerated the construction progress of self-reliant digital technology innovation systems as well as the controllable and reliable digital security barriers. Based on the self-developed Skyline PaaS Platform, the Company accelerates the adaptation of servers and operating systems, databases and middleware that meet the domestic self-controllable conditions, and provides solutions for the digital innovation of the real estate industry.
- (2) **Zero code/low code significantly improves productivity:** Through continuous iteration and optimisation of the five Skyline PaaS Platform suite products, the Company can provide more powerful and easier-to-use zero-code extension capabilities for customer success advisors, and provide more efficient low-code development and real-time online collaboration capabilities for project customisation, ODC, and ISV partners, thus significantly enhancing their technical and service productivity, and meeting the needs of customers more efficiently and quickly.
- (3) **Continuing to promote the commercialisation process of “Skyline PaaS Platform + Service”:** Based on the current presence, we further promote the innovative services and applications of BI&Big Data + data governance, aPaaS + extended customisation, iPaaS + third-party integration, cooperate with Huawei Cloud, Chinasoft International Limited and regional partners in providing richer professional service for customers, and continue to promote the commercialisation process of Skyline PaaS Platform.

3.3 Providing differentiated products and services for various customer groups of state-owned enterprises

- (1) **Further developing customer groups of state-owned developers:** In 2022, state-owned residential developers showed strong anti-cyclical resilience, so their business performance was less affected. Combined with the policy opportunities arising from digital transformation of state-owned enterprises, the Company will continue to deeply explore the digital market of state-owned developers in 2023, provide corresponding SaaS products and ERP solutions based on their internal management and business scenario requirements, and continue to increase the number and revenue proportion of cooperative customers of state-owned developers.

- (2) **Acquisition of state-owned enterprises involved in construction:** In the future, the development of industrial/infrastructure projects such as affordable housing, commercial office properties, industrial parks, logistics centers and municipal roads will become the new sources of growth of the real estate market. Most of the projects will be developed mainly by local city investment and construction companies. In 2023, the Company will continuously increase the acquisition of such customers, providing more digitalization solutions around project management, quality and safety, engineering collaboration and other needs involved in the development and construction stages, to further explore the industrial/infrastructure development market.
- (3) **Accelerating the acquisition of state-owned enterprises involved in asset management:** Central and state-owned enterprises at all levels hold various types of existing assets worth several hundred trillion RMB, and the government has put forward clear requirements for the preservation and appreciation of state-owned assets. State-owned enterprises at all levels have successively established asset management departments or subsidiaries to comprehensively strengthen their efforts in counting, revitalisation, preservation and appreciation of stock assets, and have also raised very clear demands for digitalisation in the field of asset management. In 2023, the Company will continue to broaden the customer base. With a focus on asset management and operation product lines, the Company will help state-owned enterprises at all levels maintain and increase the value of existing state-owned assets, and further stimulate customers' demand for other space operation products.

3.4 Continuous improvement, strength development, burden and cost reduction, efficiency enhancement, and strengthened cash flow management

The rapid decline of the industry has a great impact on the overall operation of the Company and exposes the Company to various problems in terms of organization, personnel, process and management. Based on cost reduction and efficiency improvement in 2022, the Company will continue to promote business transformation and digital construction, continue to strengthen the construction of organizational mechanisms, continuously optimize the personnel structure, improve the core business processes, enhance the personnel efficiency indicators, and systematically reduce the operating costs of the Company, so as to improve the Company's profitability and operating resilience.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2022

	Note	Year ended 31 December	
		2022 RMB'000	2021 RMB'000
Revenues	4	1,816,357	2,184,490
Cost of sales	5	<u>(337,029)</u>	<u>(433,361)</u>
Gross profit		1,479,328	1,751,129
Selling and marketing expenses	5	(1,006,908)	(897,209)
General and administrative expenses	5	(682,342)	(1,002,776)
Research and development expenses	5	(816,934)	(642,295)
Net impairment losses on financial assets and contract assets		(58,329)	(43,593)
Other income	6	69,533	97,016
Other (losses)/gains, net	7	<u>(250,025)</u>	<u>110,957</u>
Operating loss		(1,265,677)	(626,771)
Finance income	8	108,693	126,613
Finance costs	8	<u>(10,321)</u>	<u>(3,132)</u>
Finance income, net		98,372	123,481
Share of losses of investments accounted for using the equity method		<u>(1,361)</u>	<u>(264)</u>
Loss before income tax		(1,168,666)	(503,554)
Income tax credit	9	<u>9,454</u>	<u>7,636</u>
Loss for the year		<u>(1,159,212)</u>	<u>(495,918)</u>
Loss attributable to:			
Owners of the Company		(1,154,070)	(343,982)
Non-controlling interests		<u>(5,142)</u>	<u>(151,936)</u>
		<u>(1,159,212)</u>	<u>(495,918)</u>
Losses per share for loss attributable to owners of the Company (expressed in RMB per share)			
Basic	10	(0.62)	(0.18)
Diluted	10	<u>(0.62)</u>	<u>(0.18)</u>

	<i>Note</i>	Year ended 31 December	
		2022	2021
		<i>RMB'000</i>	<i>RMB'000</i>
Loss for the year		(1,159,212)	(495,918)
Other comprehensive income/(loss), net of tax			
<i>Items that may be reclassified to profit or loss</i>			
Currency translation differences from foreign operations		(33,022)	27,578
<i>Items that will not be reclassified to profit or loss</i>			
Currency translation differences from the Company		382,375	(188,935)
Changes in fair value of financial assets at fair value through other comprehensive loss, net of tax		(3,021)	(6,089)
Total comprehensive loss for the year		<u>(812,880)</u>	<u>(663,364)</u>
Total comprehensive loss attributable to:			
Owners of the Company		(807,738)	(511,428)
Non-controlling interests		(5,142)	(151,936)
		<u>(812,880)</u>	<u>(663,364)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	<i>Note</i>	As at 31 December	
		2022	2021
		RMB'000	RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment		253,799	325,687
Investment properties		182,361	46,272
Right-of-use assets		404,301	99,816
Intangible assets		19,682	54,362
Financial assets at fair value through profit or loss		53,387	16,839
Financial assets at fair value through other comprehensive income		6,547	10,101
Contract acquisition costs	4	5,412	5,561
Prepayments and other receivables	12	46,514	79,467
Deferred income tax assets		19,942	9,507
Investments accounted for using the equity method		20,875	10,986
Restricted cash		500	500
Total non-current assets		1,013,320	659,098
Current assets			
Inventories		6,723	738
Contract assets	4	56,582	82,982
Contract acquisition costs	4	266,898	278,647
Trade receivables	12	73,506	79,580
Prepayments and other receivables	12	98,606	65,253
Income tax recoverable		–	3,606
Financial assets at fair value through profit or loss		29,702	352,387
Term deposits		2,994,122	3,432,800
Restricted cash		2,630	350
Cash and cash equivalents		1,642,078	2,017,356
Total current assets		5,170,847	6,313,699
Total assets		6,184,167	6,972,797
EQUITY			
Share capital		172	173
Treasury shares		(219,501)	(7)
Reserves		7,207,104	6,664,038
Accumulated losses		(1,885,025)	(730,873)
		5,102,750	5,933,331
Non-controlling interests		(8,297)	(3,155)
Total equity		5,094,453	5,930,176

		As at 31 December	
	<i>Note</i>	2022	2021
		<i>RMB'000</i>	<i>RMB'000</i>
LIABILITIES			
Non-current liabilities			
Contract liabilities	4	33,225	32,092
Lease liabilities		174,983	61,620
Deferred income tax liabilities		776	458
		<u> </u>	<u> </u>
Total non-current liabilities		208,984	94,170
Current liabilities			
Trade payables	13	37,874	66,062
Other payables and accruals	14	225,505	239,958
Contract liabilities	4	567,778	601,001
Current income tax liabilities		–	9
Lease liabilities		49,573	41,421
		<u> </u>	<u> </u>
Total current liabilities		880,730	948,451
		<u> </u>	<u> </u>
Total liabilities		1,089,714	1,042,621
		<u> </u>	<u> </u>
Total equity and liabilities		6,184,167	6,972,797
		<u> </u>	<u> </u>

NOTES

1. GENERAL INFORMATION

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

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

The financial statements are presented in Renminbi (“RMB”), unless otherwise stated.

2. BASIS OF PREPARATION

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

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

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

(a) New and amended standards adopted by the Group

The Group has applied new and amended standards effective for the financial period beginning on 1 January 2022. The adoption of these new and revised standards does not have any significant impact on the consolidated financial statements of the Group.

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

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

		Effective for annual periods beginning on or after
IFRS 17 (including the June 2020 and December 2021 Amendments to IFRS 17)	Insurance Contracts	1 January 2023
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to IAS 1	Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to IAS 1	Non-current Liabilities with Covenants	1 January 2024
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
Amendments to IAS 8	Definition of Accounting Estimates	1 January 2023
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023

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 31 December 2022 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	1,426,592	389,765	–	1,816,357
Cost of sales	(110,133)	(226,896)	–	(337,029)
Gross profit	1,316,459	162,869	–	1,479,328
Segment results	(76,996)	(357,325)	(724,891)	(1,159,212)

The segment information for the year ended 31 December 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	(123,903)	(309,458)	–	(433,361)
Gross profit	1,213,777	537,352	–	1,751,129
Segment results	19,328	149,504	(664,750)	(495,918)

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 31 December	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
SaaS products	1,426,592	1,337,680
ERP solutions		
– Revenues from rendering of value-added services	169,481	323,244
– Revenues from rendering of product support services	102,037	174,689
– Revenues from software licensing	72,483	254,448
– Revenues from rendering of implementation services	45,764	94,429
	<u>1,816,357</u>	<u>2,184,490</u>
	Year ended 31 December	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
SaaS products		
– Revenues over time	1,352,876	1,257,908
– Revenues at a point in time	73,716	79,772
ERP solutions		
– Revenues over time	317,282	592,362
– Revenues at a point in time	72,483	254,448
	<u>1,816,357</u>	<u>2,184,490</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 31 December	
	2022	2021
	RMB'000	RMB'000
Contract assets	93,827	107,263
Less: Loss Allowance	(37,245)	(24,281)
	<hr/>	<hr/>
Total contract assets	56,582	82,982
	<hr/> <hr/>	<hr/> <hr/>
Contract acquisition costs	272,310	284,208
Less: non-current portion	(5,412)	(5,561)
	<hr/>	<hr/>
	266,898	278,647
	<hr/> <hr/>	<hr/> <hr/>
Contract liabilities	601,003	633,093
Less: non-current portion	(33,225)	(32,092)
	<hr/>	<hr/>
	567,778	601,001
	<hr/> <hr/>	<hr/> <hr/>

(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 decreased as a result of the decline of the Group's revenues from ERP solutions.

Contract acquisition costs represent the differences between the gross amount billed to the end customers by the regional channel partners and the amount billed to regional channel partners by the Group, where the regional channel partners are the agents of the Group. Such assets decreased as a result of the decline of portion of revenues from SaaS products generated through regional channel partners.

Contract liabilities of the Group mainly arise from the non-refundable advance payments made by customers while the underlying services are yet to be provided. Such liabilities decreased mainly as a result of the decline of the Group's revenues from ERP solutions and decrease of advance payment from customers.

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

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

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Revenue recognised in relation to contract liabilities	498,859	536,364
	<hr/> <hr/>	<hr/> <hr/>

(iii) Unsatisfied long-term contracts

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

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Unsatisfied long-term contracts		
– ERP solutions	201,136	256,795
– SaaS products	776,271	837,645
	<u>977,407</u>	<u>1,094,440</u>

The management expects that unsatisfied performance obligations of approximately RMB879,695,000 as at 31 December 2022 (2021: RMB984,788,000) will be recognised as revenue within 1 year. The remaining unsatisfied performance obligations of approximately RMB97,712,000 (2021: RMB109,652,000) 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 31 December	
	2022	2021
	RMB'000	RMB'000
Employee benefit expenses	1,401,969	1,254,925
Share-based compensation expenses	499,450	803,152
Commission expenses	488,865	462,173
Outsourcing expenses	92,036	120,008
Depreciation of right-of-use assets	68,223	34,129
Professional and technical service fees	54,663	54,374
Depreciation of property, plant and equipment	40,123	18,687
IT and communication charges	38,968	40,874
Costs of inventories sold	32,511	62,505
Traveling and entertainment expenses	28,525	44,279
Short-term rental and utilities expenses	27,630	13,495
Exhibition and promotion charges	24,765	20,703
Office expenses	16,233	19,353
Auditor's remuneration	11,270	6,090
– Audit services	4,380	4,900
– Non-audit services	6,890	1,190
Taxes and surcharges	11,199	14,508
Amortisation of intangible assets	3,443	3,158
Depreciation of investment properties	1,987	705
Others	1,353	2,523
	<u>2,843,213</u>	<u>2,975,641</u>

No research and development expenses had been capitalised during the years ended 31 December 2022 and 2021.

6. OTHER INCOME

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Other government grants	27,228	22,719
Dividend and interest income from investments in unlisted equity securities and debt instruments included in financial assets at fair value through profit or loss	9,583	6,901
VAT refund (a)	8,488	21,690
Rental income	8,159	4,199
Income generated from offline activities and others	8,043	25,039
Income from wealth management products (b)	8,032	16,468
	<u>69,533</u>	<u>97,016</u>

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

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

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

7. OTHER (LOSSES)/GAINS, NET

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Net gains on disposal of property, plant and equipment and right-of-use asset	3,264	901
Fair value losses on investments in redeemable preferred shares	–	(3,263)
Investment deemed disposal gains	–	10,095
Fair value (losses)/gains on investments in unlisted equity securities included in financial assets at FVPL	(7,564)	99
Fair value losses on investments in debt instruments	(12,836)	(3,621)
Goodwill impairment	(32,808)	–
Foreign exchange (losses)/gains	(199,523)	108,438
Others	(558)	(1,692)
	<u>(250,025)</u>	<u>110,957</u>

8. FINANCE INCOME, NET

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
<i>Finance income</i>		
– Interest income from bank deposits	<u>108,693</u>	<u>126,613</u>
<i>Finance costs</i>		
– Interest expenses on lease liabilities	<u>(10,321)</u>	<u>(3,132)</u>
Finance income – net	<u>98,372</u>	<u>123,481</u>

9. INCOME TAX CREDIT

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Current income tax	131	9
Deferred income tax	<u>(9,585)</u>	<u>(7,645)</u>
Income tax credit	<u>(9,454)</u>	<u>(7,636)</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 31 December 2022 and 2021.

	Year ended 31 December	
	2022	2021
Loss attributable to owners of the Company (RMB'000)	(1,154,070)	(343,982)
Weighted average number of ordinary shares in issue and outstanding (thousand) (<i>Note</i>)	<u>1,847,885</u>	<u>1,864,358</u>
Basic losses per share (in RMB)	<u>(0.62)</u>	<u>(0.18)</u>

Note: The weighted average number of ordinary shares in issue for the year ended 31 December 2022 and 2021 has been determined based on the number of shares in issue, shares transfer of vested restricted share units from treasury shares and shares repurchased.

(b) Diluted losses per share

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

For the year ended 31 December 2022 and 2021, 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 31 December 2022 and 2021 are the same as basic losses per share.

11. DIVIDENDS

The Board of the Company did not propose any final dividend for the year ended 31 December 2022. A final dividend of RMB0.055 (equivalent to approximately HKD0.068) per ordinary share was approved by the shareholders at the 2021 annual general meeting of the company held on 27 May 2022, amounting to RMB101,912,000 and paid on 30 June 2022.

12. TRADE RECEIVABLES, PREPAYMENTS AND OTHER RECEIVABLES

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Trade receivables from contracts with customers	147,829	108,495
Less: Loss allowance	(74,323)	(28,915)
	<hr/>	<hr/>
Trade receivables – net	73,506	79,580
	<hr/>	<hr/>
Prepayments to suppliers	53,790	29,435
Prepayments for property, plant and equipment	19,841	–
Prepayments for land use right	–	36,440
Prepayments for leasehold improvements	1,340	14,431
Prepayments for employee benefits	6,646	7,596
	<hr/>	<hr/>
Total prepayments	81,617	87,902
	<hr/>	<hr/>
Rental and other deposits	26,353	39,654
Interest receivables from bank deposits	23,498	14,265
Others	13,681	2,970
Less: Loss allowance	(29)	(71)
	<hr/>	<hr/>
Other receivables – net	63,503	56,818
	<hr/>	<hr/>
Total trade receivables, prepayments and other receivables	218,626	224,300
Less: Non-current deposits and prepayments	(46,514)	(79,467)
	<hr/>	<hr/>
Current portion	172,112	144,833
	<hr/> <hr/>	<hr/> <hr/>

(a) Trade receivables

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Trade receivables from contracts with customers	147,829	108,495
Less: Loss allowance	(74,323)	(28,915)
	<hr/>	<hr/>
	73,506	79,580
	<hr/> <hr/>	<hr/> <hr/>

The Group normally allows 0 to 90 days credit period to its customers. Ageing analysis of the trade receivables as at 31 December 2022 and 2021, based on date of recognition, is as follows:

	As at 31 December	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Ageing		
Up to 3 months	42,213	70,391
3 to 6 months	18,548	14,526
6 months to 1 year	32,409	12,707
1 to 2 years	43,790	6,950
Over 2 years	10,869	3,921
	<u>147,829</u>	<u>108,495</u>

13. TRADE PAYABLES

	As at 31 December	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables to third parties	<u>37,874</u>	<u>66,062</u>

As at 31 December 2022 and 2021, the ageing analysis of the trade payables based on date of recognition are as follows:

	As at 31 December	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Ageing:		
Up to 3 months	<u>37,874</u>	<u>66,062</u>

14. OTHER PAYABLES AND ACCRUALS

	As at 31 December	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Accrued payroll and employee benefit expenses	197,489	205,045
VAT and surcharges payable	8,287	14,550
Commissions payable to regional channel partners	5,928	2,097
Accrued auditor's remuneration	4,982	5,500
Deposits from regional channel partners	1,672	1,662
Payable in respect of investments in unlisted equity securities	–	5,000
Operating expenses advanced by employees	–	97
Others	7,147	6,007
	<u>225,505</u>	<u>239,958</u>

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

In 2022, the Group's performance during the Reporting Period was severely impacted by the macroeconomic environment, industry market, COVID-19 pandemic and other factors. Our overall revenue and profit have both declined to some extent. Facing challenges from the external environment, the Group has, on the one hand, accelerated the transformation to SaaS business, focused on definite opportunities, and further conducted business adjustments. Therefore, revenue of our SaaS products maintained sustained growth during the Reporting Period. On the other hand, the Group attached great importance to enhancing our business and organizational efficiency and gradually optimizing personnel structure. As at the end of the Reporting Period, the number of personnel decreased significantly as compared with the end of 2021, and the overall cost growth slowed down significantly. The results of cost reduction and efficiency improvement will be gradually reflected in the next year.

Revenues

During the Reporting Period, our total revenue was RMB1,816.4 million, representing a year-on-year decrease of 16.9% (same period in 2021: RMB2,184.5 million), primarily because of the continuous decline of the industry and the repeated impact of the COVID-19 pandemic. As a result, (i) end customers became more cautious in the investment of ERP solutions, so that some projects have been delayed or cancelled, resulting in a sharp decrease in the revenue from ERP solutions; and (ii) the SaaS business was also affected by the decline in demand, but after a series of transformations in the SaaS business, revenue from SaaS products has maintained growth. The following table sets forth a breakdown of our revenue by business segment for the years indicated.

	Year ended 31 December				Change %
	2022		2021		
	RMB	%	RMB	%	
	<i>(RMB in thousand, except percentage)</i>				
SaaS products	1,426,592	78.5	1,337,680	61.2	6.6
ERP solutions	389,765	21.5	846,810	38.8	(54.0)
Total	<u>1,816,357</u>	<u>100.0</u>	<u>2,184,490</u>	<u>100.0</u>	<u>(16.9)</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 31 December				Change
	2022		2021		
	<i>RMB</i>	<i>%</i>	<i>RMB</i>	<i>%</i>	
	<i>(RMB in thousand, except percentage)</i>				
CRM Cloud	913,327	64.0	1,025,237	76.6	(10.9)
Skyline PaaS Platform	203,963	14.3	19,054	1.4	970.4
Construction Cloud	170,580	12.0	189,201	14.1	(9.8)
Space Cloud	61,518	4.3	53,236	4.0	15.6
Procurement Cloud	52,732	3.7	42,563	3.2	23.9
Others	24,472	1.7	8,389	0.7	191.7
Total	<u>1,426,592</u>	<u>100.0</u>	<u>1,337,680</u>	<u>100.0</u>	<u>6.6</u>

During the Reporting Period, our revenues from SaaS products were RMB1,426.6 million, representing a year-on-year increase of 6.6% (same period in 2021: RMB1,337.7 million), and the proportion of the revenue from SaaS products to the total revenue increased from 61.2% for 2021 to 78.5% for 2022, mainly due to (i) the decline in the number of sales office covered by our CRM Cloud business due to the impact of the industry, resulting in a decrease in revenue; and (ii) the official commercialisation of Skyline PaaS platform, which has become an important part of the revenue growth of SaaS products, leading to a significant increase in revenue of Skyline PaaS Platform during the Reporting Period.

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 31 December				Change
	2022		2021		
	<i>RMB</i>	<i>%</i>	<i>RMB</i>	<i>%</i>	
	<i>(RMB in thousand, except percentage)</i>				
Value-added services	169,481	43.5	323,244	38.2	(47.6)
Product support services	102,037	26.2	174,689	20.6	(41.6)
Software licensing	72,483	18.6	254,448	30.0	(71.5)
Implementation services	45,764	11.7	94,429	11.2	(51.5)
Total	<u>389,765</u>	<u>100.0</u>	<u>846,810</u>	<u>100.0</u>	<u>(54.0)</u>

Our revenues from ERP solutions were RMB389.8 million, representing a year-on-year decrease of 54.0% (same period in 2021: RMB846.8 million), and the proportion of the revenues from ERP solutions to the total revenue decreased from 38.8% in 2021 to 21.5% in 2022, mainly because the continuous decline of the industry and the repeated impact of the COVID-19 pandemic made end customers more cautious in the investment of ERP solutions, so that some projects have been delayed or cancelled.

Cost of Sales

During the Reporting Period, our cost of sales was RMB337.0 million, representing a year-on-year decrease of 22.2% (same period in 2021: RMB433.4 million).

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, (iv) outsourcing expenses, representing cost associated with provision of value-added services for SaaS products by third-party service providers, (v) professional and technical service fees we paid to third-party service providers, and (vi) 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 31 December				Change %
	2022		2021		
	RMB	%	RMB	%	
	<i>(RMB in thousand, except percentage)</i>				
Employee benefit expenses	32,079	2.2	38,305	2.9	(16.3)
Costs of inventories sold	31,834	2.2	59,691	4.5	(46.7)
IT and communication charges	21,161	1.5	22,293	1.7	(5.1)
Outsourcing expenses	18,922	1.3	–	–	100.0
Professional and technical service fees	220	–	–	–	100.0
Taxes and surcharges	5,917	0.5	3,614	0.3	63.7
Total	110,133	7.7	123,903	9.4	(11.1)

During the Reporting Period, our cost of sales for SaaS products was RMB110.1 million, representing a year-on-year decrease of 11.1% (same period in 2021: RMB123.9 million). Such decrease was mainly due to the decrease in the costs of inventories sold as our Company decreased our sales of smart hardware.

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 31 December				Change %
	2022		2021		
	RMB	%	RMB	%	
	<i>(RMB in thousand, except percentage)</i>				
Employee benefit expenses	170,694	43.8	188,972	22.3	(9.7)
Outsourcing expenses	50,040	12.8	106,579	12.6	(53.0)
Costs of inventories sold	676	0.2	2,814	0.3	(76.0)
Professional and technical service fees	205	0.1	200	0.0	2.5
Taxes and surcharges	5,281	1.4	10,893	1.3	(51.5)
Total	226,896	58.3	309,458	36.5	(26.7)

During the Reporting Period, our cost of sales for ERP solutions was RMB226.9 million, representing a year-on-year decrease of 26.7% (same period in 2021: RMB309.5 million), primarily driven by the decreases 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 31 December		2021	Gross profit margin	Change
	2022				
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>	<i>%</i>
SaaS products	1,316,459	92.3	1,213,777	90.7	8.5
ERP solutions	162,869	41.8	537,352	63.5	(69.7)
Total	<u>1,479,328</u>	<u>81.4</u>	<u>1,751,129</u>	<u>80.2</u>	<u>(15.5)</u>

During the Reporting Period, the Group's overall gross profit was RMB1,479.3 million, representing a year-on-year decrease of 15.5% (same period in 2021: RMB1,751.1 million). Gross profit from our SaaS products was RMB1,316.5 million, representing a year-on-year increase of 8.5% (same period in 2021: RMB1,213.8 million). The gross profit margin of SaaS products increased from 90.7% in 2021 to 92.3% in 2022, mainly because we decreased our sales of smart hardware, of which the gross profit margin is comparatively lower. Gross profit from our ERP solutions was RMB162.9 million, representing a year-on-year decrease of 69.7% (same period in 2021: RMB537.4 million). The gross profit margin of ERP solutions decreased from 63.5% in 2021 to 41.8% in 2022, mainly because the orders for ERP solutions decreased significantly due to the impact of the industry and COVID-19 pandemic, and the adjustment of relevant implementation and delivery personnel required a certain period of time.

Selling and Marketing Expenses

During the Reporting Period, our selling and marketing expenses were RMB1,006.9 million, representing a year-on-year increase of 12.2% (same period in 2021: RMB897.2 million), and the proportion of the selling and marketing expenses to the total revenue increased from 41.1% to 55.4%, mainly due to the increase in employee benefit expenses of the sales team.

General and Administrative Expenses

During the Reporting Period, our general and administrative expenses were RMB682.3 million, representing a year-on-year decrease of 32.0% (same period in 2021: RMB1,002.8 million), and the proportion of the general and administrative expenses to the total revenue decreased from 45.9% to 37.6%, mainly due to a decrease in share-based compensation expenses during the Reporting Period. If the effect of share-based compensation expenses is excluded, our general and administrative expenses will be RMB210.4 million, representing a year-on-year increase of 5.4% (same period in 2021: RMB199.6 million), mainly due to the increase in employee benefit expenses of the management team.

Research and Development Expenses

We continuously invest in the development of new products and technologies as in the past. During the Reporting Period, our total research and development expenses further increased, and our research and development expenses were RMB816.9 million, representing a year-on-year increase of 27.2% (same period in 2021: RMB642.3 million), mainly due to the increase in employee benefit expenses of the research and development team.

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 RMB58.3 million, representing a year-on-year increase of 33.7% (same period in 2021: RMB43.6 million), primarily because the macroeconomic and market changes had a certain impact on the capital turnover of the Group's customers, thus resulting in varying degrees of delays in the settlement of payments to the Group. Considering the impact of macroeconomic and market changes on the settlement ability of customers, we have set aside a relatively adequate provision for impairment of contract assets and trade receivables, which have, on the one hand, improved the overall expected impairment provision rate, and on the other hand, made a specific provision for impairment with a higher proportion for customers with major debt defaults.

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, (v) dividend and interest income from investments in unlisted equity securities and debt instruments included in financial assets at FVPL, 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 31 December		Change %
	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>	
Other government grants	27,228	22,719	19.8
Dividend and interest income from investments in unlisted equity securities and debt instruments included in financial assets at fair value through profit or loss	9,583	6,901	38.9
VAT refund	8,488	21,690	(60.9)
Rental income	8,159	4,199	94.3
Income generated from offline activities and others	8,043	25,039	(67.9)
Income from wealth management products	8,032	16,468	(51.2)
Total	<u>69,533</u>	<u>97,016</u>	<u>(28.3)</u>

During the Reporting Period, our other income was RMB69.5 million, representing a year-on-year decrease of 28.3% (same period in 2021: RMB97.0 million), mainly due to the decrease in the income from wealth management products and VAT refund, as well as the decrease in the income generated from offline activities and others due to the impact of the pandemic.

Other (losses)/gains, Net

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

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

	Year ended 31 December		Change %
	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>	
Net gains on disposal of property, plant and equipment and right-of-use asset	3,264	901	262.3
Investment deemed disposal gains	–	10,095	(100.0)
Fair value losses on investments in redeemable preferred shares	–	(3,263)	(100.0)
Fair value (losses)/ gains on investments in unlisted equity securities included in financial assets at fair value through profit or loss	(7,564)	99	(7,740.4)
Fair value losses on investments in debt instruments	(12,836)	(3,621)	254.5
Goodwill impairment	(32,808)	–	(100.0)
Foreign exchange (losses)/ gains	(199,523)	108,438	(284.0)
Others	(558)	(1,692)	(67.0)
Total	<u>(250,025)</u>	<u>110,957</u>	<u>(325.3)</u>

During the Reporting Period, our other losses, net amounted to RMB250.0 million, representing a year-on-year decrease of 325.3% (other gains, net for the same period in 2021: RMB111.0 million), primarily because (i) the Group transferred and used part of overseas funds to domestic business according to the use plan of raised funds in 2022. This part of funds has been converted into RMB for deposit at the beginning of 2022. As affected by the international and domestic macroeconomic environment, the USD/RMB exchange rate has increased significantly, leading to an increase in foreign exchange losses. The Group has made a series of fund allocation adjustments in response to the large exchange rate fluctuations in 2022, which are expected to effectively reduce foreign exchange risks; and (ii) goodwill impairment of RMB32.8 million as a result of Woxiang's failure to meet expectations of financial performance during the performance evaluation period arising from the pandemic and overall economic environment.

Operating Loss

During the Reporting Period, our operating loss amounted to RMB1,265.7 million, representing a year-on-year increase of 101.9% (operating loss for the same period in 2021: RMB626.8 million), due to the impact of the macro environment, recurrent pandemic, continued investment in research and development, share-based compensation expenses recognized for the Group's share incentive plans and foreign exchange losses as a result of exchange rate fluctuation.

Finance Income

During the Reporting Period, our finance income amounted to RMB108.7 million, representing a year-on-year decrease of 14.1% (same period in 2021: RMB126.6 million), primarily due to a decrease 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 RMB10.3 million, representing a year-on-year increase of 232.3% (same period in 2021: RMB3.1 million), primarily due to an increase in interest expenses on lease liabilities as a result of an increase in lease assets.

Loss Before Income Tax

As a result of the foregoing, we had a loss before income tax of RMB1,168.7 million for the year ended 31 December 2022, representing a year-on-year increase of 132.1% (loss before income tax for the same period in 2021: RMB503.6 million).

Income Tax Credit

During the Reporting Period, our income tax credit amounted to RMB9.5 million, representing a year-on-year increase of 25.0% (income tax credit for the same period in 2021: RMB7.6 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 recorded a loss for the year of approximately RMB1,159.2 million, representing a year-on-year increase of 133.8% (loss for the same period in 2021: RMB495.9 million).

For our SaaS products, during the Reporting Period, we recorded a loss for the year of RMB77.0 million, representing a year-on-year decrease of 499.0% (profit for the same period in 2021: RMB19.3 million).

For our ERP solutions, during the Reporting Period, we recorded a loss for the year of RMB357.3 million, representing a year-on-year decrease of 339.0% (profit for the same period in 2021: RMB149.5 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 (loss)/profit 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 (loss)/profit 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 goodwill impairment to EBITDA to derive adjusted EBITDA.

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

	Year ended 31 December		Change %
	2022 RMB'000	2021 RMB'000	
Reconciliation of operating loss and adjusted EBITDA			
Operating loss for the year	(1,265,677)	(626,771)	101.9
Add:			
Depreciation of right-of-use assets	68,223	34,129	99.9
Depreciation of property, plant and equipment	40,123	18,687	114.7
Amortization of intangible assets	3,443	3,158	9.0
Depreciation of investment properties	1,987	705	181.8
EBITDA	(1,151,901)	(570,092)	102.1
Add:			
Share-based compensation expenses	499,450	803,152	(37.8)
Goodwill impairment	32,808	–	100.0
Adjusted EBITDA	(619,643)	233,060	(365.9)

Adjusted net (loss)/profit

We define adjusted net (loss)/profit as net loss for the period adjusted by adding back share-based compensation expenses and goodwill impairment.

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

	Year ended 31 December		Change %
	2022 RMB'000	2021 RMB'000	
Reconciliation of net loss and adjusted net (loss)/profit			
Net loss for the year	(1,159,212)	(495,918)	133.8
Goodwill impairment	32,808	–	100.0
Share-based compensation expenses	499,450	803,152	(37.8)
Adjusted net (loss)/profit	(626,954)	307,234	(304.1)

LIQUIDITY AND CAPITAL RESOURCES

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

Cash and Cash Equivalents and Term Deposits

As at 31 December 2022, cash and cash equivalents and term deposits of the Group totaled approximately RMB4,636.2 million (31 December 2021: RMB5,450.2 million), and the Group did not have any banking facilities. Most of the cash and cash equivalents of the Group were denominated in RMB. The term deposits of the Group were denominated in RMB and USD.

Current Ratio

As at 31 December 2022, net current assets of the Group were approximately RMB4,290.1 million (31 December 2021: RMB5,365.2 million). As at 31 December 2022, the current ratio of current assets to current liabilities was approximately 5.87, down from 6.66 as at 31 December 2021.

CAPITAL MANAGEMENT AND GEARING RATIO

In order to maintain or adjust the capital structure, we may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt. We monitor capital on basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as liquid liabilities, which are lease liabilities, less cash and cash equivalents, restricted cash, term deposits and liquid investments which are investments in wealth management products and investments in debt instruments included in financial assets at fair value through profit or loss. Total capital is calculated as “equity” as shown in the consolidated statement of financial position plus net debts. As at 31 December 2022 and 2021, the Group has a net cash position.

CAPITAL COMMITMENTS

As at 31 December 2022, we had capital commitments amounting to approximately RMB11.8 million (31 December 2021: RMB212.0 million).

CONTINGENT LIABILITIES

As at 31 December 2022, we did not have any material contingent liabilities.

FOREIGN EXCHANGE RISK MANAGEMENT

We mainly carry out our operations in the PRC with most transactions settled in Renminbi, and we are exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollars and the HK dollars in exchange of Renminbi. During the Reporting Period, we did not adopt any long-term contracts, currency borrowings or other means to hedge our foreign currency exposure. The Group made a series of capital arrangements adjustments in response to the significant exchange rate fluctuations in 2022, which was expected to effectively reduce the foreign exchange risk.

CREDIT RISK

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

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

For trade receivables and contract assets, the Group has policies in place to ensure that sale of product and service are made to customers with an appropriate credit history. It also has other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group's management divides customers into different categories based on their financial position, past experience and other factors, and reviews regularly the recoverable amount of each individual receivable to ensure that adequate impairment losses are made for irrecoverable amounts. The 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 31 December 2022, 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 25 September 2020. Our Company received net proceeds (after deduction of underwriting commissions and related costs and expenses) from the Global Offering (including the proceeds from the full exercise of over-allotment option) of approximately HK\$6,910.3 million. Our Company intends to apply such net proceeds in accordance with the purposes as set out in the Prospectus. The details of intended application of net proceeds from the Global Offering are set out as follows:

Item	Approximate % of total net proceeds	Net proceeds from the Global Offering (HK\$ million)	Net proceeds		Utilized net proceeds from the Global Offering as at 31 December 2022 (HK\$ million)	Unutilized net proceeds from the Global Offering as at 31 December 2022 (HK\$ million)	Expected timeline of full utilization of the unutilized net proceeds
			Unutilized net proceeds from the Global Offering as of 1 January 2022 (HK\$ million)	from the Global Offering during the year ended 31 December 2022 (HK\$ million)			
Further upgrade and enhance the functionalities and features of our existing SaaS products							
(a) Hire and train more high-quality IT specialists, technology architects, software developers and examiners, as well as SaaS product managers	18.0%	1,243.86	1,011.26	332.09	564.69	679.17	Before 31 December 2023
(b) Purchase from qualified suppliers advanced equipment, infrastructure and applications	6.0%	414.62	382.88	27.21	58.95	355.67	Before 31 December 2023
(c) Invest in product development to introduce new SaaS products	6.0%	414.62	414.62	120.82	120.82	293.80	Before 31 December 2025
Enhance research and development efforts in cutting-edge technologies							
(a) Develop our proprietary key fundamental technologies that support product innovation	8.0%	552.82	497.12	66.46	122.16	430.66	Before 31 December 2025
(b) Develop our own technology infrastructure	12.0%	829.24	745.70	99.69	183.23	646.01	Before 31 December 2025

Item	Approximate % of total net proceeds	Net proceeds from the Global Offering as at 31 December 2022 (HK\$ million)	Unutilized net proceeds from the Global Offering as of 1 January 2022 (HK\$ million)	Net proceeds	Utilized net	Unutilized	Expected timeline of full utilization of the unutilized net proceeds
				from the Global Offering during the year ended 31 December 2022 (HK\$ million)	proceeds from the Global Offering as at 31 December 2022 (HK\$ million)	net proceeds from the Global Offering as at 31 December 2022 (HK\$ million)	
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	257.19	257.19	414.62	–	Not applicable
(b) Expand our existing ERP modules and functions to cover more internal business and operational processes of property developers	4.0%	276.41	276.41	118.28	118.28	158.13	Before 31 December 2023
Enhance our sales and marketing capabilities and strengthen our brand reputation							
(a) Expand, retain and train our direct sales force	3.0%	207.31	68.69	59.05	197.67	9.64	Before 31 December 2023
(b) Establish an interactive, knowledge-sharing platform with leading property developers	2.0%	138.21	126.11	101.64	113.74	24.47	Before 31 December 2023
(c) Enhance our branding and marketing activities to acquire new customers	3.0%	207.31	197.00	51.78	62.09	145.22	Before 31 December 2023
(d) Invest to strengthen and expand our regional channel partner network	2.0%	138.21	130.92	48.34	55.63	82.58	Before 31 December 2023
Selectively pursue strategic investments and acquisitions	20.0%	1,382.06	1,056.83	247.62	572.85	809.21	Before 31 December 2023
Working capital and general corporate purposes	10.0%	691.03	691.03	535.53	535.53	155.50	Before 31 December 2023
Total	100.0%	6,910.32	5,855.76	2,065.70	3,120.26	3,790.06	

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

The Board did not recommend the distribution of a final dividend for the year ended 31 December 2022.

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 31 December 2022, 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 31 December 2022.

The Company’s employees, who are likely to be in possession of unpublished inside information of the Company, are also subject to the Model Code. No incident of non-compliance of the Model Code by the employees was noted by the Company as at 31 December 2022.

MATERIAL ACQUISITIONS, DISPOSALS AND SIGNIFICANT INVESTMENTS

As at 31 December 2022, we did not hold any significant investments.

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

During the year ended 31 December 2022, there were no material acquisitions, disposals of subsidiaries, associates and joint ventures.

SOCIAL RESPONSIBILITIES

In 2022, the Group continued to contribute to the development of the society and make its own efforts in the fields of health, healthcare and education, showcasing our performance of social responsibility. This year, we worked with non-profit rescue teams to organize the second 10,000 meter race for newcomers, and actively contributed to the pandemic response and provided medical supplies while strictly abiding by national policies on pandemic response. Meanwhile, we continued to pay attention to the shortage of education resources in poverty-stricken areas and provided affordable assistance.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

During the year ended and as of 31 December 2022, the Group did not have plans for material investments and capital assets.

EMPLOYEES

As of 31 December 2022, we had 3,310 (31 December 2021: 4,247) 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 31 December 2022, the Company has repurchased a total of 66,288,000 Shares (the “**Share Repurchased**”) on the Stock Exchange at an aggregate consideration of approximately HK\$484.9 million before expenses. The Company cancelled a total of 22,157,000 Shares on 4 July 2022. As at 31 December 2022, a total of 44,131,000 Shares Repurchased remained outstanding and had not been cancelled. Subsequently on 16 March 2023, the Company had completed the cancellation of a total of 44,131,000 Shares Repurchased. Details of the Shares Repurchased by the Company during the Reporting Period are as follows:

Month of repurchase in 2022	Total number of Shares repurchased	Purchase price paid per Share		Aggregate consideration paid HK\$
		Highest HK\$	Lowest HK\$	
January	1,900,000	16.18	15.54	30,465,412.94
February	552,000	16.50	15.60	8,947,383.02
March	2,147,000	10.80	10.10	22,596,275.36
April	16,594,000	11.54	8.67	159,946,507.07
June	964,000	10.50	10.24	10,014,138.77
July	2,881,000	9.50	7.93	24,999,937.92
August	1,231,000	6.20	6.11	7,634,562.69
September	40,019,000	6.50	4.42	220,247,145.81
Total	<u>66,288,000</u>			<u>484,851,363.58</u>

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

Save as disclosed above and except for the on-market purchase by MYC Marvellous of 396,000 Shares on the Stock Exchange for the sole purpose of satisfying the awards granted under the Share Award Scheme upon vesting thereof, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the Reporting Period.

AUDIT COMMITTEE

The Board has established the Audit Committee, which comprises three independent non-executive Directors, namely, Ms. TONG Naqiong (童娜瓊) (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 31 December 2022.

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 31 December 2022 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 31 December 2022 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 17 January 2023, the Board resolved to grant a total of 75,037 RSUs, representing an aggregate of 75,037 Shares, to two employees of the Group pursuant to the Share Incentive Plan. The RSUs awarded are subject to, amongst others, a vesting schedule from the grant date over a certain service period. For details, please refer to the announcement of the Company dated 17 January 2023.

On the same day, the Board resolved to grant a total of 41,200,000 Share Options to fifty nine eligible participants, being the employees of the Group, to subscribe for a total of 41,200,000 Shares pursuant to the Share Option Scheme. The Share Options granted are subject to, amongst others, a vesting schedule in tranches and fulfilment of performance targets. For details, please refer to the announcement of the Company dated 17 January 2023 and the monthly return of the Company for the month of January 2023 dated 1 February 2023.

Save for the aforesaid, since 31 December 2022 and up to the date of this announcement, there were no other significant events affecting the Group.

PUBLICATION OF ANNUAL RESULTS AND 2022 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 31 December 2022 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 3 July 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”	25 September 2020, being the date on which the Shares were listed on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules
“MYC Marvellous”	MYC Marvellous Limited, a limited liability company incorporated in the British Virgin Islands and a special purpose vehicle wholly owned by TMF Trust (HK) Limited, the trustee appointed by the Company for, inter alia, the administration of the Share Award Scheme
“Prospectus”	the prospectus of our Company, dated 15 September 2020, in relation to the Global Offering
“Reporting Period”	the year ended 31 December 2022
“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 29 March 2020, in its present form or as amended from time to time in accordance with the Share Incentive Plan
“Shareholder(s)”	holder(s) of our Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“U.S.”	United States of America
“USD” or “US\$” or “US dollars”	United States Dollars, the lawful currency of the U.S.
“Woxiang”	Shenzhen Woxiang Technology Co., Ltd. (深圳市沃享科技有限公司)
“%”	per cent.

GLOSSARY OF TECHNICAL TERMS

“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
“ERP”	enterprise resource planning, a business process management software that allows an organization to use a system of integrated applications to manage the business and digitalize back-office functions relating to technology, services, and human resources
“PaaS”	platform as a service, a category of cloud computing services that provides a platform and environment to allow property developers to build applications over the Internet

“SaaS”	software as a service, a cloud-based software licensing and delivery model in which software and associated data are centrally hosted
“Share Award Scheme”	the share award scheme of the Company approved and adopted by the Board on 11 June 2021
“Skyline PaaS Platform”	a low-code PaaS platform launched by the Group for aPaaS Capacity, iPaaS Capacity, bpmPaaS Capacity, DaaS Capacity and Technology Innovation

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

Shenzhen, PRC, 28 March 2023

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. TONG Naqiong as independent non-executive Directors.