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明源雲

Ming Yuan Cloud Group Holdings Limited

明源雲集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 909)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED DECEMBER 31, 2020

The Board is pleased to announce the consolidated annual results of the Group for the year ended December 31, 2020 together with the comparative figures for the year ended December 31, 2019. 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

- For the year ended December 31, 2020, our total revenue was RMB1,705.3 million, representing an increase of 34.9% as compared to RMB1,264.0 million for the year ended December 31, 2019; adjusted EBITDA* and adjusted net income* were RMB422.3 million and RMB382.7 million, respectively, representing an increase of 52.6% and 62.2% as compared to for the year ended December 31, 2019, respectively. We made a profit from SaaS products for the first time, with revenues from SaaS products rapidly increasing by 70.9% and accounting for 51.1% of the overall business revenue of the Company. Revenues and net income from the ERP solutions increased steadily by 10.6% and 12.4%, respectively. Meanwhile, the Company continued to increase its investment in Skyline Open Platform and markets of existing stock so as to further improve its technological competitiveness and influence in markets of existing stock.
- During the Reporting Period, our net income from SaaS products increased by 144.7% from a loss of RMB41.8 million for the year ended December 31, 2019 to a profit of RMB18.7 million for the year ended December 31, 2020. Our net income from ERP solutions continued to increase steadily by 12.4% from RMB272.9 million for the year ended December 31, 2019 to RMB306.8 million for the year ended December 31, 2020.

* Respective definitions of adjusted EBITDA and adjusted net income are included in the section headed "Management Discussion and Analysis".

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended December 31, 2020

		Year ended December 31,	
		2020	2019
	Note	RMB'000	RMB'000
Revenues	4	1,705,276	1,263,969
Cost of sales	5	<u>(365,554)</u>	<u>(269,400)</u>
Gross profit		1,339,722	994,569
Selling and marketing expenses	5	(590,428)	(441,124)
General and administrative expenses	5	(207,656)	(108,391)
Research and development expenses	5	(355,945)	(286,326)
Net impairment losses on financial assets and contract assets		(4,358)	(2,139)
Other income	6	94,642	82,953
Other gains, net	7	<u>50,479</u>	<u>4,549</u>
Operating profit		326,456	244,091
Finance income	8	14,391	184
Finance costs	8	<u>(2,058)</u>	<u>(1,897)</u>
Finance income/(costs), net		12,333	(1,713)
Net losses upon financial liabilities at fair value through profit or loss transferred to equity		<u>(988,875)</u>	<u>—</u>
(Loss)/profit before income tax		(650,086)	242,378
Income tax expense	9	<u>(18,114)</u>	<u>(10,729)</u>
(Loss)/profit for the year		<u>(668,200)</u>	<u>231,649</u>
(Loss)/profit attributable to:			
Owners of the Company		(704,482)	216,421
Non-controlling interests		<u>36,282</u>	<u>15,228</u>
		<u>(668,200)</u>	<u>231,649</u>
(Losses)/earnings per share for (loss)/profit attributable to owners of the Company (expressed in RMB per share)			
Basic	10	(0.4800)	0.1625
Diluted	10	<u>(0.4800)</u>	<u>0.1605</u>

	Year ended December 31,	
	2020	2019
<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
(Loss)/profit for the year	<u>(668,200)</u>	<u>231,649</u>
Other comprehensive (loss)/income, net of tax		
<i>Items that will not be reclassified to profit or loss</i>		
Currency translation differences	(252,084)	510
Changes in fair value of financial assets at fair value through other comprehensive (loss)/income, net of tax	<u>(18,165)</u>	<u>5,066</u>
Total comprehensive (loss)/income for the year	<u><u>(938,449)</u></u>	<u><u>237,225</u></u>
Total comprehensive (loss)/income attributable to:		
Owners of the Company	(974,731)	221,997
Non-controlling interests	<u>36,282</u>	<u>15,228</u>
	<u><u>(938,449)</u></u>	<u><u>237,225</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 2020

		As at December 31,	
		2020	2019
	Note	RMB'000	RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment		150,067	118,283
Right-of-use assets		62,665	50,864
Intangible assets		3,464	2,077
Financial assets at fair value through profit or loss		25,730	36,163
Financial assets at fair value through other comprehensive income		12,000	32,183
Contract acquisition costs	4	490	731
Prepayments and other receivables	12	6,705	5,034
Deferred income tax assets		659	865
Restricted cash		550	–
Total non-current assets		262,330	246,200
Current assets			
Inventories		418	281
Contract assets	4	48,034	25,090
Contract acquisition costs	4	191,449	103,182
Trade receivables	12	29,850	20,962
Prepayments and other receivables	12	51,431	15,710
Income tax recoverable		15,820	308
Financial assets at fair value through profit or loss		300,700	90,000
Term deposits		1,812,750	–
Restricted cash		–	748
Cash and cash equivalents		4,759,384	732,207
Total current assets		7,209,836	988,488
Total assets		7,472,166	1,234,688
EQUITY			
Share capital		170	107
Treasury shares		(6)	–
Reserves		7,001,418	12,694
(Accumulated losses)/retained earnings		(462,789)	253,684
		6,538,793	266,485
Non-controlling interests		30,743	4,467
Total equity		6,569,536	270,952

		As at December 31,	
		2020	2019
	<i>Note</i>	RMB'000	RMB'000
LIABILITIES			
Non-current liabilities			
Contract liabilities	4	25,338	18,396
Lease liabilities		33,872	29,175
Deferred income tax liabilities		66	1,514
		<u>59,276</u>	<u>49,085</u>
Total non-current liabilities			
Current liabilities			
Trade payables	13	42,837	23,921
Other payables and accruals	14	224,004	178,675
Contract liabilities	4	548,938	377,692
Current income tax liabilities		–	382
Lease liabilities		27,575	20,052
Convertible redeemable preferred shares		–	313,929
		<u>843,354</u>	<u>914,651</u>
Total current liabilities			
Total liabilities			
		<u>902,630</u>	<u>963,736</u>
Total equity and liabilities			
		<u>7,472,166</u>	<u>1,234,688</u>

NOTES

1 GENERAL INFORMATION

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

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

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

2 BASIS OF PREPARATION

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

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

The preparation of the consolidated annual results in conformity with IFRS 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 following standards and amendments have been adopted by the Group:

- Definition of Material – amendments to IAS 1 and IAS 8
- Definition of a Business – amendments to IFRS 3
- Interest Rate Benchmark Reform – amendments to IFRS 9, IAS 39 and IFRS 7
- Revised Conceptual Framework for Financial Reporting
- Covid-19-Related Rent Concessions – Amendments to IFRS 16

The amendments listed above did not have any material impact on the amounts recognised during the current period.

(b) New standards and interpretations not yet adopted

A number of new standards and amendments to standards and improvements are effective for annual periods beginning on or after January 1, 2021 and have not been early adopted in preparing the consolidated annual results for the year ended December 31, 2020.

		Effective for annual periods beginning on or after
IFRS 17	Insurance Contracts	January 1, 2023
Amendments to IAS 1	Classification of liabilities as current or non-current	January 1, 2023
Amendments to IFRS 3	Update reference to the conceptual framework	January 1, 2022
Amendments to IAS 16	Property, plant and equipment – Proceeds before intended use	January 1, 2022
Amendments to IAS 37	Onerous contracts – cost of fulfilling a contract	January 1, 2022
Annual improvements	Annual Improvements to IFRS Standards 2018-2020 Cycle	January 1, 2022
Amendments to IFRS 9, IAS 39, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase two	January 1, 2021
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associates or joint ventures	To be determined

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

3 SEGMENT INFORMATION

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

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

SaaS products Software as a service, a cloud-based software licensing and delivery model in which software and associated data are centrally hosted

ERP solutions Enterprise resource planning, a business process management software that allows an organization to use a system of integrated applications to manage the business and automate back-office functions relating to technology, services, and human resources

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

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

	SaaS products <i>RMB'000</i>	ERP solutions <i>RMB'000</i>	Unallocated items <i>RMB'000</i>	Total <i>RMB'000</i>
Revenues	871,199	834,077	–	1,705,276
Gross profit	758,446	581,276	–	1,339,722
Operating profit/(loss)	19,158	326,155	(18,857)	326,456
Finance income	115	244	14,032	14,391
Finance costs	(766)	(1,292)	–	(2,058)
Finance (costs)/income – net	(651)	(1,048)	14,032	12,333
Net losses upon financial liabilities at fair value through profit or loss transferred to equity	–	–	(988,875)	(988,875)
Profit/(loss) before income tax	18,507	325,107	(993,700)	(650,086)
Income tax credit/(expense)	156	(18,270)	–	(18,114)
Segment results	18,663	306,837	(993,700)	(668,200)

The segment information for the year ended December 31, 2019 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	509,827	754,142	–	1,263,969
Gross profit	464,911	529,658	–	994,569
Operating (loss)/profit	(41,439)	284,932	598	244,091
Finance income	30	154	–	184
Finance costs	(632)	(1,265)	–	(1,897)
Finance costs – net	(602)	(1,111)	–	(1,713)
(Loss)/profit before income tax	(42,041)	283,821	598	242,378
Income tax credit/(expense)	206	(10,935)	–	(10,729)
Segment results	(41,835)	272,886	598	231,649

4 REVENUES

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

	Year ended December 31,	
	2020	2019
	RMB'000	RMB'000
SaaS products	871,199	509,827
ERP solutions		
– Revenues from rendering of value-added services	343,502	319,962
– Revenues from software licensing	249,691	232,888
– Revenues from rendering of product support services	137,814	113,581
– Revenues from rendering of implementation services	103,070	87,711
	<u>1,705,276</u>	<u>1,263,969</u>
	Year ended December 31,	
	2020	2019
	RMB'000	RMB'000
SaaS products		
– Revenues over time	784,875	487,773
– Revenues at a point in time	86,324	22,054
ERP solutions		
– Revenues over time	584,386	521,254
– Revenues at a point in time	249,691	232,888
	<u>1,705,276</u>	<u>1,263,969</u>

(a) Assets and liabilities related to contracts with customers

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

	As at December 31,	
	2020	2019
	RMB'000	RMB'000
Contract assets	52,083	26,805
Less: Loss allowance for contract assets	(4,049)	(1,715)
	<u>48,034</u>	<u>25,090</u>
Contract acquisition costs	191,939	103,913
Less: non-current portion	(490)	(731)
	<u>191,449</u>	<u>103,182</u>
Contract liabilities	574,276	396,088
Less: non-current portion	(25,338)	(18,396)
	<u>548,938</u>	<u>377,692</u>

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

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

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

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

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

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

	Year ended December 31,	
	2020	2019
	RMB'000	RMB'000
Revenue recognised in relation to contract liabilities	<u>372,930</u>	<u>251,699</u>

(iii) **Unsatisfied long-term contracts**

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

	As at December 31,	
	2020	2019
	RMB'000	RMB'000
Unsatisfied long-term contracts		
– ERP solutions	274,795	214,673
– SaaS products	<u>622,295</u>	<u>389,988</u>
	<u>897,090</u>	<u>604,661</u>

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

All other contracts are for periods of 1 year or less. As permitted under IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

(iv) **Assets recognised from incremental costs to obtain a contract**

The Group has recognised an asset in relation to costs to acquire the SaaS products contracts. This is presented as contract acquisition costs in the consolidated statement of financial position.

Amortisation of contract acquisition costs recognised as selling and marketing expenses related to SaaS products during the years are as follows:

	Year ended December 31,	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Amortisation of contract acquisition costs recognised as selling and marketing expenses related to SaaS products during the year	<u>294,371</u>	<u>202,068</u>

The asset is amortised on a straight-line basis over the term of the specific contract it relates to, consistent with the pattern of recognition of the associated revenue. The management expects the capitalised costs to be completely recovered and no impairment loss should be recognised since no losses are expected to be incurred for the related customer contract when all the costs that relate to the fulfilment of the contract are taken into account.

5 EXPENSES BY NATURE

	Year ended December 31,	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Employee benefit expenses	820,348	675,556
Commission expenses	294,371	202,068
Outsourcing expenses	92,353	72,183
Costs of inventories sold	70,470	18,905
Listing expenses	43,961	4,271
Traveling and entertainment expenses	32,675	33,464
Professional and technical service fees	31,387	16,293
IT and communication charges	24,039	11,522
Depreciation of right-of-use assets	22,754	21,427
Share-based compensation expenses	18,054	–
Exhibition and promotion charges	17,944	16,132
Office expenses	14,028	8,555
Taxes and surcharges	11,565	10,424
Depreciation of property, plant and equipment	9,525	6,333
Short-term rental and utilities expenses	8,167	6,539
Auditor's remuneration	4,930	377
– Audit services	4,380	377
– Non-audit services	550	–
Amortisation of intangible assets	1,528	552
Others	1,484	640
	<u>1,519,583</u>	<u>1,105,241</u>

No development expenses had been capitalised during the years ended December 31, 2020 and 2019.

6 OTHER INCOME

	Year ended December 31,	
	2020	2019
	RMB'000	RMB'000
Income generated from offline activities and others	25,406	20,240
Other government grants	25,363	16,312
Income from wealth management products (b)	22,919	15,395
VAT refund (a)	20,330	30,412
Dividend income from investments in unlisted equity securities included in financial assets at fair value through profit or loss	624	594
	<u>94,642</u>	<u>82,953</u>

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

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

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

7 OTHER GAINS, NET

	Year ended December 31,	
	2020	2019
	RMB'000	RMB'000
Foreign exchange gains	44,609	300
Fair value gains on investments in redeemable preferred shares	4,350	2,640
Net gains/(losses) on disposal of property, plant and equipment	1,497	(26)
Fair value gains on investments in unlisted equity securities included in financial assets at fair value through profit or loss	17	1,635
Others	6	–
	<u>50,479</u>	<u>4,549</u>

8 FINANCE INCOME/(COSTS), NET

	Year ended December 31,	
	2020	2019
	RMB'000	RMB'000
<i>Finance income</i>		
– Interest income from bank deposits	14,391	184
<i>Finance costs</i>		
– Interest expenses on lease liabilities	(2,058)	(1,897)
Finance income/(costs) – net	<u>12,333</u>	<u>(1,713)</u>

9 INCOME TAX EXPENSE

	Year ended December 31,	
	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Current income tax	17,338	12,585
Deferred income tax	776	(1,856)
Income tax expense	18,114	10,729

10 (LOSSES)/EARNINGS PER SHARE

(a) Basic (losses)/earnings per share

Basic (losses)/earnings per share is calculated by dividing the (loss)/profit attributable to owners of the Company by the weighted average number of ordinary shares in issue and outstanding during the years ended December 31, 2020 and 2019.

	Year ended December 31,	
	2020	2019
(Loss)/profit attributable to owners of the Company (RMB'000)	(704,482)	216,421
Weighted average number of ordinary shares in issue and outstanding (thousand)	1,467,688	1,331,850
Basic (losses)/earnings per share (in RMB)	(0.4800)	0.1625

(b) Diluted (losses)/earnings per share

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

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

For the year ended December 31, 2019, the convertible redeemable preferred shares were dilutive due to their conversion to ordinary shares would decrease the earnings per share.

	Year ended December 31,	
	2020	2019
(Loss)/profit attributable to owners of the Company (RMB'000)	(704,482)	216,421
Weighted average number of shares in issue and outstanding to assume conversion of all dilutive potential shares (thousand)	1,467,688	1,348,439
Diluted (losses)/earnings per share (in RMB)	(0.4800)	0.1605

11 DIVIDENDS

- (a) Dividends of RMB5,248,000 were paid to the non-controlling interests in Shenzhen Mingyuan Yunke Electronic Commerce Co., Ltd, an indirectly and non-wholly owned subsidiary of the Company, for the year ended December 31, 2020.
- (b) A final dividend of RMB0.07 (equivalent to approximately HKD0.083) per ordinary share, totaling approximately RMB134,900,000 out of the share premium account of the Company, for the year ended December 31, 2020, is to be proposed at the forthcoming annual general meeting. This proposed dividend is not reflected as a dividend payable in the consolidated annual results for the year ended December 31, 2020.

	As at December 31, 2020 RMB'000
Proposed final dividend	<u>134,900</u>

12 TRADE RECEIVABLES, PREPAYMENTS AND OTHER RECEIVABLES

	As at December 31,	
	2020	2019
	RMB'000	RMB'000
Trade receivables from contracts with customers (a)	35,428	24,237
Less: Loss allowance	<u>(5,578)</u>	<u>(3,275)</u>
Trade receivables – net	<u>29,850</u>	<u>20,962</u>
Prepayments to suppliers	18,739	6,145
Prepayments for employee benefits	4,788	3,201
Prepaid listing expenses	<u>–</u>	<u>1,281</u>
Total prepayments	<u>23,527</u>	<u>10,627</u>
Rental and other deposits	7,861	6,863
Receivable from disposal of a financial asset at fair value through profit or loss (Note)	19,800	–
Interest receivables from bank deposits	4,575	–
Others	2,425	3,451
Less: Loss allowance	<u>(52)</u>	<u>(197)</u>
Other receivables – net	<u>34,609</u>	<u>10,117</u>
Total trade receivables, prepayments and other receivables	87,986	41,706
Less: Non-current deposits	<u>(6,705)</u>	<u>(5,034)</u>
Current portion	<u>81,281</u>	<u>36,672</u>

Note: The receivable from disposal of a financial asset at fair value through profit or loss was settled in January, 2021.

(a) Trade receivables

	As at December 31,	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables from contracts with customers	35,428	24,237
Less: Loss allowance	(5,578)	(3,275)
	<u>29,850</u>	<u>20,962</u>

The Group normally allows 0 to 30 days credit period to its customers. Ageing analysis of the trade receivables as at December 31, 2020 and 2019, based on date of recognition, is as follows:

	As at December 31,	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Ageing		
Up to 3 months	23,030	17,489
3 to 6 months	3,316	1,043
6 months to 1 year	3,618	926
1 to 2 years	3,432	4,217
Over 2 years	2,032	562
	<u>35,428</u>	<u>24,237</u>

Movements on the Group's loss allowance of other receivables are as follows:

	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
At the beginning of the year	197	530
Reversal of impairment provision	(145)	(333)
	<u>52</u>	<u>197</u>

13 TRADE PAYABLES

	As at December 31,	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables to third parties	<u>42,837</u>	<u>23,921</u>

As at December 31, 2020 and 2019, the ageing analysis of the trade payables based on date of recognition were as follows:

	As at December 31,	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Ageing:		
Up to 3 months	<u>42,837</u>	<u>23,921</u>

14 OTHER PAYABLES AND ACCRUALS

	As at December 31,	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Accrued payroll and employee benefit expenses	175,269	133,423
VAT and surcharges payable	23,926	23,585
Accrued listing expenses	4,306	4,822
Operating expenses advanced by employees	4,980	8,152
Commissions payable to regional channel partners	2,149	2,091
Deposits from regional channel partners	1,465	1,455
Accrued auditor's remuneration	4,914	–
Others	6,995	5,147
	<u>224,004</u>	<u>178,675</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Review

In 2020, the GDP of China exceeded RMB100 trillion for the first time, representing a year-over-year increase of 2.3%, thus making China the only major economy in the world to achieve positive economic growth in 2020. Therefore, the performance of the property market in China was beyond expectation, with a steady growth despite various difficulties arising from the COVID-19 outbreak. In 2020, the sales of commercial housing in China were RMB17 trillion, representing a year-over-year increase of 8.7%, and the floor space of commercial housing sold in China was 1.76 billion square meters, representing a year-over-year increase of 2.6%.

Since the second half of 2020, the PRC government has promulgated a series of policies to promote the steady and sound development of the real estate industry. In August 2020, the PRC government implemented the policy “three red lines” to restrict the financing of property developers, so as to facilitate the change from extensive development of developers with high debt, growth and turnover to a sustainable development with low debt, moderate growth and focus on products and quality. In August 2020, SASAC published the “Notice on Accelerating the Digital Transformation of State-owned Enterprises” to fully deploy the digitalization of enterprises.

Under such industry development trend, property developers and participants in both upstream and downstream industry chains became more deeply aware of the strategic value of digitalization upgrading for the sustainable development of enterprises, thus elevating digitization to the company-level strategy one after another and significantly increasing their investment in various aspects, which brings good opportunities for the development of the Company.

Business Review

Our products and services

We specialize in providing enterprise-grade SaaS products and ERP solutions for property developers and other industry participants in the real estate value chain in China, to help them achieve delicate and digital operation of their businesses. Capitalizing on the powerful scalability, connectivity of our Skyline Open Platform and integration with software solutions, our SaaS products and ERP solutions enable our customers to carry out their businesses internally and with their business partners, in a more efficient and intelligent manner. Going forward, we will actively cover the upstream and downstream of the real estate value chain through an increasingly rich product matrix, and incorporate previously fragmented product lines into four major segments, namely sales and marketing management, supply chain management, stock management and enterprise resource planning, among which, marketing management corresponds to our CRM Cloud business, supply chain management includes our Construction Cloud business and Procurement Cloud business, stock management includes our asset management, property management and commercial management, and enterprise resource planning corresponds to our ERP solutions.

SaaS products

Based on the focuses in the industry chain, our SaaS products can be classified into three major categories, namely CRM Cloud for the marketing market, Construction Cloud and Procurement Cloud for the supply chain market, and Space Cloud for the existing market. In 2020, the Company made a breakthrough in its SaaS product business, with significant increase in product revenue by 70.9% from RMB509.8 million for the year ended December 31, 2019 to RMB871.2 million

for the year ended December 31, 2020, which accounted for 51.1% of the total revenue of the Company. Meanwhile, we made a profit from the SaaS product business for the first time with net income reached RMB18.7 million. As the most mature SaaS products of the Company, CRM Cloud continued to grow strongly, with significant increase in revenue by 88.3% from RMB355.2 million for the year ended December 31, 2019 to RMB668.9 million for the year ended December 31, 2020. The remaining SaaS products, namely Construction Cloud, Procurement Cloud and Space Cloud, also maintained a relatively high growth rate, with revenues of RMB137.5 million, RMB26.5 million and RMB38.2 million for the year ended December 31, 2020, respectively. In 2018, 2019 and 2020, 92, 96 and 97 of the Top 100 property developers subscribed for at least one of our SaaS products.

CRM Cloud

In 2020, the market penetration rate and average revenue per property sales office of CRM Cloud continued to increase. Especially during the outbreak of COVID-19, we quickly launched a new version of the Handheld Sales Office (掌上售樓處), which integrates various application scenarios including online dissemination, digital exhibition hall, VR showing and online property launch, so as to promote the efficient interaction among home buyers, property consultants, third-party sales agents and brokers, greatly improve the experience of home buyers, and the customer acquisition ability and transaction conversion efficiency of property developers, and effectively help property developers reduce their marketing transaction costs significantly.

In 2018, 2019 and 2020, a total number of approximately 1,700, 2,400 and 4,200 paying end group customers subscribed for CRM Cloud, respectively. The number of property sales offices across China equipped with CRM Cloud was approximately 5,900, 8,700 and 15,000 in 2018, 2019 and 2020, respectively. The annual customer account retention rate for CRM Cloud was approximately 93%, 96% and 90% in 2018, 2019 and 2020, respectively.

Construction Cloud

In 2020, Construction Cloud quickly launched Pandemic Prevention on the Construction Site (工地防疫寶) and Online Handover (在線交房寶) to facilitate the resumption of work and production for nearly 10,000 construction site projects, with free use during the outbreak of COVID-19. Subsequently, we were the first in the industry to launch special quality digitalization solutions for three aspects, namely foundation, leakage prevention and refined decoration, and new products including tracing of materials and quality risk control. Construction Cloud is the first vendor in the industry to realize the whole-cycle quality digitalization solutions covering house construction, acceptance inspection, handover, move-in and maintenance. It helps property developers efficiently manage the entire property construction and handover processes, thus enhancing operational efficiency and quality control.

In 2018, 2019 and 2020, approximately 300, 400 and 800 paying end group customers subscribed for Construction Cloud, respectively. The numbers of construction sites equipped with Construction Cloud in China were approximately 1,100, 2,100 and 4,100 in 2018, 2019 and 2020, respectively. The total annual customer account retention rate for quality inspection and customer service products of Construction Cloud was 85% in 2020.

Procurement Cloud

In 2020, due to the impact of the outbreak of COVID-19, offline business contact between sellers and buyers was restricted. Procurement Cloud provides property developers with online tools to assist them in sourcing, online negotiation, invitation for bids, procurement and other businesses online, thus acquiring a large number of new property developers, thus significantly increasing the traffic of the platform and making the platform more attractive to suppliers. Meanwhile, in terms of suppliers, the per customer transaction increased significantly, as we focused on two major types of suppliers, namely material and equipment suppliers, and provided them with more comprehensive services including brand promotion, marketing activities and digital marketing.

As of December 31, 2020, Procurement Cloud enabled the nationwide connection between approximately 2,800 property developers and 71,000 suppliers certified by the Company. The total number of purchase demand from property developers were approximately 27,000 and 55,000 in 2019 and 2020, respectively. The annual customer account retention rate of certified diamond suppliers of Procurement Cloud was 83% in 2020 and the annual customer account retention rate for portal products for property developers was 93% in 2020.

Space Cloud

Space Cloud comprises two sub-product lines, among which, Asset Management Cloud focuses on the field of asset management, providing various forms of online asset management digitization solutions for asset owners, mainly state-owned enterprises, based on overall business plans of customers. As of December 31, 2020, Asset Management Cloud managed various forms of properties of over 47 million square meters, and the annual customer account retention rate for Asset Management Cloud were 78% and 83% in 2019 and 2020, respectively.

Property Management Cloud for residential properties was not marketed on a large scale in 2020 due to the impact of the outbreak of COVID-19, and we only conducted pilot promotion of this product in some second and third-tier regions, in which it has been widely recognized by customers.

ERP solutions

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

In 2020, despite the impact of the outbreak of COVID-19, there was a steady growth in ERP solutions. Revenue from ERP solutions increased by 10.6% from RMB754.1 million for the year ended December 31, 2019 to RMB834.1 million for the year ended December 31, 2020. In 2018, 2019 and 2020, revenues from sales of ERP solutions to approximately 1,200, 1,500 and 2,000 paying end group customers were RMB583.5 million, RMB754.1 million and RMB834.1 million, respectively. In 2020, we provided services for 89 of the Top 100 property developers. Due to the impact of the outbreak of COVID-19, the decision-making cycle of end customers for the new purchase and upgrade of software products and the demand for value-added services

was postponed, which resulted in a slowdown in the growth rate of revenues from product sales and value-added services for the year ended December 31, 2020. Meanwhile, our revenues from implementation, operation and maintenance continued to grow rapidly, as we took active measures to ensure the product implementation, daily operation and maintenance services for end customers who purchased products via online service.

Skyline Open Platform

In November 2020, the Company launched Skyline Open Platform, a powerful enterprise-grade PaaS platform. With a focus on the five major independent capabilities of “agile development, full-area integration, process-driven, data insight and technological innovation”, Skyline Open Platform provides more than 10 core capability areas, including “modeling platform, mobile platform, BPM process platform, data analysis platform, big data management platform, integrated and open platform, AIoT platform, DevOps platform, monitoring platform, developer community and application market”, and supports rapid development, easy deployment, implementation and management of applications.

Compared with the traditional application platform, Skyline Open Platform supports users in fully developing “user interface, business logic, process services and data services” through “no-code and low-code” methods, and improves productivity through cross-platform portability for users. Through Skyline Open Platform, the Company can develop high-quality SaaS products and update products in a short time, so as to cater for the changing customer demand and technological innovation. The Company also makes the functions of Skyline Open Platform available for IT teams of its customers, third-party property developers and business partners, so as to encourage them to provide innovative applications to customers. We believe that this will enrich the product functions and the technological ecosystem of our Group.

Our sales and distribution network

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

We dedicate direct sales force to serving customers in tier-1 cities to establish long-standing relationships with the leading and large property developers headquartered in these cities. As of December 31, 2020, our direct sales force consisted of more than 200 employees with good knowledge about our products, technology and the real estate industry and extensive professional experience. We organize our direct sales force by geographic locations and customer accounts to maximize sales efficiency.

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

Future and Outlook

As a leading software solution provider for property developers in China, our mission is to accelerate the digital upgrade of the real estate value chain. In 2021, we will continue to actively and unswervingly be dedicated to our SaaS business to serve more diversified industry participants through a composite product matrix.

Meanwhile, we will continuously maintain our absolute leading position in ERP solutions with respect to the internal management of property developers, by continuously enhancing our open and scalable infrastructure of Skyline Open Platform, and capitalizing on our reputation among leading property developers and our extensive network of regional channel partners.

In addition to SaaS products and ERP solutions, we will continuously invest in Skyline Open Platform launched at the end of last year, so as to consolidate our technological base and accelerate the pace of opening up our ecosystem.

SaaS products

CRM Cloud

CRM Cloud will continue to adhere to the philosophy of “technology-driven marketing innovation”, integrate the world’s leading edge technologies with real estate marketing scenarios, and create new infrastructure for real estate marketing through 3D digital twin, VR, AIoT, data intelligence and other technologies. It will realize full-contact-point digitalization and full-link intelligence through the upgraded version of the new-generation Handheld Sales Office Max, comprehensively covering four key areas of real estate marketing, namely marketing cloud, channel cloud, sales cloud and transaction cloud. In addition, CRM Cloud will link and integrate the new-generation online marketing ecological service providers in the industry to support property developers in rapidly achieving the digitalization of marketing.

Construction Cloud

Construction Cloud will continuously optimize its products and services, strengthen the construction of its technology platform, enhance its customer-oriented operation and service capabilities through nation-wide channels, and accelerate its capabilities to cover the market and construction site projects. Meanwhile, Construction Cloud will focus on existing quality core product solutions and provide a better product experience for users with big data and AIoT technology, thereby supporting property developers in reducing costs and increasing efficiency and ensuring property quality for home buyers.

Procurement Cloud

On the basis of the original subscription-based services, Procurement Cloud will continue to explore a new model of online and offline integration through strategic cooperation with CBD Fair in professional exhibitions, regional procurement summits and other measures. Moreover, Procurement Cloud will provide property developers with in-depth services including centralized procurement, and enable offline business through online services, and promote online development through offline business, and improve the depth and quality of services, and consolidating the leading position in the market. Meanwhile, Procurement Cloud will build a pool of selected suppliers and explore value-added services including data services, through the accumulated big data of the platform.

Space Cloud

In 2021, based on the overall plan for the existing market, the Company separated the Property Management Cloud business from Space Cloud and established a Property Management Cloud BU being managed by an independent team, so as to prepare for the next large-scale development of the residential property market.

In August 2020, SASAC published the “Notice on Accelerating the Digital Transformation of State-owned Enterprises”, to guide state-owned enterprises to make efforts to develop the digitalization empowerment system for the management of existing real estate assets. In 2021, Asset Management Cloud will continue to focus on the asset management field dominated by state-owned enterprises, and provide existing asset management digitalization solutions which are more integrated and systematic, to help state-owned enterprises count and revitalize their assets and ensure the preservation and appreciation of the value of state-owned assets.

ERP solutions

With respect to ERP business, the Company will enhance customer segmentation, and differentiate products, marketing and services for various segments including property enterprise at the 100-billion level, regional large-sized property enterprises, small and medium-sized property enterprises and state-owned enterprises, and help different types of property enterprises accelerate their digitalization. Meanwhile, the Company will further increase its investment in product support service and value-added service businesses, help customers better meet their digitalization target through high-value services, realize the digitalization value, and continuously promote the continuous growth of the service revenue of the Company.

Skyline Open Platform

Skyline Open Platform will focus on and deepen the five major independent capabilities of agile development, full-area integration, process-driven, data insight and technological innovation, and make no-code and low-code technologies available for use by CIOs of property developers to realize the purpose of rapid development, testing and deployment, and can be adjusted or updated at any time. With Skyline Open Platform, even non-technical personnel can complete the development and customization of certain applications, thus greatly reducing the software development threshold and shortening the software development cycle. Meanwhile, for Skyline Open Platform, the Company will increase its investment in state-of-the-art technologies including RPA, 3D/VR/AR, AIoT, block chain, AI PaaS, etc., to accelerate the process of opening up the ecology of the Company.

Customer success

Customer success is the long-held core value of the Company. The mission and vision of the Company are to adhere to customer orientation, lead management innovation in the industry, enhance the digitalization level of property developers and continuously create outstanding customer value. For nearly 20 years, the Company has adhered to the long-term principle and has been committed to continuous innovation to provide higher quality products and services for thousands of customers in the industry and realize customer value. Since the real estate industry entered the era of digital intelligence, the Company has established a new ecological cooperation model of win-win cooperation with customers and connected rich ecological resources based on

Skyline Open Platform to help accelerate digitalization of enterprises in the real estate value chain. In 2021, we will create more intelligent service tools to achieve accurate measurement of the health of applications of customers. We will also meet the needs of various customers comprehensively and build a new operating system for customer success, by providing highly reliable OEM support service, professional and efficient application support services, and application improvement services benchmarked against the best practices in the industry.

Ecological cooperation

Looking forward to 2021, the Company will realize its three strategic targets, in terms of industry research, ecological cooperation and investment, merger and acquisition, through the strategic development center that has been established. For industry research, the Company will provide forward-looking insights into new technologies, new models and new scenarios in the upstream and downstream of the real estate value chain, so as to carry out strategic planning and business arrangement from a medium and long-term perspective. Moreover, the Company will actively establish ecological cooperation with various platform giants and leading vertical vendors in segments to consolidate and enhance the ecological stickiness to Skyline Open Platform. Based on in-depth industry research and increasingly improved ecological cooperation, the Company will continue to implement its pre-listing strategy of investment, merger and acquisition. With a focus on the upstream and downstream of the real estate value chain, the Company will identify more vertical vendors such as Woxiang Technology, which can help cover key scenarios and diversified customers. The Company will also identify horizontal vendors that can help raise the technical barriers in the real estate industry and build an open and cooperative ecology, and continuously ensure the depth of services of the Company and the stickiness to the Company in the real estate industry.

Financial Review

During the Reporting Period, we had achieved strong financial performance and enhanced our leading position in our two business segments, which was attributed to our visionary, insightful and creative management team, supervisor innovation capacity, as well as extensive business partner network.

Revenues

Our total revenue increased by 34.9% from RMB1,264.0 million for the year ended December 31, 2019 to RMB1,705.3 million for the year ended December 31, 2020, due to the increase in revenues generated from both of our SaaS products and ERP solutions as a result of our continuous business expansion and enhanced reputation among our existing and prospective customers. The following table sets forth a breakdown of our revenue by business segment for the years indicated. Revenues from SaaS products for the year ended December 31, 2020 was RMB871.2 million, representing an increase of 70.9%, and accounted for 51.1% of the total revenue, while revenues from ERP solutions was RMB834.1 million, representing an increase of 10.6%, and accounted for 48.9% of the total revenue.

	Year ended December 31,				Change %
	2020		2019		
	RMB	%	RMB	%	
	<i>(RMB in thousand, except percentage)</i>				
SaaS products	871,199	51.1	509,827	40.3	70.9
ERP solutions	834,077	48.9	754,142	59.7	10.6
Total	<u>1,705,276</u>	<u>100.0</u>	<u>1,263,969</u>	<u>100.0</u>	<u>34.9</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.

	For the year ended December 31,				Change %
	2020		2019		
	RMB	%	RMB	%	
	<i>(RMB in thousand, except percentage)</i>				
CRM Cloud	668,904	76.8	355,195	69.7	88.3
Construction Cloud	137,537	15.8	111,365	21.8	23.5
Procurement Cloud	26,519	3.0	16,727	3.3	58.5
Space Cloud	38,239	4.4	26,540	5.2	44.1
Total	<u>871,199</u>	<u>100.0</u>	<u>509,827</u>	<u>100.0</u>	<u>70.9</u>

Our revenues from SaaS products increased significantly by 70.9% from RMB509.8 million for the year ended December 31, 2019 to RMB871.2 million for the year ended December 31, 2020, and the proportion of the revenues from SaaS products to the total revenue increased from 40.3% for 2019 to 51.1% for 2020, exceeding 50.0%, mainly due to the increasing acceptability of our SaaS products in the market. In 2020, our CRM Cloud business grew rapidly, with a growth rate of 88.3% compared to 2019; in 2020, the growth rate of Procurement Cloud business was 58.5%; in 2020, the newly launched Space Cloud business oriented towards the existing market grew by 44.1%. In 2020, our Construction Cloud business focused on quality line products with relatively low purchases per customer transaction. Despite a rapid increase in the number of construction sites, the revenue growth rate was relatively low, at 23.5%.

The amount of the Company's outstanding long-term SaaS contracts increased by 59.6% from RMB390.0 million as at December 31, 2019 to RMB622.3 million as at December 31, 2020.

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.

	For the year ended December 31,		2019		Change %
	2020				
	RMB	%	RMB	%	
	<i>(RMB in thousand, except percentage)</i>				
Software licensing	249,691	29.9	232,888	30.9	7.2
Implementation services	103,070	12.4	87,711	11.6	17.5
Product support services	137,814	16.5	113,581	15.1	21.3
Value-added services	343,502	41.2	319,962	42.4	7.4
Total	<u>834,077</u>	<u>100.0</u>	<u>754,142</u>	<u>100.0</u>	<u>10.6</u>

Our revenues from ERP solutions increased by 10.6% from RMB754.1 million for the year ended December 31, 2019 to RMB834.1 million for the year ended December 31, 2020, and the proportion of the revenues from ERP solutions to the total revenue decreased from 59.7% in 2019 to 48.9% in 2020, less than 50%, mainly because due to the impact of the outbreak of COVID-19, the decision-making cycle of end customers for the purchase and upgrade of software products and the demand for value-added services was postponed, which resulted in the growth rates of revenues from product sales and value-added services for the year ended December 31, 2020 decreasing to 7.2% and 7.4%, respectively. Meanwhile, our revenues from implementation, operation and maintenance continued to grow at 17.5% and 21.3%, respectively in 2020, as we took active measures, ensuring the product implementation, daily operation and maintenance services for end customers who purchased products, under the online service model.

Cost of sales

Our cost of sales increased by 35.7% from RMB269.4 million for the year ended December 31, 2019 to RMB365.6 million for the year ended December 31, 2020.

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 (雲客), (iii) IT and communication charges, which consist of costs associated with leased IT infrastructure that supports the operation of our SaaS products, and (iv) taxes and surcharges.

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

	For the year ended December 31,				Change
	2020		2019		
	<i>RMB</i>	<i>%</i>	<i>RMB</i>	<i>%</i>	
	<i>(RMB in thousand, except percentage)</i>				
Employee benefit expenses	25,599	2.9	18,060	3.5	41.7
Costs of inventories sold	68,356	7.8	18,226	3.6	275.0
IT and communication charges	15,458	1.8	6,681	1.3	131.4
Taxes and surcharges	3,340	0.4	1,949	0.4	71.4
Total	<u>112,753</u>	<u>12.9</u>	<u>44,916</u>	<u>8.8</u>	<u>151.0</u>

Our cost of sales for SaaS products increased by 151.0% from RMB44.9 million for the year ended December 31, 2019 to RMB112.8 million for the year ended December 31, 2020. This increase was mainly due to (i) the increase in the cost of hardware sold, (ii) the increase in employee benefit expenses, and (iii) the increase in the cost of data cloud services acquired to meet the growth of the cloud business.

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.

	For the year ended December 31,				Change
	2020		2019		
	<i>RMB</i>	<i>%</i>	<i>RMB</i>	<i>%</i>	
	<i>(RMB in thousand, except percentage)</i>				
Employee benefit expenses	158,169	19.0	146,614	19.4	7.9
Outsourcing expenses	81,063	9.7	66,545	8.8	21.8
Costs of inventories sold	2,113	0.3	679	0.1	211.2
Professional and technical service fees	3,232	0.4	2,171	0.4	48.9
Taxes and surcharges	8,224	1.0	8,475	1.1	-3.0
Total	<u>252,801</u>	<u>30.4</u>	<u>224,484</u>	<u>29.8</u>	<u>12.6</u>

Our cost of sales for ERP solutions increased by 12.6% from RMB224.5 million for the year ended December 31, 2019 to RMB252.8 million for the year ended December 31, 2020, primarily driven by the increases in employee benefit expenses and outsourcing expenses, which are consistent with the increase of revenue during the same year.

Gross profit

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

	Year ended December 31,		2019	Change	
	2020				
	<i>RMB' 000</i>	<i>Gross profit margin</i>	<i>RMB' 000</i>	<i>Gross profit margin</i>	<i>%</i>
SaaS products	758,446	87.1%	464,911	91.2%	63.1
ERP solutions	581,276	69.7%	529,658	70.2%	9.7
Total	<u>1,339,722</u>	<u>78.6%</u>	<u>994,569</u>	<u>78.7%</u>	<u>34.7</u>

We reported gross profit of RMB1,339.7 million for the year ended December 31, 2020, representing an increase of 34.7% as compared to that of RMB994.6 million for the year ended December 31, 2019. Gross profit from our SaaS products increased by 63.1% from RMB464.9 million for the year ended December 31, 2019 to RMB758.4 million for the year ended December 31, 2020. Gross profit from our ERP solutions increased by 9.7% from RMB529.7 million for the year ended December 31, 2019 to RMB581.3 million for the year ended December 31, 2020. The gross profit margin of SaaS products decreased from 91.2% in 2019 to 87.1% in 2020, mainly because with regard to our CRM Cloud products, we increased our investment in the integration of hardware and software, based on the demand at the sales site, and intelligent hardware was used more and more widely, while the gross profit margin of intelligent hardware sales was comparatively lower.

Selling and marketing expenses

Our selling and marketing expenses increased by 33.8% from RMB441.1 million for the year ended December 31, 2019 to RMB590.4 million for the year ended December 31, 2020, and the proportion of the selling and marketing expenses to the total revenue decreased slightly from 34.9% in 2019 to 34.6% in 2020 due to the scale effect of revenue growth for the year ended December 31, 2020, the enhanced assessment by the Company of performance and output of employees and the implementation of cost control measures. The increase in selling and marketing expenses was mainly due to (i) the increase in dealer commission expenses arising out of the increase in revenues from SaaS products, and (ii) the increase in employee benefit expenses of the sales team. If the effect of dealer commission expenses is excluded, our selling and marketing expenses will increase by 23.8% from RMB239.1 million for the year ended December 31, 2019 to RMB296.1 million for the year ended December 31, 2020, and the proportion of selling and marketing expenses after excluding the effect of dealer commission expenses to the total revenue will decrease from 18.9% to 17.4%.

General and administrative expenses

Our general and administrative expenses increased by 91.6% from RMB108.4 million for the year ended December 31, 2019 to RMB207.7 million for the year ended December 31, 2020, and the proportion of the general and administrative expenses to the total revenue increased from 8.6% to 12.2%, mainly due to (i) a significant increase in listing expenses incurred in 2020 as compared to 2019, and (ii) an increase in share-based compensation expenses during the Reporting Period. If the effect of listing expenses and share-based compensation expenses is excluded, our general and administrative expenses would have increased by 39.9% from RMB104.1 million for the year ended December 31, 2019 to RMB145.6 million for the year ended December 31, 2020, and the proportion of general and administrative expenses after excluding the effect of listing expenses and share-based compensation expenses to the total revenue will slightly increase from 8.2% to 8.5%.

Research and development expenses

We continuously invest in the development of new products and technologies as in the past. In 2020, the total research and development expenses of the Group further increased by 24.3% from RMB286.3 million for the year ended December 31, 2019 to RMB355.9 million for the year ended December 31, 2020. The increase in research and development expenses was mainly due to the increase in the number and the remuneration of research and development staff.

Net impairment losses on financial assets and contract assets

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

We had a net impairment loss of RMB2.1 million for the year ended December 31, 2019 compared to a net impairment loss of RMB4.4 million for the year ended December 31, 2020, primarily because we increased our provision on contract assets as the size of contract assets and trade receivables increased in the Reporting Period.

Other income

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

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

	Year ended December 31,		Change %
	2020	2019	
	RMB'000	RMB'000	
Income generated from offline activities and others	25,406	20,240	25.5
Other government grants	25,363	16,312	55.5
Income from wealth management products	22,919	15,395	48.9
VAT refund	20,330	30,412	-33.2
Dividend income from investments in unlisted equity securities included in financial assets at fair value through profit or loss	624	594	5.1
Total	94,642	82,953	14.1

We recorded other income of RMB94.6 million for the year ended December 31, 2020, as compared to that of RMB83.0 million for the year ended December 31, 2019, primarily due to significant increases of RMB9.1 million in other government grants and RMB7.5 million in income from wealth management products for the year ended December 31, 2020.

Other gains, net

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

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

	Year ended December 31,		Change %
	2020	2019	
	RMB'000	RMB'000	
Fair value gains on investments in redeemable preferred shares	4,350	2,640	64.8
Foreign exchange gains	44,609	300	14,769.7
Fair value gains on investments in unlisted equity securities included in financial assets at fair value through profit or loss	17	1,635	-99.0
Net gains/(losses) on disposal of property, plant and equipment	1,497	(26)	5,857.7
Others	6	-	-
Total	50,479	4,549	1,009.7

Our other gains, net significantly increased by 1,009.7% from RMB4.5 million for the year ended December 31, 2019 to RMB50.5 million for the year ended December 31, 2020, primarily due to an increase of RMB44.3 million in foreign exchange gains from the proceeds as a result of exchange rate fluctuation.

Operating profit/(loss)

As a result of the foregoing, we had an operating profit of RMB326.5 million for the year ended December 31, 2020, representing an increase of 33.7% compared to an operating profit of RMB244.1 million for the year ended December 31, 2019. For our SaaS products, we had operating profit of RMB19.2 million for the year ended December 31, 2020, representing an increase of 146.2% compared to operating loss of RMB41.4 million for the year ended December 31, 2019. For our ERP solutions, our operating profit increased 14.5% from RMB284.9 million for the year ended December 31, 2019 to RMB326.2 million for the year ended December 31, 2020.

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

	Year ended December 31,		Change %
	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>	
SaaS products	19,158	(41,439)	146.2
ERP solutions	326,155	284,932	14.5
Unallocated items	(18,857)	598	-3,253.3
Total	<u>326,456</u>	<u>244,091</u>	<u>33.7</u>

Finance income

Our finance income increased from RMB184,000 for the year ended December 31, 2019 to RMB14.4 million for the year ended December 31, 2020, primarily due to an increase in interest income from bank deposits.

Finance costs

Our finance costs are primarily comprised of (i) interest expenses on our lease liabilities, (ii) interest expenses on our bank borrowings, and (iii) dividend paid to holders of financial liabilities at fair value through profit or loss.

Our finance costs increased from RMB1.9 million for the year ended December 31, 2019 to RMB2.1 for the year ended December 31, 2020, primarily due to an increase in interest expenses on lease liabilities.

Net losses upon financial liabilities at fair value through profit or loss transferred to equity

The Company completed the listing of Shares on September 25, 2020, upon which all the convertible redeemable preferred shares were immediately converted into ordinary shares. The fair value of the convertible redeemable preferred shares before conversion, measured based on the number of converted ordinary shares multiplied by the Listing offering price of HKD16.50, was approximately RMB1,307 million. The change in fair value between December 31, 2019 and September 25, 2020 of approximately RMB988.9 million was recognised as a loss in the consolidated statement of comprehensive income for the year ended December 31, 2020, as compared to nil for the year ended December 31, 2019.

(Loss)/profit before income tax

As a result of the foregoing, we had a loss before income tax of RMB650.1 million for the year ended December 31, 2020, compared with a profit before income tax of RMB242.4 million for the year ended December 31, 2019.

Income tax expenses

Our income tax expenses increased by 69.2% from RMB10.7 million for the year ended December 31, 2019 to RMB18.1 million for the year ended December 31, 2020, primarily due to the increase in profits of certain entities subject to income tax.

(Loss)/profit for the year

As a result of the foregoing, we reported a loss of approximately RMB668.2 million for the year ended December 31, 2020, representing a decrease of approximately RMB899.8 million, or 388.5%, compared to the profit of approximately RMB231.6 million for the year ended December 31, 2019.

For our SaaS products, we reported a profit of RMB18.7 million for the year ended December 31, 2020, representing an increase of approximately RMB60.5 million, or 144.7%, compared to the loss of approximately RMB41.8 million for the year ended December 31, 2019.

For our ERP solutions, we reported a profit of RMB306.8 million for the year ended December 31, 2020, representing an increase of approximately RMB33.9 million, or 12.4%, compared to the profit of approximately RMB272.9 million for the year ended December 31, 2019.

Non-IFRS measures

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

EBITDA and adjusted EBITDA

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

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

	Year ended December 31,		Change %
	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>	
Reconciliation of operating income and adjusted EBITDA			
Operating income for the year	326,456	244,091	33.7
Add:			
Depreciation of right-of-use assets	22,754	21,427	6.2
Depreciation of property, plant and equipment	9,525	6,333	50.4
Amortization of intangible assets	1,528	552	176.8
EBITDA	360,263	272,403	32.3
Add:			
Share-based compensation expenses	18,054	–	
Listing expenses	43,961	4,271	929.3
Adjusted EBITDA	422,278	276,674	52.6

Adjusted net income

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

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

	Year ended December 31,		Change %
	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>	
Reconciliation of net (loss)/income and adjusted net income			
Net (loss)/income for the year	(668,200)	231,649	-388.5
Net losses upon financial liabilities at fair value through profit or loss transferred to equity	988,875	–	
Share-based compensation expenses	18,054	–	
Listing expenses	43,961	4,271	929.3
Adjusted net income	382,690	235,920	62.2

Liquidity and Capital Resources

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

Cash and cash equivalents and term deposits

As at December 31, 2020, cash and cash equivalents and term deposits of the Group totaled approximately RMB6,572.1 million (December 31, 2019: RMB732.2 million). The increase was mainly due to the proceeds we received from our listing. Most of the cash and cash equivalents of the Group were denominated in USD and HKD. The term deposits of the Group were denominated in RMB.

Asset – liability ratio

As at December 31, 2020, net current assets of the Group were approximately RMB6,366.5 million (December 31, 2019: RMB73.8 million). As at December 31, 2020, the current ratio of current assets to current liabilities was approximately 8.55, improving from 1.08 as at December 31, 2019.

Borrowing

As at December 31, 2020, bank borrowings of the Group were nil (December 31, 2019: nil).

Capital Management and Gearing Ratio

In order to maintain or adjust the capital structure, we may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt. We monitor capital on basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as liquid liabilities, which are financial liabilities measured at Fair Value through Profit or Loss (“FVPL”) (including convertible redeemable preferred shares), and lease liabilities, less cash and cash equivalents, restricted cash, and short-term investments which are investments in wealth management products included in financial assets at FVPL. Total capital is calculated as “equity” as shown in the interim condensed consolidated statements of financial position plus net debts. Our gearing ratio as at December 31, 2020 was nil as we did not have long-term borrowing.

Capital Commitment

As at December 31, 2020, we had capital commitments with respect to assets under construction of approximately RMB13.5 million.

Contingent Liabilities

As at December 31, 2020, 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. Therefore, foreign exchange risk primarily arose from our recognized assets and liabilities when receiving or to receive foreign currencies from, or paying or to pay foreign currencies to, overseas business partners. During the Reporting Period, we did not adopt any long-term contracts, currency borrowings or other means to hedge our foreign currency exposure. Management of our Group will monitor foreign exchange risks and hedge the major foreign currency risks when necessary.

Credit Risk

Credit risk arises from cash and cash equivalents, contractual cash flows of debt instruments carried at amortised cost, at FVPL and deposits with banks and other financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables.

The management manages the credit risk of cash and cash equivalents, pledged and short-term bank deposits and wealth management products (classified as financial assets at FVPL) by transacting with state-owned financial institutions in the PRC and reputable commercial banks which are all high-credit-quality financial institutions in the Mainland China and Hong Kong.

In relation to trade receivables and contract assets, the Group has two kinds of distribution channels, one is sales to distributors and the other is sales to end customers.

For sales to distributors, the Group has assessed the credit quality of the distributors, taking into account their financial position, credit history and other factors. Individual credit limits are set based on credit quality assessed by the Group. The compliance with credit limits by distributors is also regularly monitored by the management.

For sales to end customers, the Group has no significant concentration of credit risk in trade receivables since the balance of trade receivables is composed of numerous individual small items and the exposure spreads over a large number of customers.

For other receivables, the management of the Group makes periodic collective assessment as well as individual assessment on the recoverability of the receivables based on historical settlement record and past experience. The Directors believe that there is no material credit risk inherent in the Group's outstanding balances of other receivables.

Pledge of Assets

As at December 31, 2020, we did not pledge any of our assets.

USE OF NET PROCEEDS FROM GLOBAL OFFERING

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

Item	Approximate % of total net proceeds	Net proceeds from the Global Offering (HK\$ million)	Utilized as of December 31, 2020 (HK\$ million)	Unutilized as of December 31, 2020 (HK\$ million)	Expected timeline of full utilization of the unutilized net proceeds
Further upgrade and enhance the functionalities and features of our existing SaaS products					
(a) Hire and train more high-quality IT specialists, technology architects, software developers and examiners, as well as SaaS product managers	18.0%	1,243.86	26.11	1,217.75	Before December 31, 2023
(b) Purchase from qualified suppliers advanced equipment, infrastructure and applications	6.0%	414.62	5.46	409.16	Before December 31, 2023
(c) Invest in product development to introduce new SaaS products	6.0%	414.62	–	414.62	Before December 31, 2023
Enhance research and development efforts in cutting-edge technologies					
(a) Develop our proprietary key fundamental technologies that support product innovation	8.0%	552.82	6.52	546.30	Before December 31, 2023
(b) Develop our own technology infrastructure	12.0%	829.24	9.78	819.46	Before December 31, 2023
Further upgrade and enhance the functionalities and features of our cloud-based ERP solutions					
(a) Enhance our existing product support and value-added service capabilities	6.0%	414.62	4.90	409.72	Before December 31, 2023
(b) Expand our existing ERP modules and functions to cover more internal business and operational processes of property developers	4.0%	276.41	–	276.41	Before December 31, 2023

Item	Approximate % of total net proceeds	Net proceeds from the Global Offering (HK\$ million)	Utilized as of December 31, 2020 (HK\$ million)	Unutilized as of December 31, 2020 (HK\$ million)	Expected timeline of full utilization of the unutilized net proceeds
Enhance our sales and marketing capabilities and strengthen our brand reputation					
(a) Expand, retain and train our direct sales force	3.0%	207.31	11.24	196.07	Before December 31, 2023
(b) Establish an interactive, knowledge-sharing platform with leading property developers	2.0%	138.21	0.35	137.86	Before December 31, 2023
(c) Enhance our branding and marketing activities to acquire new customers	3.0%	207.31	5.10	202.21	Before December 31, 2023
(d) Invest to strengthen and expand our regional channel partner network	2.0%	138.21	1.06	137.15	Before December 31, 2023
Selectively pursue strategic investments and acquisitions	20.0%	1,382.06	–	1,382.06	Before December 31, 2023
Working capital and general corporate purposes	10.0%	691.03	–	691.03	Before December 31, 2023
Total	<u>100.0%</u>	<u>6,910.32</u>	<u>70.52</u>	<u>6,839.80</u>	

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

DIVIDENDS

Our Board has recommended the payment of a final dividend of RMB0.07 in form of cash per Share (equivalent to HK\$0.083 per Share) for the year ended December 31, 2020. The proposed final dividend will be paid on or around July 30, 2021 after approval by the Shareholders at forthcoming annual general meeting of our Company. The Company will make further announcement as appropriate in relation to the record date and date of payment.

The proposed final dividend shall be declared in RMB and paid in HK dollars. The final dividend payable in HK dollars will be converted from RMB at the average central parity rate of RMB to HK dollars as announced by the People's Bank of China for the period from March 23, 2021 to March 29, 2021.

IMPACT OF THE COVID-19 OUTBREAK

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

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

We also noticed that, due to the impact of the outbreak, the decision-making cycle of end customers for the purchase and upgrade of ERP solutions and the demand for value-added services was postponed, which resulted in a slowdown in the growth of revenues of the Company from product sales and value-added services of ERP solutions for the year. Meanwhile, our revenue from implementation, operation and maintenance of ERP solutions continued to grow rapidly in 2020, as we took active measures to ensure the product implementation, daily operation and maintenance services for end customers who purchased products via online service.

We have not experienced and do not expect any significant long-term impact of the COVID-19 outbreak on our operation or deviation from our overall business plan. There is no material impact of the COVID-19 outbreak on our production progress and operation activities.

CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance to safeguard the interests of the Shareholders and to enhance corporate value and accountability. The Company has adopted the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 14 to the Listing Rules as its own code of corporate governance. During the period from the Listing Date to December 31, 2020, the Board is of the opinion that the Company has complied with all the code provisions set out in the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 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 period from the Listing Date and up to December 31, 2020.

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 of December 31, 2020.

MATERIAL ACQUISITIONS, DISPOSALS AND SIGNIFICANT INVESTMENTS

As at December 31, 2020, we did not hold any significant investments. For the year ended December 31, 2020, we did not have material acquisitions or disposals of subsidiaries, associates and joint ventures.

SOCIAL RESPONSIBILITIES

The Group complies with national regulations on environmental protection, and carries out practices such as economical use of electricity, enhancement of daily maintenance and management of water equipment, promotion of paperless office, so as to reduce the environmental impact of its operation and harmonize with the environment, thus ensuring the sustainable development of the Group in the long term.

In the face of the sudden outbreak of COVID-19 pandemic in 2020, Mr. Gao Yu, Mr. Chen Xiaohui and Mr. Jiang Haiyang, the co-founders of the Group, immediately donated RMB1.0 million as a relief fund on behalf of the Group to support the pandemic relief, and purchased 236,000 disposable medical surgical masks and 8,900 goggles, which were successively delivered to over 20 hospitals and medical and health service institutions at the frontline of the outbreak, for pandemic prevention and treatment.

In order to promote the safe resumption of work and construction in the real estate industry, the Group completed the development of the "Pandemic Prevention on the Construction Site (工地防疫寶)" software within one week, and provided pandemic prevention management of construction sites for property developers without charge during the outbreak of COVID-19, so as to create a safe and healthy construction environment. During the outbreak of COVID-19, with the principle of "sticking to the duties despite work from home, caring despite quarantine", employees of the Group stuck to their mission, actively responding to the demand of customers through remote work, and tided over the difficulty with customers.

EMPLOYEES

As of December 31, 2020, we had 3,170 (December 31, 2019: 2,505) 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 period from the Listing Date and up to December 31, 2020, neither the Company nor any of its subsidiaries had purchased, redeemed or sold any of the Company's listed securities.

AUDIT COMMITTEE

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

The Audit Committee has, together with the senior management of the Company, reviewed the accounting principles and practices adopted by the Group as well as the audited consolidated financial statements of the Group for the year ended December 31, 2020.

SCOPE OF WORK OF AUDITOR

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of comprehensive income and the related notes thereto for the year ended December 31, 2020 as set out in the preliminary results announcement have been compared by the Company's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year ended December 31, 2020 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

The Group did not have any significant events after December 31, 2020 and up to the date of this announcement.

PUBLICATION OF ANNUAL RESULTS AND 2020 ANNUAL REPORT

This annual results announcement is published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.mingyuanyun.com. The annual report of the Company for the year ended December 31, 2020 containing all the information required by the Listing Rules will be dispatched to the Shareholders and published on the respective websites of the Stock Exchange and the Company in accordance with the requirements under the Listing Rules.

APPRECIATION

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

DEFINITIONS

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

“Audit Committee”	the audit committee of the Board
“Board”, “our Board” or “Board of Directors”	the board of directors of our Company
“Chairman”	the chairman of the Board
“China” or “PRC”	the People’s Republic of China, for the purposes of this announcement only, excluding Hong Kong, Macau Special Administrative Region and Taiwan
“Company”, “our Company”, or “the Company”	Ming Yuan Cloud Group Holdings Limited (明源雲集團控股有限公司), an exempted company with limited liability incorporated in the Cayman Islands on July 3, 2019
“Consolidated Affiliated Entity”	the entity that we control through contractual arrangements
“Director(s)”	the director(s) of our Company
“Global Offering”	the Hong Kong public offering and the international offering of the offer shares
“Group”, “our Group”, “the Group”, “we”, “us”, or “our”	our Company and its subsidiaries and Consolidated Affiliated Entity from time to time or, where the context so requires, in respect of the period prior to our Company becoming the holding company of its present subsidiaries and Consolidated Affiliated Entity, such subsidiaries and Consolidated Affiliated Entity as if they were subsidiaries and Consolidated Affiliated Entity of our Company at the relevant time

“HKD” or “HK\$” or “HK dollars”	Hong Kong Dollars, the lawful currency of Hong Kong
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“IFRS”	International Financial Reporting Standards
“Listing Date”	September 25, 2020, being the date on which the Shares were listed on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules
“Prospectus”	the prospectus of our Company, dated September 15, 2020, in relation to the Global Offering
“Reporting Period”	the year ended December 31, 2020
“RMB” or “Renminbi”	Renminbi Yuan, the lawful currency of China
“SASAC”	the State-owned Assets Supervision and Administration Commission of the State Council of China
“Share(s)”	ordinary share(s) in the share capital of our Company with a nominal value of HK\$0.0001 each
“Shareholder(s)”	holder(s) of our Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“U.S.”	United States of America
“USD” or “US\$” or “US dollars”	United States Dollars, the lawful currency of the U.S.
“%”	per cent.

GLOSSARY OF TECHNICAL TERMS

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

“paying end group customer”	a legal entity that (i) is the largest shareholder of a customer entity with at least 30% of voting interests of such customer entity; (ii) is the largest shareholder owning at least 30% of voting interests of a legal entity that owns at least 50% of voting interests of a customer entity; or (iii) owns at least 50% of voting interests of a legal entity that owns at least 30% of voting interests of a customer entity, together with such affiliated customer entities, are deemed as one paying end group customer. For avoidance of doubt, in respect of ERP solutions, we generate revenues from direct sales to our paying end group customers and sales to our regional channel partners, and in respect of SaaS products, we generate revenues from sales to our paying end group customers both directly and through our regional channel partners
“SaaS”	software as a service, a cloud-based software licensing and delivery model in which software and associated data are centrally hosted
“Skyline Open Platform”	a low-code PaaS platform launched by the Group for agile development, global integration, process-driven, data insight and technological innovation
“Top 100 property developers”	top 100 property developer groups in China by sales value during a given period, according to a report published by China Real Estate Information Corporation in 2020

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

Shenzhen, PRC, March 30, 2021

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