

明源雲

Stock Code
0909.HK

MING YUAN CLOUD GROUP HOLDINGS LIMITED



(Incorporated in the Cayman Islands with limited liability)

2022 INTERIM REPORT

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Non-executive Directors

Mr. Liang Guozhi
Mr. Yi Feifan

Independent Non-executive Directors

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

REGISTERED OFFICE

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

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN PRC

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

PRINCIPAL SHARE REGISTRAR

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

HONG KONG SHARE REGISTRAR

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

CORPORATE INFORMATION

INDEPENDENT AUDITOR

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

HONG KONG LEGAL ADVISER

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

COMPLIANCE ADVISER

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

AUTHORIZED REPRESENTATIVES

Mr. Gao Yu
Mr. Jiang Keyang

JOINT COMPANY SECRETARIES

Mr. Jiang Keyang
Ms. Szeto Kar Yee Cynthia

PRINCIPAL BANKS

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

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

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

STOCK CODE

909

COMPANY'S WEBSITE

www.mingyuanyun.com

FINANCIAL HIGHLIGHTS

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June	
	2022 <i>(RMB'000)</i> (Unaudited)	2021 <i>(RMB'000)</i> (Unaudited)
Revenues	881,235	973,698
Gross profit	706,526	773,733
Operating (loss)/profit	(613,123)	126,055
(Loss)/Profit before income tax	(567,365)	186,905
(Loss)/Profit for the period	(563,787)	187,516
Adjusted EBITDA	(329,865)	155,567
Adjusted net (loss)/income	(342,744)	193,542

FINANCIAL HIGHLIGHTS

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 30 June 2022 (RMB'000) (Unaudited)	As at 31 December 2021 (RMB'000) (Audited)
ASSETS		
Non-current assets	1,043,099	659,098
Current assets	5,482,591	6,313,699
Total assets	6,525,690	6,972,797
LIABILITIES		
Non-current liabilities	223,666	94,170
Current liabilities	817,691	948,451
Total liabilities	1,041,357	1,042,621
EQUITY		
Equity attributable to the Company's owners	5,489,744	5,933,331
Non-controlling interests	(5,411)	(3,155)
Total equity	5,484,333	5,930,176
Total equity and liabilities	6,525,690	6,972,797

Overall financial data

Revenue was RMB881.2 million, representing a year-on-year decrease of 9.5%

Adjusted net loss was RMB342.7 million, representing a year-on-year decrease of 277.1%



SaaS products

Revenue was RMB669.4 million, representing a year-on-year increase of 21.3% and accounting for 76.0%

ERP solutions

Revenue was RMB211.8 million, representing a year-on-year decrease of 49.8% and accounting for 24.0%

FINANCIAL HIGHLIGHTS

Overall financial data

Revenue was RMB881.2 million for the six months ended 30 June 2022, representing a year-on-year decrease of 9.5%.

Adjusted net loss was RMB342.7 million for the six months ended 30 June 2022, representing a year-on-year decrease of 277.1%.

SaaS products

Revenue was RMB669.4 million for the six months ended 30 June 2022, representing a year-on-year increase of 21.3% and accounting for 76.0% of the total revenue.

ERP solutions

Revenue was RMB211.8 million for the six months ended 30 June 2022, representing a year-on-year decrease of 49.8% and accounting for 24.0% of the total revenue.



BUSINESS REVIEW AND OUTLOOK

INDUSTRY REVIEW

China's real estate market consists of the development/operation/service in the residential, industrial and infrastructural fields. In terms of land supply, according to the 2020 China Urban Construction Statistical Yearbook, among the annual new land areas, residential, industrial and infrastructural construction land accounted for approximately 31%, 29%, and 40%, respectively. The annual new construction area of the real estate market has reached billions of square meters, the existing area has also reached tens of billions of square meters, and the overall market size is in the tens of trillions of RMB.

Since July 2021, China's residential market has undergone multiple terrible blows. The transaction volume has dropped significantly year-on-year. A number of Top 100 property developers have defaulted on their debts, and the confidence of home buyers is seriously low. The slowdown in China's economic growth and the recurrent pandemic has made matters worse. According to the National Bureau of Statistics, from January to June of this year, the floor space of commercial housing sold was 0.69 billion square meters, representing a year-on-year decrease of 22.2%, and the sales of commercial housing were RMB6.6 trillion, representing a year-on-year decrease of 28.9%. In the continuous decline of the industry, the Company's business has also been greatly affected. However, from a long-term perspective, the fundamentals of the industry have not changed at its root. Residential real estate involves many industries, has a long chain and strong pulling power, and still occupies an important position in the national economy.

On the other hand, the industrial and infrastructural markets, which the Company entered in full scale in the second half of 2021, are not dragged down by the residential market and continues to grow, with their market size comparable to that of the residential market, and the potential is huge. Against the background of the continuous decline in the residential market, the government has further increased investment in the industrial and infrastructural fields, and the digital needs of related enterprises are also continuously increasing.

In the medium- to long-term, the digital penetration rate of the enterprises in China is still far behind the world's average, and the digital penetration rate in the real estate sector is only one thousandth and still in the early stage with huge growth potential in the future.

BUSINESS REVIEW

We specialize in providing digital solutions for major participants in the real estate ecological chain and helping real estate developers/operators/service providers to better achieve their business goals through digital upgrades. Facing various unfavorable factors in the first half of the year, the Company has actively responded to the downward pressure on the industry through a number of measures to increase revenues and reduce expenditures.

BUSINESS REVIEW AND OUTLOOK

SaaS products

Despite various terrible blows in the first half of 2022, the Company's SaaS product business continued to grow, and recorded product revenue of RMB669.4 million (same period in 2021: RMB551.8 million), representing a year-on-year increase of 21.3% and accounting for 76.0% of the total revenue.

CRM Cloud

CRM Cloud focuses on the field of marketing technology (“**MarTech**”) and promotes the efficient interaction among home buyers, property consultants, third-party sales agents and brokers, improves the experience of home buyers, and enhances the customer acquisition ability and transaction conversion efficiency of residential developers through 3D Digital Exhibition Halls (3D數字展廳), Traffic Operation (流量運營), Channel Risk Control (渠道風控) and other applications, so as to achieve continuous growth of the average revenue per user. For the six months ended 30 June 2022, due to the impact of the macro environment and the recurrent pandemic, some developers delayed new launches, resulting in a decrease in the number of property sales offices equipped with CRM Cloud across China to approximately 13,300 (same period in 2021: 16,200). The annual customer account retention rate for CRM Cloud was 87% as of 30 June 2022 (31 December 2021: 88%).

Construction Cloud

Construction Cloud focuses on the field of engineering construction, helping residential and industrial property developers to improve product quality and project management capabilities through digital means, and providing quality, progress and safety management solutions for state-owned enterprises. For the six months ended 30 June 2022, due to the impact of the macro environment and the recurrent pandemic, some developers delayed or suspended construction, resulting in approximately 7,200 construction sites equipped with Construction Cloud (same period in 2021: 6,000). The total annual customer account retention rate for quality inspection, customer service and risk control products of Construction Cloud was 91% as of 30 June 2022 (31 December 2021: 90%).



BUSINESS REVIEW AND OUTLOOK

Procurement Cloud

Procurement Cloud focuses on the field of supply chain, which effectively matches residential and industrial property developers with suppliers through products such as Real Estate Smart Procurement (不動產智慧採招), breaks the information barriers between supply and demand, and provides targeted marketing products for supply chain around the suppliers, making real estate supply chain smarter. For the six months ended 30 June 2022, approximately 4,000 developers and 95,000 suppliers entered the Procurement Cloud platform to conduct business, representing a year-on-year increase of approximately 29% and 14% (same period in 2021: approximately 3,100 developers and 83,000 suppliers).

Space Cloud

Space Cloud focuses on the field of asset management, providing various forms of online asset management digitalization solutions for asset owners, mainly state-owned enterprises, based on overall business plans of clients. With the Company's full entry into the industrial development/operation/service market, Space Cloud has become an important product for industrial and infrastructural markets. For the six months ended 30 June 2022, Space Cloud (excluding Property Management Cloud) totally managed properties of over 309 million square meters, representing a year-on-year increase of approximately 162% (same period in 2021: 118 million square meters). The annual customer account retention rate for Space Cloud (excluding Property Management Cloud) was 89% as of 30 June 2022 (31 December 2021: 79%).

BUSINESS REVIEW AND OUTLOOK

ERP solutions

Our ERP solutions help residential and industrial property developers to effectively integrate and manage enterprise resources and optimize their core business processes with products including selling, cost, procurement, planning and expense. In addition to software licensing, we offer implementation services, product support services, and value-added services. In the first half of 2022, the cloud ERP solutions based on the Skyline PaaS Platform launched multiple iterated versions, providing customers with strong scalability and integration capabilities while enabling greater implementation flexibility and development efficiency. Due to the impact of the continuous decline of the industry and the recurrent pandemic, end customers are more cautious in investing in ERP solutions, and a considerable number of projects have been postponed or cancelled. For the six months ended 30 June 2022, the revenue was RMB211.8 million (same period in 2021: RMB421.9 million), representing a year-on-year decrease of 49.8%.

Skyline PaaS Platform

During the Reporting Period, the Skyline PaaS Platform has initiated its commercialization and has become an important part of SaaS growth. Through Portal, BPA, Data Fabric and PBC, the Skyline PaaS Platform based on a composable architecture enables the flexible and free combination and efficient integration of all industrial “development/operation/service” SaaS products, meets the diverse needs of industrial customers for managing various forms of properties, and provides the one-stop customized workbench experience for end users. The Stars Program further extends from the zero-code opening of application development to business intelligence (BI) scenarios. In terms of the China-made strategy, over 50 independent and controllable patented technologies have been released. For the localized deployment requirements of state-owned enterprises for the state-owned asset cloud and private cloud, the one-click installation and deployment, the iterative upgrade of the unified version and full-link monitoring operation and maintenance support services of SaaS products are provided through MKS Cloud and Service Cloud (服務雲). With the launch of commercialization, the Skyline PaaS Platform achieved revenues of RMB74.0 million during the Reporting Period, with over 1,700 clients.

Our Sales and Distribution Network

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

As at 30 June 2022, our direct sales force consisted of more than 380 employees with good knowledge about our products, technology and the real estate industry and extensive professional experience. We organize our direct sales force by geographic locations and customer accounts to maximize sales efficiency.

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

FUTURE AND OUTLOOK

China's residential market is experiencing unprecedented and huge challenges, and the whole industry is at its trough. Under the continuous promotion and stimulation of relevant government policies, the market is recovering slowly. Looking to the future, although the temporary decline is serious, the residential market is still a 10 trillion-level industry, occupying an important position in the national economy. Secondly, the structure of industry participants is undergoing important changes, the proportion of state-funded developers is increasing significantly, and the proportion of private developers is expected to continue to decline. In addition, although the digital investment in the industry declined temporarily due to external factors, after the industry gradually returns to normal, developers will further increase the investment in digital transformation in response to the market competition in the future.

China's industrial and infrastructural markets are huge, and are still in a stage of rapid development with limited impact from the residential market. Compared with the residential market, state-funded enterprises at all levels, the main players in the industrial and infrastructural markets, have clearer plans and more urgent needs for digital construction. In 2018, the Company entered the digital field of the industrial and infrastructural markets dominated by state-owned enterprises through the product line of Asset Management Cloud. In 2021, the Company began to fully enter the digital field of the industrial and infrastructural markets through richer product lines, and achieved a comprehensive breakthrough with huge growth potential in the future.

Facing the scale of tens of trillions of residential, industrial and infrastructural development/operation/service markets, the Company is firmly optimistic about the digital development potential in this field, and firmly believes in the superiority of the SaaS model and the long-term development trend of the cloud computing industry. Relying on our 25-year experience in the industry with our customers and long-term investment in products/technologies, the Company is confident to continue to lead the digital transformation and upgrading of the real estate ecological chain.

In the second half of the year, the external environment is still highly uncertain, the residential market is still in the stage of slow recovery, and the pandemic still recurs. On the basis of continuing to promote various strategic measures in the first half of the year, the Company will adopt the following targeted business strategies to ensure the sound and sustainable development of the overall operation.

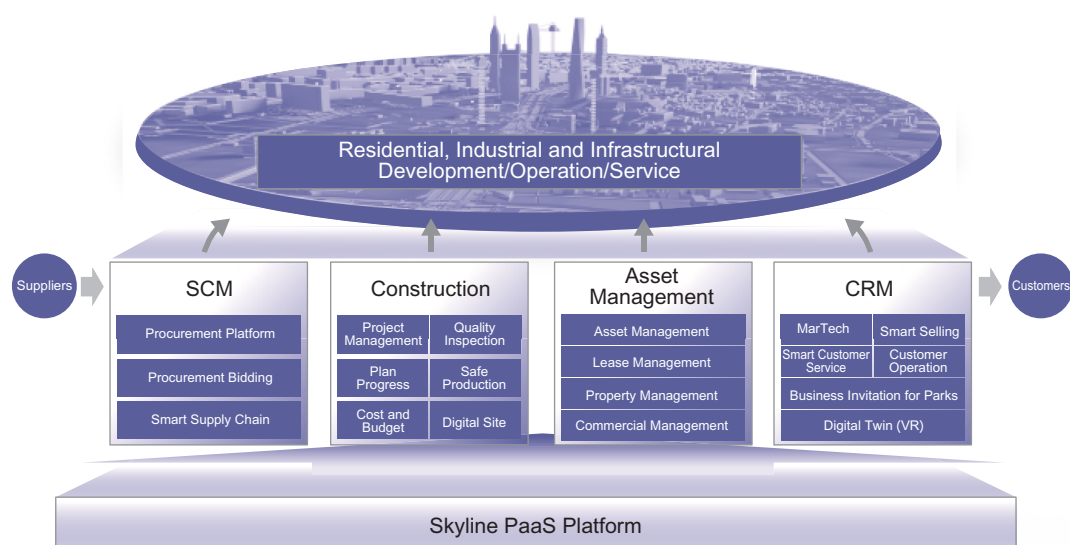
1. We upgrade our product strategy to build the new driver of SaaS growth around the real estate ecological chain.

In order to better support the development strategy of the Company and ensure the continuous growth of the SaaS business, the Company continues to focus on the development of four core product lines of "CRM, Construction, Asset Management and SCM" based on business sectors, which fully covers the whole value chain management of "development, operation and service" of real estate customers.

- We continue to build four core product lines of "CRM, Construction, Asset Management and SCM" to accelerate the realization of the comprehensive SaaS coverage.

BUSINESS REVIEW AND OUTLOOK

- We continue to further promote the SaaS model in the industrial and infrastructural fields: When the Company entered the industrial and infrastructural fields, it adopted the SaaS model, which has been fully recognized by customers after extensive verification. On the basis of continuing to promote the SaaS model, the Company will further combine the capabilities of “PaaS + Service” to provide customers with more comprehensive solutions and services.
- We fully accelerate the transformation from on-premises to SaaS in the residential development field: After product iterations and regional pilots in the first half of the year, combined with changes in the industry situation, the Company will accelerate the transformation to SaaS and optimize its business model.
- We maintain the investment in the Skyline PaaS Platform and further upgrade the core strategy of “PaaS + Service” to accelerate the commercialization of the Skyline PaaS Platform. With the Skyline PaaS Platform as the technological base of digitalization and based on the composable business and technical architecture, we will further accelerate the layered opening of SaaS products, realize the comprehensive extension of UI customization, business processes, business logic and data model, combine existing products and capabilities flexibly, and provide in-depth vertical and professional one-stop solutions for customers in the residential, industrial and infrastructural fields, especially state-owned enterprise customers, such as business and digitalization consulting, SaaS products and professional services.
- We further link suppliers and consumers, and cooperate with ecological partners and regional partners to provide comprehensive products, solutions and services for the entire real estate ecological chain.



BUSINESS REVIEW AND OUTLOOK

2. We focus on the investment in high-certainty markets and adhere to the continuous investment in core products and technologies.

- MarTech: The residential market is recovering slowly, and the highest priority for developers at this stage is to obtain valuable operating cash flow through marketing innovation. Leveraging the absolutely leading position of CRM Cloud in the industry and continuous product innovations, the Company will continue to increase the average revenue per property sales office and further expand its market share.
- Digitalization of industrial and infrastructural markets: The industrial and infrastructural markets are currently in a stage of rapid development, and the main players in the markets are state-owned enterprises. As the SASAC has clear requirements for digitalization and related budget arrangements, the digitalization needs of state-owned enterprises are very certain. The Company will continue to invest more resources to actively explore the digital needs of the industrial and infrastructural markets, which will become a new engine for the Company's performance growth.
- State-funded residential developers: The proportion of land acquired by state-funded residential developers has gradually increased, and they will become major players in the residential market in the future. The Company will increase continuous investment in state-funded developers, stabilize the revenue contribution of the residential market, and effectively ease the negative impact of the continuous decline in the industry.

3. We resolutely optimize the structure, reduce costs and improve efficiency and strengthen the cash flow management during the bottom of the industry.

- We optimize the organization and talent structure, and continue to reduce operating costs of the Company. We further optimize core business processes, improve overall business efficiency, and continue to improve per capita output.
- We continue to strengthen the management of cash flows and receivables, actively respond to industry uncertainties, and comprehensively enhance the Company's ability to resist risks.
- We adjust our business layout to reduce R&D and related investments which cannot generate returns in the short term, and effectively balance the short-term operating pressure and medium and long-term development strategies of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Since July 2021, China's residential market has undergone multiple terrible blows. The transaction volume has dropped significantly year-on-year. A number of Top 100 property developers have defaulted on their debts, and the confidence of home buyers is seriously low. The slowdown in China's economic growth and the recurrent pandemic has made matters worse. Under such environment, the Company's performance has also been inevitably affected during the Reporting Period. The Company actively responded to the continuous downward pressure in the industry through various measures such as strategic focus, cost reduction and efficiency improvement and accelerated transformation to SaaS during the Reporting Period, and the Company's revenue from cloud businesses still maintained continuous growth.

Revenues

During the Reporting Period, our total revenue was RMB881.2 million (same period in 2021: RMB973.7 million), representing a year-on-year decrease of 9.5%, which was mainly due to the fact that subject to the adverse impact of the macro environment and recurrent pandemic, end customers have become more cautious in their investment in ERP solutions, a considerable number of projects have been postponed or cancelled, the project delivery and execution cycle has been prolonged, and some SaaS projects have been delayed in new launches and construction or suspended, by which the revenue recognition of the Company has been adversely impacted. The following table sets forth a breakdown of our revenue by business segment for the years indicated. Revenues from SaaS products for the six months ended 30 June 2022 were RMB669.4 million, representing an increase of 21.3%, and accounted for 76.0% of the total revenue, while revenues from ERP solutions were RMB211.8 million, representing a decrease of 49.8%, and accounted for 24.0% of the total revenue. The following table sets forth a breakdown of our revenue by business segment for the periods indicated.

	Six months ended 30 June		Change %
	2022 <i>RMB'000</i> <i>(Unaudited)</i>	2021 <i>RMB'000</i> <i>(Unaudited)</i>	
SaaS products	669,429	551,843	21.3
ERP solutions	211,806	421,855	(49.8)
Total	881,235	973,698	(9.5)

MANAGEMENT DISCUSSION AND ANALYSIS

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 periods indicated.

	2022		2021		Change
	RMB (Unaudited)	%	RMB (Unaudited)	%	
	<i>(RMB in thousands, except percentages)</i>				
CRM Cloud	449,590	67.2	427,965	77.6	5.1
Construction Cloud	80,770	12.1	78,957	14.3	2.3
Space Cloud	31,580	4.7	22,421	4.1	40.9
Procurement Cloud	23,333	3.5	20,029	3.6	16.5
Others	84,156	12.5	2,471	0.4	3,305.7
Total	669,429	100.0	551,843	100.0	21.3

During the Reporting Period, the revenues from our SaaS products were RMB669.4 million (same period in 2021: RMB551.8 million), representing a year-on-year increase of 21.3%, and the proportion of the revenues from our SaaS products to the total revenue increased from 56.7% for the six months ended 30 June 2021 to 76.0% for the same period in 2022, exceeding 75.0%, mainly because (i) subject to the adverse impact of the macro environment and recurrent pandemic, some projects have been delayed in new launches and construction or suspended, and as a result of that the revenue recognition of CRM Cloud and Construction Cloud has been affected, and the growth of revenue has slowed down; and (ii) other income in revenue from SaaS products mainly refers to the revenue from Skyline PaaS Platform, as developers' acceptance of the Skyline Platform gradually increased, the revenue from Skyline Platform increased significantly during the Reporting Period.

As at 30 June 2022, the amount of the Company's outstanding long-term SaaS contracts (exclusive of tax) was RMB895.4 million (30 June 2021: RMB843.5 million), representing a year-on-year increase of 6.2%.

MANAGEMENT DISCUSSION AND ANALYSIS

ERP solutions

Revenues from our ERP solutions are primarily derived from software 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 periods indicated.

	Six months ended 30 June				Change
	2022		2021		
	<i>RMB</i>	<i>%</i>	<i>RMB</i>	<i>%</i>	<i>%</i>
	<i>(Unaudited)</i>		<i>(Unaudited)</i>		
	<i>(RMB in thousands, except percentages)</i>				
Software licensing	41,613	19.6	140,257	33.2	(70.3)
Implementation services	20,537	9.7	43,830	10.4	(53.1)
Product support services	61,042	28.8	87,507	20.7	(30.2)
Value-added services	88,614	41.9	150,261	35.7	(41.0)
Total	211,806	100.0	421,855	100.0	(49.8)

Revenues generated from our ERP solutions were RMB211.8 million (same period in 2021: RMB421.9 million), representing a year-on-year decrease of 49.8%, and the proportion of the revenues generated from our ERP solutions to the total revenue decreased from 43.3% for the six months ended 30 June 2021 to 24.0% for the same period in 2022, less than 25%, mainly due to the fact that subject to the adverse impact of the macro environment and recurrent pandemic, end customers have become more cautious in their investment in ERP solutions, a considerable number of projects have been postponed or cancelled, and the project delivery and execution cycle has been prolonged.

MANAGEMENT DISCUSSION AND ANALYSIS

Cost of Sales

During the Reporting Period, our cost of sales was RMB174.7 million (same period in 2021: RMB200.0 million), representing a year-on-year decrease of 12.7%.

SaaS products

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

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

	2022		2021		Change
	RMB (Unaudited)	%	RMB (Unaudited)	%	
Employee benefit expenses	15,733	2.4	16,427	3.0	(4.2)
Costs of inventories sold	17,305	2.6	27,935	5.1	(38.1)
IT and communication charges	10,233	1.5	10,449	1.9	(2.1)
Taxes and surcharges	2,817	0.4	2,181	0.4	29.2
Total	46,088	6.9	56,992	10.4	(19.1)

During the Reporting Period, our cost of sales for SaaS products was RMB46.1 million (same period in 2021: RMB57.0 million), representing a year-on-year decrease of 19.1%. This decrease was mainly due to the decrease in the costs of inventories sold as our Company decreased our sales of smart hardware.

MANAGEMENT DISCUSSION AND ANALYSIS

ERP solutions

Cost of sales for our ERP solutions consists primarily of (i) employee benefit expenses, representing salaries and benefit expenses 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 periods indicated.

	2022		2021		Change
	RMB (Unaudited)	%	RMB (Unaudited)	%	
Employee benefit expenses	91,245	43.1	93,249	22.1	(2.1)
Outsourcing expenses	34,458	16.3	45,100	10.7	(23.6)
Costs of inventories sold	596	0.3	355	0.1	67.9
Professional and technical service fees	33	0.0	101	0.0	(67.3)
Taxes and surcharges	2,289	1.1	4,168	1.0	(45.1)
Total	128,621	60.8	142,973	33.9	(10.0)

During the Reporting Period, our cost of sales for ERP solutions was RMB128.6 million (same period in 2021: RMB143.0 million), representing a year-on-year decrease of 10.0%, primarily driven by the decreases in outsourcing expenses, taxes and surcharges.

MANAGEMENT DISCUSSION AND ANALYSIS

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 periods indicated.

	Six months ended 30 June				Change %
	2022		2021		
	RMB'000 (Unaudited)	%	RMB'000 (Unaudited)	%	
SaaS products	623,341	93.1	494,851	89.7	26.0
ERP solutions	83,185	39.3	278,882	66.1	(70.2)
Total	706,526	80.2	773,733	79.5	(8.7)

During the Reporting Period, the Company's overall gross profit was RMB706.5 million (same period in 2021: RMB773.7 million), representing a year-on-year decrease of 8.7%. Gross profit from our SaaS products was RMB623.3 million (same period in 2021: RMB494.9 million), representing a year-on-year increase of 26.0%. Gross profit from our ERP solutions was RMB83.2 million (same period in 2021: RMB278.9 million), representing a year-on-year decrease of 70.2%. The gross profit margin of SaaS products increased from 89.7% for the six months ended 30 June 2021 to 93.1% for the six months ended 30 June 2022, mainly because we decreased our sales of smart hardware, of which the gross profit margin is comparatively lower.

Selling and Marketing Expenses

During the Reporting Period, our selling and marketing expenses were RMB501.2 million (same period in 2021: RMB385.3 million), representing a year-on-year increase of 30.1%, mainly due to (i) the increase in dealer commission expenses arising out of the increase in revenues from SaaS products, and (ii) the increase in employee benefit expenses of the sales team.

MANAGEMENT DISCUSSION AND ANALYSIS

General and Administrative Expenses

During the Reporting Period, our general and administrative expenses were RMB302.9 million (same period in 2021: RMB81.0 million), representing a year-on-year increase of 274.0%, mainly due to an increase in share-based compensation expenses during the Reporting Period. If the effect of share-based compensation expenses is excluded, our general and administrative expenses will be RMB94.2 million (same period in 2021: RMB74.9 million), representing a year-on-year increase of 25.8%. The increase of our general and administrative expenses was mainly due to the increase in employee benefit expenses of managers after excluding the effect of share-based compensation expenses.

Research and Development Expenses

We continuously invest in the development of new products and technologies as in the past. During the Reporting Period, the total research and development expenses of the Group further increased, and our research and development expenses were RMB392.9 million (same period in 2021: RMB254.8 million), representing a year-on-year increase of 54.2%, mainly due to the increase in employee benefit expenses of research and development staff. The number of research and development staff of the Company was 2,049 as at 30 June 2022 (30 June 2021: 1,759), representing a year-on-year increase of 16.5%.

Net Impairment Losses on Financial Assets and Contract Assets

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

During the Reporting Period, our net impairment losses were RMB28.6 million (same period in 2021: RMB6.9 million), representing a year-on-year increase of 314.5%, primarily because we increased our provision on contract assets and trade receivables as the size of contract assets and trade receivables increased in the Reporting Period, as well as we have made a specific provision for impairment of individual real estate companies in view of the operating status of the real estate industry.

MANAGEMENT DISCUSSION AND ANALYSIS

Other Income

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

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

	Six months ended 30 June		Change %
	2022 <i>RMB'000</i> <i>(Unaudited)</i>	2021 <i>RMB'000</i> <i>(Unaudited)</i>	
Government grants	13,044	13,071	(0.2)
Income from wealth management products	3,761	10,056	(62.6)
VAT refund	2,249	11,586	(80.6)
Income generated from offline activities and others	3,159	9,157	(65.5)
Dividend and interest income from investments in unlisted equity securities and debt instruments included in financial assets at FVPL	5,451	1,214	349.0
Rental income	2,719	–	100.0
	30,383	45,084	(32.6)

During the Reporting Period, our other income was RMB30.4 million (same period in 2021: RMB45.1 million), representing a year-on-year decrease of 32.6%, mainly due to the decrease in the income from wealth management products and VAT refund, as well as the decrease in the income generated from offline activities and others due to the impact of the epidemic.

MANAGEMENT DISCUSSION AND ANALYSIS

Other (Losses)/Gains, Net

Our other (losses)/gains, net primarily consist of (i) foreign exchange (losses)/gains, (ii) fair value losses on investments in unlisted equity securities included in financial assets at FVPL, (iii) fair value losses on investments in debt instruments included in financial assets at FVPL, and (iv) termination of leases.

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

	Six months ended 30 June		Change %
	2022 <i>RMB'000</i> <i>(Unaudited)</i>	2021 <i>RMB'000</i> <i>(Unaudited)</i>	
Fair value losses on investments in redeemable preferred shares	–	(3,263)	(100.0)
Foreign exchange (losses)/gains	(116,141)	28,512	(507.3)
Investment deemed disposal gains	–	10,095	(100.0)
Termination of leases	2,927	503	481.9
Fair value losses on investments in unlisted equity securities included in financial assets at FVPL	(2,461)	–	(100.0)
Fair value losses on investments in debt instruments	(8,791)	(658)	1,236.0
Others	106	(4)	(2,750.0)
	(124,360)	35,185	(453.4)

During the Reporting Period, our other losses, net amounted to RMB124.4 million, representing a year-on-year decrease of 453.4% (other gains, net for the same period in 2021: RMB35.2 million), primarily due to an increase in foreign exchange losses as a result of exchange rate fluctuation arising from the combined impact of the international and domestic macro environment.

MANAGEMENT DISCUSSION AND ANALYSIS

Operating (Loss)/Profit

During the Reporting Period, our operating loss amounted to RMB613.1 million, representing a year-on-year decrease of 586.4% (operating profit for the same period in 2021: RMB126.1 million), due to the impact of the macro environment, recurring pandemic, continued investment in research and development, share-based compensation expenses recognized for the Group's share incentive plans and foreign exchange losses as a result of exchange rate fluctuation.

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

	Six months ended 30 June		
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)	Change %
SaaS products	(69,071)	(26,122)	164.4
ERP solutions	(201,137)	134,187	(249.9)
Unallocated items	(342,915)	17,990	(2,006.1)
Total	(613,123)	126,055	(586.4)

Finance Income

During the Reporting Period, our finance income amounted to RMB52.0 million, representing a year-on-year decrease of 16.1% (same period in 2021: RMB62.0 million), due to a decrease in interest income from bank deposits.

Finance Costs

During the Reporting Period, our finance costs amounted to RMB5.6 million, representing a year-on-year increase of 366.7% (same period in 2021: RMB1.2 million), due to an increase in interest expenses on lease liabilities as a result of an increase in lease assets.

MANAGEMENT DISCUSSION AND ANALYSIS

(Loss)/Profit Before Income Tax

As a result of the foregoing, we had a loss before income tax of RMB567.4 million for the six months ended 30 June 2022, representing a year-on-year decrease of 403.6% (profit before income tax for the same period in 2021: RMB186.9 million).

Income Tax Credit

During the Reporting Period, our income tax credit amounted to RMB3.6 million, representing a year-on-year increase of 500.0% (same period in 2021: RMB0.6 million), primarily due to the reversal of deferred income tax expense and the reduction of the overall tax burden as a result of more super deductions for research and development arising from more research and development made by the Company.

(Loss)/Profit for the Period

As a result of the foregoing, during the Reporting Period, we reported a loss for the period of approximately RMB563.8 million, representing a year-on-year decrease of 400.7% (profit for the period for the same period in 2021: RMB187.5 million).

For our SaaS products, during the Reporting Period, we reported a loss for the period of RMB46.5 million, representing a year-on-year increase of 72.9% (same period in 2021: RMB26.9 million).

For our ERP solutions, during the Reporting Period, we reported a loss for the period of RMB188.7 million, representing a year-on-year decrease of 236.4% (profit for the period for the same period in 2021: RMB138.3 million).

Non-IFRS measures

To supplement our consolidated financial statements 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 period to period and company to company by eliminating potential impacts of items that our management does not consider indicative of our operating performance. We believe that these measures provide useful information to investors and others in understanding and evaluating our consolidated results of operations in the same manner as they help our management. However, our presentation of the 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.

MANAGEMENT DISCUSSION AND ANALYSIS

EBITDA and adjusted EBITDA

We define EBITDA as operating income for the period and adjusted for depreciation and amortization expenses. We add back share-based compensation 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 periods indicated.

	Six months ended 30 June		Change %
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)	
Reconciliation of operating (loss)/income and adjusted EBITDA			
Operating (loss)/income for the period	(613,123)	126,055	(586.4)
Add:			
Depreciation of right-of-use assets	38,713	13,483	187.1
Depreciation of property, plant and equipment	21,170	8,608	145.9
Amortization of intangible assets	1,786	1,395	28.0
Depreciation of investment properties	546	–	100.0
EBITDA	(550,908)	149,541	(468.4)
Add:			
Share-based compensation	221,043	6,026	3,568.2
Adjusted EBITDA	(329,865)	155,567	(312.0)

MANAGEMENT DISCUSSION AND ANALYSIS

Adjusted net income

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

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

	Six months ended 30 June		Change %
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)	
Reconciliation of net (loss)/income and adjusted net (loss)/income			
Net (loss)/income for the period	(563,787)	187,516	(400.7)
Share-based compensation	221,043	6,026	3,568.2
Adjusted net (loss)/income	(342,744)	193,542	(277.1)

Liquidity and Capital Resources

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

Cash and Cash Equivalents and Term Deposits

As at 30 June 2022, cash and cash equivalents and term deposits of the Group totaled approximately RMB4,348.3 million (31 December 2021: RMB5,450.2 million), and the Group did not have any banking facilities. Most of the cash and cash equivalents of the Group were denominated in RMB. The term deposits of the Group were denominated in RMB and USD.

MANAGEMENT DISCUSSION AND ANALYSIS

Current Financial Assets at FVPL

Current financial assets at FVPL of the Group consist primarily of (i) investments in wealth management products, and (ii) investments in debt instruments. As at 30 June 2022, current financial assets at FVPL recorded by the Group amounted to approximately RMB498.2 million (31 December 2021: RMB352.4 million).

Current Ratio

As at 30 June 2022, net current assets of the Group were approximately RMB4,664.9 million (31 December 2021: RMB5,365.2 million). As at 30 June 2022, the current ratio of current assets to current liabilities was approximately 6.70, up slightly from 6.66 as at 31 December 2021.

Capital Management and Gearing Ratio

In order to maintain or adjust the capital structure, we may adjust the amounts of dividends paid to shareholders, issue new shares or sell assets to reduce debt. We monitor capital on basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as liquid liabilities, which are lease liabilities, less cash and cash equivalents, restricted cash, term deposits and liquid investments which are investments in wealth management products and investments in debt instruments included in financial assets at 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 of 30 June 2022 was nil as we did not have long-term borrowing.

Capital Commitment

As of 30 June 2022, we had capital commitments with respect to assets under construction amounting to RMB5.6 million (31 December 2021: RMB212.0 million).

Contingent Liabilities

As of 30 June 2022, we did not have any material contingent liabilities.

Pledge of Assets

As of 30 June 2022, we did not pledge any of our assets.

MANAGEMENT DISCUSSION AND ANALYSIS

FOREIGN EXCHANGE RISK MANAGEMENT

The functional currency of the Company and its major subsidiaries is RMB. The majority of the revenues of the Group are derived from operations in the PRC. Foreign exchange risk is the risk of loss resulting from changes in foreign exchange rates. Fluctuations in exchange rates between RMB and other currencies will affect the Group's financial position and results of operations in the course of business. The foreign exchange risk facing the Group mainly comes from the US dollars/RMB and Hong Kong dollars/RMB exchange rates.

During the Reporting Period, we did not hedge our foreign currency exposure through any long-term contracts, currency borrowings or other means. However, 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.

Management of our Group 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 or reputable financial institutions in the Mainland China and Hong Kong only.

For 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. Our Group's management will also adopt certain monitoring procedures to ensure that the distributors will purchase within the credit limit.

For sales to end customers, the Group has no 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.

MANAGEMENT DISCUSSION AND ANALYSIS

FUND AND WORKING CAPITAL MANAGEMENT

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

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

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

MATERIAL ACQUISITIONS, DISPOSALS AND SIGNIFICANT INVESTMENTS

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

As of 30 June 2022, we did not hold any significant investments. For the six months ended 30 June 2022, there were no material acquisitions, disposals or significant investment of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

As of 30 June 2022, we did not have plans for material investments and capital assets.

EMPLOYEES

As of 30 June 2022, we had 3,821 (31 December 2021: 4,247) employees in total, representing a decrease of 10.0% compared with 31 December 2021.

Our success depends on our ability to attract, retain and motivate qualified personnel. We provide various incentives and benefits to 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 workforce, we provide continuing education and training programs, including internal and external training, for our employees to improve their technical, professional or management skills. We also provide trainings programs to our employees from time to time to ensure their awareness and compliance with our policies and procedures in various aspects.

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



MANAGEMENT DISCUSSION AND ANALYSIS

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. During the Reporting Period, subject to the impact of the recurrent pandemic, some projects of customers have been delayed in new launches and construction or suspended, by which the revenue recognition of SaaS products has been impacted. However, there was an increasing acceptability of our diversified SaaS products in the market, which brought about a continued increase in our revenues from SaaS products during the Reporting Period.

We also noticed that, due to the impact of the outbreak, end customers have become more cautious in their investment in ERP solutions, a considerable number of projects have been postponed or cancelled, and the project delivery and execution cycle has been prolonged, which resulted in a decline in revenues of the Company from sales of ERP solutions during the Reporting Period. We will respond actively, accelerate the transformation from OP to SaaS comprehensively in the residential development field, and optimize business models, so as to provide customers with better products and services.

During the Reporting Period, although the COVID-19 outbreak has had a certain degree of impact on the overall financial performance of the Company, the Board of the Company believes that the COVID-19 outbreak has not had any significant impact on our overall business plan, production schedule and operating activities, and we do not expect the above-mentioned significant impact to occur in the future.

SUBSEQUENT EVENT

Since 30 June 2022 and up to the date of this report, there were no significant events occurred in the Group.

OTHER INFORMATION

CORPORATE GOVERNANCE

The Board is committed to achieving good corporate governance standards.

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

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

In the opinion of the Directors, during the Reporting Period, the Company has complied with all 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. The Company having made specific enquiries with the Directors, all of the Directors confirmed that he/she had complied with the required standards as set out in the Model Code during the Reporting Period.

The Company’s employees, who are likely to be in possession of unpublished inside information of the Company, are also subject to the Model Code. No incident of non-compliance with the Model Code by the employees was noted by the Company as of 30 June 2022.

CHANGES TO DIRECTORS’ INFORMATION

There was no change to any information required to be disclosed in relation to any Director pursuant to paragraphs (a) to (e) and (g) under Rule 13.51(2) of the Listing Rules since the publication of the 2021 Annual Report of the Company.

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2022 (for the six months ended 30 June 2021: Nil).

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). Ms. Zeng Jing, being the chairperson of the Audit Committee, is appropriately qualified as required under Rules 3.10(2) and 3.21 of the Listing Rules. The Audit Committee has also adopted written terms of reference which clearly set out its duties and obligations (the terms of reference are available on the websites of the Company and Stock Exchange).

The Audit Committee has jointly reviewed with the management of the Company the accounting principles and policies adopted by the Company and discussed internal control and financial reporting matters (including the review of the unaudited interim financial information for the six months ended 30 June 2022) of the Group. The Audit Committee considered that the interim financial information is in compliance with the applicable accounting standards, laws and regulations.

REVIEW OF INTERIM FINANCIAL INFORMATION

The independent auditor of the Company, namely PricewaterhouseCoopers, has carried out a review of the interim financial information in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". The comparative information for the interim condensed consolidated statement of financial position is based on the audited financial statements as of 31 December 2021. The comparative information for the interim condensed consolidated statements of comprehensive income, changes in equity and cash flows, and the related explanatory notes, for the six months period ended 30 June 2022 have been reviewed.

OTHER INFORMATION

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June 2022, the Company has repurchased a total of 22,157,000 Shares (the “Share Repurchases”) on the Stock Exchange at an aggregate consideration of HK\$231,969,717.60. Subsequently, 22,157,000 Shares repurchased were cancelled on 4 July 2022 and the Company had repurchased a total of 2,881,000 Shares at the aggregate consideration of HK\$24,999,937.92 in July 2022.

Details of the Share Repurchases during the Reporting Period are as follows:

Month of repurchase	Total number of Shares repurchased	Purchase price paid per Share		Aggregate consideration <i>HK\$</i>
		Highest <i>HK\$</i>	Lowest <i>HK\$</i>	
2022				
January	1,900,000	16.18	15.54	30,465,412.94
February	552,000	16.50	15.60	8,947,383.02
March	2,147,000	10.80	10.10	22,596,275.36
April	16,594,000	11.54	8.67	159,946,507.07
June	964,000	10.50	10.24	10,014,138.77
Total	22,157,000			231,969,717.60

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

Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s listed securities during the Reporting Period.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information publicly available to the Company and within the knowledge of our Directors, our Directors confirmed that the Company had maintained a sufficient amount of public float for its Shares as required under Rule 8.08 of the Listing Rules during the Reporting Period.

USE OF PROCEEDS FROM THE GLOBAL OFFERING

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

Item	Approximate % of total net proceeds	Net proceeds from the Global Offering <i>(HK\$ million)</i>	Utilized as at 30 June 2022 <i>(HK\$ million)</i>	Unutilized as at 30 June 2022 <i>(HK\$ million)</i>	Expected timeline of full utilization of the unutilized 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	402.59	841.27	Before 31 December 2023
(b) Purchase from qualified suppliers advanced equipment, infrastructure and applications	6.0%	414.62	45.51	369.11	Before 31 December 2023
(c) Invest in product development to introduce new SaaS products	6.0%	414.62	27.32	387.30	Before 31 December 2025
Enhance research and development efforts in cutting-edge technologies					
(a) Develop our proprietary key fundamental technologies that support product innovation	8.0%	552.82	90.00	462.82	Before 31 December 2025
(b) Develop our own technology infrastructure	12.0%	829.24	134.99	694.25	Before 31 December 2025

OTHER INFORMATION

Item	Approximate % of total net proceeds	Net proceeds from the Global Offering (HK\$ million)	Utilized as at 30 June 2022 (HK\$ million)	Unutilized as at 30 June 2022 (HK\$ million)	Expected timeline of full utilization of the unutilized proceeds
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	259.47	155.15	Before 31 December 2022
(b) Expand our existing ERP modules and functions to cover more internal business and operational processes of property developers	4.0%	276.41	20.93	255.48	Before 31 December 2023
Enhance our sales and marketing capabilities and strengthen our brand reputation					
(a) Expand, retain and train our direct sales force	3.0%	207.31	168.78	38.53	Before 31 December 2023
(b) Establish an interactive, knowledge-sharing platform with leading property developers	2.0%	138.21	12.90	125.31	Before 31 December 2023
(c) Enhance our branding and marketing activities to acquire new customers	3.0%	207.31	44.75	162.56	Before 31 December 2023
(d) Invest to strengthen and expand our regional channel partner network	2.0%	138.21	44.91	93.30	Before 31 December 2023
Selectively pursue strategic investments and acquisitions	20.0%	1,382.06	570.72	811.34	Before 31 December 2023
Working capital and general corporate purposes	10.0%	691.03	173.09	517.94	Before 31 December 2023
Total	100.0%	6,910.32	1,995.96	4,914.36	

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.

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

As far as the Company is aware, as at 30 June 2022, the interests and/or short positions (if applicable) of our Directors and the chief executive of our Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations of our Company (within the meaning of Part XV of the SFO), which were required (a) to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO); or (b) pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to our Company and the Stock Exchange pursuant to the Model Code, were as follows:

Long Position in the Shares

Name of Director	Capacity/Nature of Interest	Number of Shares interested	Approximate percentage of shareholding ⁽⁴⁾
Mr. Gao Yu ("Mr. Gao") ⁽¹⁾	Settlor of a trust	395,923,600	20.05%
Mr. Chen Xiaohui ("Mr. Chen") ⁽²⁾	Settlor of a trust	297,144,800	15.05%
Mr. Jiang Haiyang ("Mr. Jiang") ⁽³⁾	Settlor of a trust	186,826,600	9.46%

Notes:

- As at 30 June 2022, GHTongRui Investment Limited directly held 395,923,600 Shares in our Company. GHTongRui Investment Limited is 99% held by MYTongRui Holdings Limited, which is in turn wholly-owned by TMF (Cayman) Ltd., the trustee of the family trust established by Mr. Gao (as the settlor) with him and his family members being the beneficiaries. Accordingly, Mr. Gao is deemed to be interested in the total number of Shares held by GHTongRui Investment Limited.
- As at 30 June 2022, HengXinYuan Investment Limited and SunshineSmoor Holdings Limited directly held 296,644,800 Shares and 500,000 Shares in our Company, respectively. HengXinYuan Investment Limited and SunshineSmoor Holdings Limited are 99% and wholly held by SunshineMorning Holdings Limited, respectively, which is in turn wholly-owned by TMF (Cayman) Ltd., the trustee of the family trust established by Mr. Chen (as the settlor) with him and his family members being the beneficiaries. Accordingly, Mr. Chen is deemed to be interested in the total number of Shares held by HengXinYuan Investment Limited and SunshineSmoor Holdings Limited.

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- (3) As at 30 June 2022, LINGFAN Investment Limited directly held 186,826,600 Shares in our Company. LINGFAN Investment Limited is 99% held by Mindfree Holdings Limited, which is in turn wholly-owned by TMF (Cayman) Ltd., the trustee of the family trust established by Mr. Jiang (as the settlor) with him and his family members being the beneficiaries. Accordingly, Mr. Jiang is deemed to be interested in the total number of Shares held by LINGFAN Investment Limited.
- (4) As at 30 June 2022, there were 1,974,638,982 Shares in issue.

Interests in Associated Corporations

Name of Director	Name of associated corporation	Amount of registered capital held	Approximate percentage of interests
Mr. Gao	Ming Yuan Cloud Procurement	RMB4,000,000.05	45.0%
Mr. Chen	Ming Yuan Cloud Procurement	RMB3,022,222.26	34.0%
Mr. Jiang	Ming Yuan Cloud Procurement	RMB1,866,666.69	21.0%

Save as disclosed above and to the best knowledge of our Directors, none of the Directors or chief executive of our Company had or was deemed to have any interest or short positions in the Shares, underlying Shares or debentures of our Company or any of its associated corporations as at 30 June 2022.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as otherwise disclosed in this report, at no time during the six months ended 30 June 2022 was the Company or any of its subsidiaries a party to any arrangement that would enable the Directors to acquire benefits by means of acquisition of Shares in or debentures of, the Company or any other body corporate, and none of the Directors or any of their spouses or children under the age of 18 had any right to subscribe for the share capital or debt securities of the Company or any other body corporate or had exercised any such right.

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

As far as the Company is aware, as at 30 June 2022, the persons, other than our Directors or the chief executive of our Company, who had interests or short positions in the Shares and underlying Shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by our Company pursuant to Section 336 of the SFO are as follows:

Long Position in the Shares

Name of Shareholder	Capacity/Nature of Interest	Number of Shares interested	Approximate percentage of shareholding ⁽⁶⁾
GHTongRui Investment Limited ⁽¹⁾	Beneficial interest	395,923,600	20.05%
MYTongRui Holdings Limited ⁽¹⁾	Interest in controlled corporation	395,923,600	20.05%
HengXinYuan Investment Limited ⁽²⁾	Beneficial interest	296,644,800	15.02%
SunshineMorning Holdings Limited ⁽²⁾	Interest in controlled corporation	297,144,800	15.05%
LINGFAN Investment Limited ⁽³⁾	Beneficial interest	186,826,600	9.46%
Mindfree Holdings Limited ⁽³⁾	Interest in controlled corporation	186,826,600	9.46%
TMF (Cayman) Ltd. ⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾	Trustee of 4 trusts	947,216,000	47.97%
MYC Marvellous Limited ⁽⁵⁾	Beneficial interest	100,495,066	5.09%
TMF Trust (HK) Limited ⁽⁵⁾	Trustee	100,495,066	5.09%

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

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

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

- (3) LINGFAN Investment Limited is 99% held by Mindfree Holdings Limited, which is in turn wholly-owned by TMF (Cayman) Ltd., the trustee of the family trust established by Mr. Jiang (as the settlor) with him and his family members being the beneficiaries. Accordingly, Mindfree Holdings Limited is deemed to be interested in the total number of Shares held by LINGFAN Investment Limited.
- (4) TMF (Cayman) Ltd. is deemed to be interested in the total number of Shares held by each of GHTongRui Investment Limited, HengXinYuan Investment Limited, LINGFAN Investment Limited and SunshineSmoor Holdings Limited as noted above, as well as JIABAOSZ Investment Limited. JIABAOSZ Investment Limited beneficially holds 67,321,000 of our issued Shares and is 99% held by JINBAOSZ Holdings Limited, which is in turn wholly-owned by TMF (Cayman) Ltd., the trustee of the family trust established by Mr. Yao Wu (as the settlor) with him and his family members being the beneficiaries.
- (5) MYC Marvellous Limited is a special purpose vehicle wholly-owned by TMF Trust (HK) Limited, the trustee appointed by the Company for the administration of the share award scheme of the Company approved and adopted by the Board on 11 June 2021. Accordingly, TMF Trust (HK) Limited is deemed to be interested in the total number of Shares held by MYC Marvellous Limited.
- (6) As at 30 June 2022, there were 1,974,638,982 Shares in issue.

Save as disclosed above and to the best knowledge of our Directors, as at 30 June 2022, we were not aware of any other person (other than the Directors or the chief executive of our Company) who had an interest or short position in the Shares or underlying Shares which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred therein.

SHARE INCENTIVE PLAN

A share incentive plan (the “**Share Incentive Plan**”) was adopted and approved by resolutions in writing by the Board on 29 March 2020. The terms of the Share Incentive Plan are not subject to the provisions of Chapter 17 of the Listing Rules. Further details of the Share Incentive Plan are set forth in the section headed “Statutory and General Information – D. Share Incentive Plan” in Appendix IV to the Prospectus.

Purpose

The purpose of the Share Incentive Plan is to enable our Group to grant awards to selected participants as incentives or rewards for their contribution to our Group, in particular, (i) to motivate them to optimize their performance and efficiency for the benefit of our Group, (ii) to attract and retain them whose contributions are or will be beneficial to our Group, and (iii) to encourage them to enhance cooperation and communication amongst team members for the growth of our Group.

Type of Awards

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

Who may join

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

- (1) any full-time executives, officers, managers or employees of our Company or any of its subsidiaries or controlled affiliates, or any entities designated by them, who had attained the requisite seniority and performance grade and/or targets as may be determined by the Board from time to time;
- (2) any directors and supervisors (including non-executive directors and independent non-executive directors) of our Company or any of its subsidiaries or controlled affiliates, or any entities designated by them; and
- (3) any advisor, consultant, distributor, contractor, customer, supplier, agent, business partner, joint venture business partner, strategic partner, service provider or other third parties who the Board considers, in its sole discretion, has contributed or will contribute to our Group.

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Maximum Number of Shares to be Granted

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

Performance Target

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

Exercise price, Consideration for RSU and Restricted Share purchase price

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

Conditions of Issuance of Shares

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

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

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

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

Vesting Schedule

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

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

Vesting of Awards

- **Exercise of Option**

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

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

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

- **Settlement of RSU**

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

- **Release of Restricted Share**

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

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Non-transferability of the Awards

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

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

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

Lock-up Period

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

Termination of Employment

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

Termination

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

Outstanding Options, Share Purchase Rights and RSUs

As of 30 June 2022, the Company granted to certain eligible participants a total of 25,482,024 outstanding RSUs under the Share Incentive Plan to subscribe for an aggregate of 25,482,024 Shares, representing approximately 1.29% of the total number of issued Shares. As of 30 June 2022, an aggregate of 22,600,000 RSUs had been vested and a total of 2,096,878 RSUs had lapsed in accordance with the terms of the Plan.

Save as disclosed above, since the adoption of the Share Incentive Plan and up to 30 June 2022, no Awards had been granted or agreed to be granted, vested, exercised, released or cancelled pursuant to the Share Incentive Plan.

For further details, please refer to the section headed “Appendix IV – Statutory and General Information – D. Share Incentive Plan” of the Prospectus, and note 24 to the consolidated financial statements.

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SHARE AWARD SCHEME

We adopted the Share Award Scheme on 11 June 2021 in order to, among other things, recognize the contributions by, and to motivate and retain, eligible persons. The terms of the Share Award Scheme are not subject to the provisions of Chapter 17 of the Listing Rules. Further details of the Share Award Scheme are set out in the Company's announcement dated 11 June 2021.

Purpose

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

Administration of Share Award Scheme

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

Eligible Persons to the Share Award Scheme

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

Maximum Number of Shares to be Granted

The aggregate number of Shares which may be awarded under the Share Award Scheme will not exceed 5% of the total number of issued Shares as of the Adoption Date without Shareholders' approval.

Save as stated above, for any 12-month period, the aggregate number of Shares granted to any Selected Participant shall not exceed 1% of the total number of issued Shares at the relevant time, without Shareholders' approval.

Grant of Awards

The Board or the committee of the Board or person(s) to which the Board has delegated its authority may, from time to time, at their absolute discretion, grant an Award to a Selected Participant (in the case of the Board's delegate(s), to any Selected Participant other than a Director or an officer of the Company) by way of an Award Letter. The Award Letter will specify the grant date, the number of shares underlying the Award (the "**Award Shares**"), the vesting criteria and conditions, the vesting date and such other details as the Board or its delegate(s) may consider necessary.

Vesting of Awards

The Board or its delegate(s) may from time to time while the Share Award Scheme is in force and subject to all applicable laws, determine such vesting criteria and conditions or periods for the Award to be vested.

Within a reasonable time period as agreed between the trustee of the Share Award Scheme (the "**Trustee**") and the Board from time to time prior to any vesting date, the Board or its delegate(s) will send a vesting notice to the relevant Selected Participant and instruct the Trustee the extent to which the Award Shares held in the trust shall be transferred and released from the trust to the Selected Participant. Subject to the receipt of the vesting notice and notification from the Board or its delegate(s), the Trustee will transfer and release the relevant Award Shares in the manner as determined by the Board or its delegate(s).

If, in the absolute discretion of the Board or its delegate(s), it is not practicable for the Selected Participant to receive the Award in Shares, solely due to legal or regulatory restrictions with respect to the Selected Participant's ability to receive the Award in Shares or the Trustee's ability to give effect to any such transfer to the Selected Participant, the Board or its delegate(s) will direct and procure the Trustee to sell, on-market at the prevailing market price, the number of Award Shares so vested in respect of the Selected Participant and pay the Selected Participant the proceeds arising from such sale based on the actual selling price of such Award Shares in cash and the related income as set out in the vesting notice.

If there is an event of change in control of the Company by way of a merger, a privatization of the Company by way of a scheme or by way of an offer, the Board or the committee of the Board or person(s) to which the Board has delegated its authority shall at their sole discretion determine whether the Vesting Dates of any Awards will be accelerated to an earlier date.

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Duration and Termination

The Share Award Scheme shall terminate on the earlier of:

- the end of the period of ten years commencing on the Adoption Date except in respect of any non-vested Award Shares granted hereunder prior to the expiration of the Share Award Scheme, for the purpose of giving effect to the vesting of such Award Shares or otherwise as may be required in accordance with the provisions of the Share Award Scheme; and
- such date of early termination as determined by the Board provided that such termination shall not affect any subsisting rights of any Selected Participant under the rules of the Share Award Scheme, provided further that for the avoidance of doubt, the change in the subsisting rights of a Selected Participant in this paragraph refers solely to any change in the rights in respect of the Award Shares already granted to a Selected Participant.

Details of Awards

On 1 July 2021, the Board resolved to grant 41,443,996 Award Shares pursuant to the Share Award Scheme to 391 employees of the Group, none of whom is a connected person of the Company, a Director, chief executive or substantial shareholder of the Company, or an associate of any of them. On 15 July 2021, the Company allotted and issued a total of 41,443,996 new Shares at nominal value to MYC Marvellous Limited pursuant to the General Mandate I, representing approximately 2.15% of the issued Shares as of 15 July 2021. MYC Marvellous Limited is a special purpose vehicle wholly-owned by TMF Trust (HK) Limited which is the trustee appointed by the Company for the purpose of administering the Share Award Scheme. The closing price of the Shares as at the date immediately prior to the date of the announcement was HK\$38.55. Please refer to the announcement of the Company dated 1 July 2021 for details.

On 30 May 2022, the Board resolved to grant 6,044,996 Award Shares pursuant to the Share Award Scheme to 87 employees, of the Group, none of whom is a connected person of the Company, a Director, chief executive or substantial shareholder of the Company, or an associate of any of them. On the same day, the Company allotted and issued a total of 6,044,996 new Shares at nominal value to MYC Marvellous Limited pursuant to the General Mandate II, representing approximately 0.31% of the issued Shares as of 30 May 2022. The closing price of the Shares as at the date of the announcement was HK\$9.28. Please refer to the announcement of the Company dated 30 May 2022 for details.

As of 30 June 2022, an aggregate of 3,150,365 Award Shares had lapsed or been forfeited in accordance with the terms of the Share Award Scheme. As of the date of this report, none of the 44,338,627 Award Shares had been vested.

Save as disclosed above, since the adoption of the Share Award Scheme and up to the date of this report, no Awards had been granted or agreed to be granted, vested, transferred, released, forfeited or repurchased pursuant to the Share Award Scheme.

SHARE OPTION SCHEME

The Company has adopted the share option scheme (the “**Share Option Scheme**”), which was approved by the Shareholders on 11 June 2021 and has a remaining term of approximately 8 years as at the date of this report. As the Share Option Scheme involves the grant of options, the Share Option Scheme must comply with the relevant requirements of Chapter 17 of the Listing Rules.

Purpose

The purpose of the Share Option Scheme is to provide incentives and rewards for the Directors, executives or officers and employees of the Group for their contributions to, and continuing efforts to promote the interest of, the Company.

Eligible Participants

The eligible participants for the Share Option Scheme include any employee (whether full time or part time), executives or officers, directors (including executive, non-executive and independent non-executive Directors) of any member of the Group who, in the sole opinion of the Board, have contributed or will contribute to the growth and development of the Group.

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Maximum Number of Shares

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

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

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

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

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

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

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

- if Options are granted to a director, chief executive or substantial shareholder of the Company or any of their respective associates, such grant shall be subject to the approval by the independent non-executive directors of the Company (and in the event that the Board offers to grant Options to an independent non-executive director of the Company, the vote of such independent non-executive director shall not be counted for the purposes of approving such grant); and
- if Options are granted to a substantial shareholder or an independent non-executive director of the Company (or any of their respective associates) and that grant would result in the Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person under the Share Option Scheme and any other schemes in the 12-month period up to and including the grant date:
 - (a) representing in aggregate over 0.1% or such other percentage as may from time to time be provided under the Listing Rules, of the Shares in issue on the grant date; and
 - (b) having an aggregate value, based on the official closing price of the Shares as stated in the daily quotation sheets of the Stock Exchange on the grant date, in excess of HK\$5 million or such other sum as may from time to time be provided under the Listing Rules,

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such grant shall be subject to, in addition to the approval of the independent non-executive directors of the Company, the issue of a circular by the Company to its shareholders and the approval of the shareholders of the Company in general meeting by way of a poll convened and held in accordance with the Articles of Association at which the grantee, his associate(s) and all core connected persons of the Company (as defined under the Listing Rules) shall abstain from voting in favor of the resolution concerning the grant of such Options at the general meeting, and/or such other requirements prescribed under the Listing Rules from time to time. Unless provided otherwise in the Listing Rules, the date of the Board meeting at which the Board proposes to grant the proposed Options to that eligible participant shall be taken as the grant date for the purpose of calculating the subscription price.

Administration

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

Exercise Price

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

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

Exercise Period

The Board may specify the exercise period (the "**Exercise Period**") and the vesting schedule of the Options in the grant letter, and in all circumstances all Options shall automatically lapse upon the expiry of the tenth (10th) anniversary of the grant date. Unless the Options have been withdrawn and cancelled or been forfeited in whole or in part, the grantee may exercise his rights under the Share Option Scheme according to the vesting schedule set out in the relevant grant letter.

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

OTHER INFORMATION

Period of Share Option Scheme

Subject to earlier termination by the Board, the Share Option Scheme shall be valid and effective for a period of 10 years commencing on the Adoption Date, after which period no further Options will be granted under the Share Option Scheme, but the provisions of the Share Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any Options granted prior thereto or otherwise as may be required in accordance with the provisions of the Share Option Scheme.

For details of the Share Option Scheme, please refer to the Company's circular dated 12 May 2021.

Since the adoption of the Share Option Scheme and up to the date of this report, no option had been granted or agreed to be granted by the Company under the Share Option Scheme.

COMPETING INTERESTS

Our Directors are not aware of any business or interest of our Directors or the controlling shareholders (as defined in the Listing Rules) of the Company nor any of their respective associates (as defined in the Listing Rules) that competed or might compete, either directly or indirectly, with the business of the Group and any other conflicts of interest which any such person had or might have with the Group during the six months ended 30 June 2022.

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

Shenzhen, PRC, 22 August 2022

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

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

(incorporated in Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 55 to 100, which comprises the interim condensed consolidated statement of financial position of Ming Yuan Cloud Group Holdings Limited (the “**Company**”) and its subsidiaries (together, the “**Group**”) as at 30 June 2022 and the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the six-month period then ended, and notes, comprising significant accounting policies and other explanatory information. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 “Interim Financial Reporting”. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

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

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 22 August 2022

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2022

	Note	Six months ended 30 June	
		2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Revenues	8	881,235	973,698
Cost of sales	9	(174,709)	(199,965)
Gross profit		706,526	773,733
Selling and marketing expenses	9	(501,218)	(385,320)
General and administrative expenses	9	(302,931)	(80,956)
Research and development expenses	9	(392,930)	(254,807)
Net impairment losses on financial assets and contract assets	19	(28,593)	(6,864)
Other income	10	30,383	45,084
Other (losses)/gains, net	11	(124,360)	35,185
Operating (loss)/profit		(613,123)	126,055
Finance income		51,986	62,018
Finance costs		(5,647)	(1,168)
Finance income, net		46,339	60,850
Share of losses of investments accounted for using the equity method		(581)	–
(Loss)/Profit before income tax		(567,365)	186,905
Income tax credit	12	3,578	611
(Loss)/Profit for the period		(563,787)	187,516
(Loss)/Profit attributable to:			
Owners of the Company		(561,531)	165,306
Non-controlling interests		(2,256)	22,210
		(563,787)	187,516
(Losses)/Earnings per share for (loss)/profit attributable to owners of the Company (expressed in RMB per share)			
Basic	13	(0.30)	0.09
Diluted	13	(0.30)	0.09

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2022

	Six months ended 30 June	
	Note	2021
	2022	RMB'000
	(Unaudited)	(Unaudited)
(Loss)/Profit for the period	(563,787)	187,516
Other comprehensive income/(loss), net of tax		
<i>Items that will not be reclassified to profit or loss</i>		
Currency translation differences	192,293	(64,770)
Changes in fair value of financial assets at fair value through other comprehensive income/(loss), net of tax	(1,852)	(1,909)
Total comprehensive (loss)/income for the period	(373,346)	120,837
Total comprehensive (loss)/income attributable to:		
Owners of the Company	(371,090)	98,627
Non-controlling interests	(2,256)	22,210
	(373,346)	120,837

The accompanying notes on pages 62 to 100 form an integral part of this interim financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

	Note	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	15	404,439	325,687
Investment properties	15	45,726	46,272
Right-of-use assets	16	427,989	99,816
Intangible assets	15	52,979	54,362
Financial assets at fair value through profit or loss	17	58,490	16,839
Financial assets at fair value through other comprehensive income	18	7,922	10,101
Contract acquisition costs	8	4,357	5,561
Prepayments and other receivables	19	16,007	79,467
Deferred income tax assets		14,284	9,507
Investments accounted for using the equity method		10,406	10,986
Restricted cash	20	500	500
Total non-current assets		1,043,099	659,098
Current assets			
Inventories		742	738
Contract assets	8	95,861	82,982
Contract acquisition costs	8	295,711	278,647
Trade receivables	19	132,993	79,580
Prepayments and other receivables	19	109,644	65,253
Income tax recoverable		87	3,606
Financial assets at fair value through profit or loss	17	498,161	352,387
Term deposits	21	1,973,178	3,432,800
Restricted cash	20	1,073	350
Cash and cash equivalents	20	2,375,141	2,017,356
Total current assets		5,482,591	6,313,699
Total assets		6,525,690	6,972,797
EQUITY			
Share capital	22	174	173
Treasury shares	22	(191,636)	(7)
Reserves	23	6,973,610	6,664,038
Accumulated losses		(1,292,404)	(730,873)
Non-controlling interests		5,489,744	5,933,331
		(5,411)	(3,155)
Total equity		5,484,333	5,930,176

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

	Note	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
LIABILITIES			
Non-current liabilities			
Contract liabilities	8	31,734	32,092
Lease liabilities	16	191,168	61,620
Deferred income tax liabilities		764	458
Total non-current liabilities		223,666	94,170
Current liabilities			
Trade payables	25	55,311	66,062
Other payables and accruals	26	135,824	239,958
Contract liabilities	8	575,226	601,001
Current income tax liabilities		436	9
Lease liabilities	16	50,894	41,421
Total current liabilities		817,691	948,451
Total liabilities		1,041,357	1,042,621
Total equity and liabilities		6,525,690	6,972,797

The accompanying notes on pages 62 to 100 form an integral part of this interim financial information.

The interim financial information on pages 55 to 100 were approved and authorized for issue by the Board of Directors on 22 August 2022 and were signed on its behalf.

Gao Yu
Director

Jiang Keyang
Director

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022

	Attributable to owners of the Company							
	Note	Share capital RMB'000	Treasury Shares RMB'000	Reserves RMB'000	Accumulated losses RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
(Unaudited)								
As at 1 January 2022		173	(7)	6,664,038	(730,873)	5,933,331	(3,155)	5,930,176
Loss for the period		-	-	-	(561,531)	(561,531)	(2,256)	(563,787)
Changes in fair value of financial assets at fair value through other comprehensive loss, net of tax		-	-	(1,852)	-	(1,852)	-	(1,852)
Currency translation differences		-	-	192,293	-	192,293	-	192,293
Total comprehensive income for the period		-	-	190,441	(561,531)	(371,090)	(2,256)	(373,346)
Transactions with owners:								
Issuance of ordinary shares	22	1	-	-	-	1	-	1
Treasury shares		-	(1)	-	-	(1)	-	(1)
Share-based compensation reserve	24	-	-	221,043	-	221,043	-	221,043
Repurchase of the shares of the Company	22	-	(191,628)	-	-	(191,628)	-	(191,628)
Dividend distribution	14	-	-	(101,912)	-	(101,912)	-	(101,912)
Total transactions with owners of the Company		1	(191,629)	119,131	-	(72,497)	-	(72,497)
As at 30 June 2022		174	(191,636)	6,973,610	(1,292,404)	5,489,744	(5,411)	5,484,333

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022

	Attributable to owners of the Company						Non-controlling interests RMB'000	Total equity RMB'000
	Note	Share capital RMB'000	Treasury Shares RMB'000	Reserves RMB'000	Accumulated losses RMB'000	Total RMB'000		
(Unaudited)								
As at 1 January 2021		170	(6)	7,001,418	(462,789)	6,538,793	30,743	6,569,536
Profit for the period		-	-	-	165,306	165,306	22,210	187,516
Changes in fair value of financial assets at fair value through other comprehensive loss, net of tax		-	-	(1,909)	-	(1,909)	-	(1,909)
Currency translation differences		-	-	(64,770)	-	(64,770)	-	(64,770)
Total comprehensive income for the period		-	-	(66,679)	165,306	98,627	22,210	120,837
Transactions with owners:								
Share-based compensation reserve	24	-	-	6,026	-	6,026	-	6,026
Non-controlling interests arising from acquisition of a subsidiary		-	-	-	-	-	1,484	1,484
Dividend distribution	14	-	-	-	(133,859)	(133,859)	-	(133,859)
Total transactions with owners of the Company		-	-	6,026	(133,859)	(127,833)	1,484	(126,349)
As at 30 June 2021		170	(6)	6,940,765	(431,342)	6,509,587	54,437	6,564,024

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2022

	Note	Six months ended 30 June	
		2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Cash flows from operating activities			
Cash used in operations		(454,557)	(64,174)
Interest received		44,298	62,018
Income taxes refund		3,380	15,154
Net cash (used in)/generated from operating activities		(406,879)	13,826
Cash flows from investing activities			
Payments for purchase of property, plant and equipment		(86,261)	(29,025)
Payments for purchase of intangible assets		(455)	(2,292)
Purchases of land use right		(151,317)	–
Payments for purchase of financial assets at fair value through profit or loss		(1,312,549)	(1,888,319)
Proceeds from disposal of financial assets at fair value through profit or loss		1,110,796	1,684,611
Placement of term deposits with initial terms under twelve months		–	(1,762,750)
Proceeds from maturity of term deposit with initial terms of under twelve months		1,459,622	–
Payments for acquisition of a subsidiary		–	(10,554)
Proceeds from income of financial assets at fair value through profit or loss		9,212	10,056
Payments for other investing activities		–	(10,626)
Net cash used in investing activities		1,029,048	(2,009,727)
Cash flows from financing activities			
Dividend paid	14	(101,912)	(133,859)
Principal elements of lease payments		(39,527)	(20,156)
Listing expenses paid as financing activities		–	(954)
Interest paid		(5,647)	(1,168)
Payment for the repurchase of the shares of the Company		(191,628)	–
Net cash used in financing activities		(338,714)	(156,137)
Net increase/(decrease) in cash and cash equivalents			
Cash and cash equivalents at beginning of the period		2,017,356	4,759,384
Effects of exchange rate changes on cash and cash equivalents		74,330	(39,519)
Cash and cash equivalents at the end of the period	20	2,375,141	2,567,827

NOTES TO THE INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2022

1 GENERAL INFORMATION

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

The Company 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.

The interim financial information for the six months ended 30 June 2022 (“**Interim Financial Information**”) is presented in Renminbi (“**RMB**”), unless otherwise stated, and was approved for issue by the Company on 22 August 2022.

2 BASIS OF PREPARATION

This Interim Financial Information has been prepared in accordance with the International Accounting Standard 34 “Interim Financial Reporting”. This Interim Financial Information should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2021 (“**2021 Financial Statements**”), which have been prepared in accordance with International Financial Reporting Standards (“**IFRSs**”) issued by International Accounting Standards Board (“**IASB**”).

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the 2021 Financial Statements, as described in those annual consolidated financial statements, except for the adoption of amended IFRSs effective as of 1 January 2022. Income tax expense was recognised based on management’s estimate of the annual income tax rate expected for the full financial year.

NOTES TO THE INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2022

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) New and amended standards adopted by the Group

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

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

A number of new standards, amendments to standards and interpretations have been issued and are effective for annual periods beginning on or after 1 January 2023 and have not been early adopted by the Group.

		Effective for annual periods beginning on or after
IFRS 17 and Amendments to IFRS 17	Insurance Contracts	1 January 2023
Amendments to IAS 1	Classification of liabilities as current or non-current	1 January 2023
Amendments to IAS 1 and IFRS 2 Practice Statement 2	Disclosure of accounting policies	1 January 2023
Amendments to IAS 8	Definition of accounting estimates	1 January 2023
Amendments to IAS 12	Deferred tax related to assets and liabilities arising from a single transaction	1 January 2023
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associates or joint ventures	To be determined

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

NOTES TO THE INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2022

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

In preparing this Interim Financial Information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the 2021 Financial Statements.

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

There was no significant change in principal subsidiaries of the Group during the six months ended 30 June 2022.

NOTES TO THE INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2022

6 FINANCIAL RISK MANAGEMENT

6.1 Financial risk factors

The Interim Financial Information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the 2021 Financial Statements.

There have been no significant changes in the risk factors and management policies since the year ended 31 December 2021.

(a) Liquidity Risk

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

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

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Total Contractual Cash flows RMB'000	Carrying amount Total RMB'000
(Unaudited)					
At 30 June 2022					
Trade payable	55,311	–	–	55,311	55,311
Other payables and accruals (excluding salary and staff welfare payables and taxes payable)	14,011	–	–	14,011	14,011
Lease liabilities	59,701	58,715	146,555	264,971	242,062
	129,023	58,715	146,555	334,293	311,384

NOTES TO THE INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2022

6 FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1 Financial risk factors (Continued)

(a) Liquidity Risk (Continued)

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

6.2 Capital management

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

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt. The Group monitors capital on basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as liquid liabilities, which are lease liabilities, less cash and cash equivalents, restricted cash, term deposits and liquid investments which are investments in wealth management products and investments in debt instruments included in financial assets at FVPL. Total capital is calculated as "equity" as shown in the consolidated statements of financial position plus net debts. As at 30 June 2022 and 31 December 2021, the Group has a net cash position.

NOTES TO THE INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2022

6 FINANCIAL RISK MANAGEMENT (CONTINUED)

6.3 Fair value estimation

6.3.1 Fair value hierarchy

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

The tables below analyse the Group's financial instruments carried at fair value as at 30 June 2022 and 31 December 2021 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

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

NOTES TO THE INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2022

6 FINANCIAL RISK MANAGEMENT (CONTINUED)

6.3 Fair value estimation (Continued)

6.3.1 Fair value hierarchy (Continued)

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
(Unaudited)				
As at 30 June 2022				
Financial assets at FVPL				
Investments in wealth management products (Note 17(a))	–	–	196,577	196,577
Investments in unlisted equity securities (Note 17(b))	–	–	58,490	58,490
Investments in debt instruments (Note 17(c))	301,584	–	–	301,584
	301,584	–	255,067	556,651
Financial assets at Fair Value through Other Comprehensive Income(FVOCI)				
Investments in unlisted equity securities (Note 18)	–	–	7,922	7,922
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
(Audited)				
As at 31 December 2021				
Financial assets at FVPL				
Investments in wealth management products (Note 17(a))	–	–	53,774	53,774
Investments in unlisted equity securities (Note 17(b))	–	–	16,839	16,839
Investments in debt instruments (Note 17(c))	298,613	–	–	298,613
	298,613	–	70,613	369,226
Financial assets at FVOCI				
Investments in unlisted equity securities (Note 18)	–	–	10,101	10,101

NOTES TO THE INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2022

6 FINANCIAL RISK MANAGEMENT (CONTINUED)

6.3 Fair value estimation (Continued)

6.3.2 Valuation techniques used to determine fair values

Specific valuation techniques used to value financial instruments include:

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

There were no changes to valuation techniques during the six months ended 30 June 2022 and 2021.

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

NOTES TO THE INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2022

6 FINANCIAL RISK MANAGEMENT (CONTINUED)

6.3 Fair value estimation (Continued)

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

The following table presents the changes in level 3 items including investments in wealth management products, investments in unlisted equity securities for the six months ended 30 June 2022.

	Financial assets at FVPL		Financial assets at FVOCI
	Investments in wealth management products RMB'000	Investments in unlisted equity securities RMB'000	Investments in unlisted equity securities RMB'000
(Unaudited)			
As 1 January 2022	53,774	16,839	10,101
Acquisitions	1,227,800	44,112	–
Disposals	(1,088,758)	–	–
Unrealised changes in fair value	991	(2,461)	(2,179)
Realised gains	2,770	–	–
As at 30 June 2022	196,577	58,490	7,922

NOTES TO THE INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2022

6 FINANCIAL RISK MANAGEMENT (CONTINUED)

6.3 Fair value estimation (Continued)

6.3.4 Valuation process, inputs and relationships to fair value

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

At each financial year end the finance department:

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

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

The valuation of the level 3 instruments mainly included investments in wealth management products (Note 17(a)) and investments in unlisted equity securities (Note 17(b), Note 18). As these instruments are not traded in an active market, their fair values have been determined by using various applicable valuation techniques, including option pricing and equity allocation model, discounted cash flow model and market approach etc.

NOTES TO THE INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2022

6 FINANCIAL RISK MANAGEMENT (CONTINUED)

6.3 Fair value estimation (Continued)

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

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

Description	Fair value		Unobservable inputs	Range of inputs		Relationship of unobservable inputs to fair value
	at 30 June	at 31 December		at 30 June	at 31 December	
	2022	2021		2022	2021	
	RMB'000	RMB'000				
Investments in wealth management products	196,577	53,774	Expected rate of return	2.10%-4.50%	3.90%-4.50%	The higher the expected rate of return, the higher the fair value
Investments in unlisted equity securities included in financial assets at FVPL(*)	58,490	16,839	N/A	N/A	N/A	N/A

NOTES TO THE INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2022

6 FINANCIAL RISK MANAGEMENT (CONTINUED)

6.3 Fair value estimation (Continued)

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

Description	Fair value		Unobservable inputs	Range of inputs		Relationship of unobservable inputs to fair value
	at 30 June 2022 RMB'000	at 31 December 2021 RMB'000		at 30 June 2022	at 31 December 2021	
Investments in unlisted equity securities included in financial assets at FVOCI	7,922	10,101	Expected volatility	42%-49%	40.00%	The higher the expected volatility, the higher/lower the fair value.
			Risk-free rate	2.49%-2.53%	2.31%	The higher the risk-free rate, the higher the fair value
			P/S ratio	2.4-14.14	3.4-12.92	The higher the P/S ratio, the higher the fair value.
			Discounts for lack of marketability	20%-30%	20%-27%	The higher the DLOM, the lower the fair value

*: Investments in unlisted equity securities included in financial assets at FVPL contain:(i)investments in partnerships and the fair values were valuated based on the net values declared in the partnerships' report or net asset values of the partnerships; (ii)investments in unlisted equity securities and the fair values were valuated based on investment costs since transaction dates are close to reporting date.

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

There were no transfers between level 1, 2 and 3 of fair value hierarchy classifications during the six months ended 30 June 2022.

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

NOTES TO THE INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2022

7 SEGMENT INFORMATION

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

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

SaaS products	Software as a service, a cloud-based software licensing and delivery model in which software and associated data are centrally hosted
ERP solutions	Enterprise resource planning, a business process management software that allows an organisation 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. Substantially all of the businesses of the Group are carried out in the PRC

The segment information for the six months ended 30 June 2022(unaudited) is as follows:

	SaaS products RMB'000	ERP solutions RMB'000	Unallocated items RMB'000	Total RMB'000
Revenues	669,429	211,806	–	881,235
Cost of sales	(46,088)	(128,621)	–	(174,709)
Gross profit	623,341	83,185	–	706,526
Segment results	(46,488)	(188,742)	(328,557)	(563,787)

The segment information for the six months ended 30 June 2021(unaudited) is as follows:

	SaaS products RMB'000	ERP solutions RMB'000	Unallocated items RMB'000	Total RMB'000
Revenues	551,843	421,855	–	973,698
Cost of sales	(56,992)	(142,973)	–	(199,965)
Gross profit	494,851	278,882	–	773,733
Segment results	(26,949)	138,262	76,203	187,516

NOTES TO THE INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2022

8 REVENUES

The Group's revenue includes 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. Revenue is stated net of value added tax ("VAT") in the PRC and comprises the following:

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
SaaS products	669,429	551,843
ERP solutions		
– Revenue from rendering of value-added services	88,614	150,261
– Revenue from software licensing	41,613	140,257
– Revenue from rendering of product support services	61,042	87,507
– Revenue from rendering of implementation services	20,537	43,830
	881,235	973,698

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
SaaS products		
– Revenues over time	646,264	516,058
– Revenues at a point in time	23,165	35,785
ERP solutions		
– Revenues over time	170,193	281,598
– Revenues at a point in time	41,613	140,257
	881,235	973,698

NOTES TO THE INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2022

8 REVENUES (CONTINUED)

(a) Assets and liabilities related to contracts with customers

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

	As at 30 June 2022 RMB'000	As at 31 December 2021 RMB'000
Contract assets	128,086	107,263
Less: Loss Allowance (Note 19)	(32,225)	(24,281)
Total contract assets	95,861	82,982
Contract acquisition costs	300,068	284,208
Less: non-current portion	(4,357)	(5,561)
	295,711	278,647
Contract liabilities	606,960	633,093
Less: non-current portion	(31,734)	(32,092)
	575,226	601,001

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

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

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

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

NOTES TO THE INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2022

9 EXPENSES BY NATURES

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Employee benefit expenses	682,137	533,595
Commission expenses	238,400	196,990
Share-based compensation (Note 24)	221,043	6,026
Outsourcing expenses	45,222	49,802
Depreciation of right-of-use assets (Note 16)	38,713	13,483
Professional and technical service fees	23,362	19,313
Depreciation of property, plant and equipment (Note 15)	21,170	8,608
IT and communication charges	18,175	14,985
Costs of inventories sold	17,901	28,290
Short-term rental and utilities expenses	17,450	4,361
Exhibition and promotion charges	15,640	9,101
Traveling and entertainment expenses	13,994	16,771
Office expenses	9,516	10,860
Taxes and surcharges	5,105	6,349
Amortization of intangible assets (Note 15)	1,786	1,395
Depreciation of investment properties (Note 15)	546	–
Others	1,628	1,119
	1,371,788	921,048

No research and development expenses had been capitalised for the six months ended 30 June 2022 and 2021.

NOTES TO THE INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2022

10 OTHER INCOME

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Government grants	13,044	13,071
VAT refund	2,249	11,586
Income from wealth management products (Note 17(a))	3,761	10,056
Income generated from offline activities and others	3,159	9,157
Dividend and interest income from investments in unlisted equity securities and debt instruments included in financial assets at FVPL (Note 17(c))	5,451	1,214
Rental income	2,719	–
	30,383	45,084

11 OTHER (LOSSES)/GAINS, NET

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Fair value losses on investments in redeemable preferred shares	–	(3,263)
Investment deemed disposal gains	–	10,095
Foreign exchange (losses)/gains	(116,141)	28,512
Fair value losses on investments in unlisted equity securities included in financial assets at FVPL (Note 17(b))	(2,461)	–
Fair value losses on investments in debt instruments (Note 17(c))	(8,791)	(658)
Termination of leases	2,927	503
Others	106	(4)
	(124,360)	35,185

NOTES TO THE INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2022

12 INCOME TAX CREDIT

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Current income tax	567	131
Deferred income tax	(4,145)	(742)
Income tax credit	(3,578)	(611)

(a) Super deduction for research and development expenses

According to the CIT laws and Detailed Implementation Rules, an enterprise is allowed to claim an additional deduction of 50% of research and development expenses incurred for the development of new technologies, new products and new craftsmanship from 2008 onwards. From 2018 to 2023, according to Caishui [2018] No.99 (財稅[2018] 99號, "Circular 99"), an extra 75% of the actual amount of research and development expenses can be deducted before tax.

For those companies which were granted the qualification as "Small and Medium-sized Sci-tech Enterprise" during the financial years for the six months ended 30 June 2022, they could claim 175% of their research and development expenses so incurred as tax deductible expenses when determining their assessable profits during the six months ended 30 June 2022.

(b) PRC corporate income tax ("CIT")

CIT provision was made on the estimated assessable profits of entities within the Group incorporated in the PRC and was calculated in accordance with the relevant regulations of the PRC after considering the available tax benefits from refunds and allowances. The general PRC CIT rate is 25% for the six months ended 30 June 2022.

Ming Yuan Cloud Technology was granted the qualification as High and New Technology Enterprise ("HNTE") in 2018 and it has renewed the qualification of HNTE in 2021. Ming Yuan Cloud Technology had qualified to apply the preferential CIT rate of 15% for HNTE for the six months ended 30 June 2022 and 30 June 2021.

NOTES TO THE INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2022

12 INCOME TAX CREDIT (CONTINUED)

(b) PRC corporate income tax ("CIT") (Continued)

Ming Yuan Cloud Client had also applied to the relevant tax bureau and was granted the qualification as High and New Technology Enterprise ("HNTÉ") in 2016 and it has renewed the qualification of HNTÉ in 2019. According to Cai Shui [2012] No.27 (財稅[2012] 27號) and Cai Shui [2016] No.49 (財稅[2016] 49號, "Circular 49"), the newly established software enterprises was entitled to tax exemption for two years commencing from the first year of profitable operation and thereafter to a preferential rate at half of the corporate income tax rate for three years.

Shenzhen Mingyuan Cloud Space Electronic Commerce Co., Ltd. (深圳市明源雲空間電子商務有限公司, "Ming Yuan Cloud Space"), Ming Yuan Cloud Procurement and Shenzhen Woxiang Technology Limited Company (深圳市沃享科技有限公司, "Woxiang") had qualified to apply the preferential CIT rate of 15% for HNTÉ beginning from 1 January 2019.

Wuhan Mingyuan Dongli Software Co., Ltd. (武漢明源動力軟件有限公司, "Wuhan Ming Yuan Power") and Shenzhen Mingyuan Cloud Chain Internet Technology Limited (深圳市明源雲鏈互聯網科技有限公司, "Ming Yuan Cloud Chain") had qualified to apply the preferential CIT rate of 15% for HNTÉ beginning from 1 January 2021.

13 (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 during the six months ended 30 June 2022 and 2021.

(a) Basic (losses)/earnings per share

	Six months ended 30 June	
	2022 (Unaudited)	2021 (Unaudited)
(Loss)/Profit attributable to owners of the Company (RMB'000)	(561,531)	165,306
Weighted average number of ordinary shares in issue (thousand)	1,874,144	1,855,144
Basic (losses)/earnings per share (in RMB)	(0.30)	0.09

NOTES TO THE INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2022

13 (LOSSES)/EARNINGS PER SHARE (CONTINUED)

(b) Diluted (losses)/earnings per share

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

During the six months ended 30 June 2021, the Group had a category of potential ordinary shares which was the restricted share units as mentioned in Note 24. The restricted share units were dilutive for the six months ended 30 June 2021 due to their conversion to ordinary shares would decrease the earnings per share.

During the six months ended 30 June 2022, as the Group incurred losses, the potential ordinary shares of restricted share units as mentioned in Note 24 were not included in the calculation of dilutive losses per share, as their inclusion would be anti-dilutive. Accordingly, diluted losses per share for the six months ended 30 June 2022 is the same as basic losses per share.

	Six months ended 30 June	
	2022 (Unaudited)	2021 (Unaudited)
(Loss)/Profit attributable to owners of the Company (RMB'000)	(561,531)	165,306
Weighted average number of ordinary shares in issue (thousand)	1,874,144	1,855,144
Weighted average number of shares outstanding to assume conversion of all dilutive potential shares (thousand)	–	1,871,693
Diluted (losses)/earnings per share (in RMB)	(0.30)	0.09

14 DIVIDENDS

Dividends of RMB101,912,000 were paid for the year ended 31 December 2021 (For the year ended 31 December 2020: RMB133,859,000). The Board of the Company did not propose any interim dividend for the six months ended 30 June 2022.

NOTES TO THE INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2022

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

	Property, plant and equipment RMB'000	Investment properties RMB'000	Goodwill RMB'000	Other intangible assets RMB'000	Total RMB'000
(Unaudited)					
Six months ended 30 June 2022					
Opening net book amount	325,687	46,272	45,896	8,466	426,321
Additions	99,922	–	–	403	100,325
Depreciation charge	(21,170)	(546)	–	(1,786)	(23,502)
Closing net book amount	404,439	45,726	45,896	7,083	503,144
At 30 June 2022					
Cost	484,975	46,977	45,896	17,549	595,397
Accumulated depreciation	(80,536)	(1,251)	–	(10,466)	(92,253)
Net book amount	404,439	45,726	45,896	7,083	503,144
(Unaudited)					
Six months ended 30 June 2021					
Opening net book amount	150,067	–	–	3,464	153,531
Acquisition of subsidiary	65	–	45,896	3,830	49,791
Additions	35,174	–	–	2,197	37,371
Disposals	(710)	–	–	–	(710)
Transfer to Investment properties	(28,424)	–	–	–	(28,424)
Transfer from Property, plant and equipment	–	28,668	–	–	28,668
Transfer from Right-of-use assets	–	1,903	–	–	1,903
Depreciation charge	(8,344)	(264)	–	(1,395)	(10,003)
Closing net book amount	147,828	30,307	45,896	8,096	232,127
At 30 June 2021					
Cost	196,851	30,571	45,896	15,013	288,331
Accumulated depreciation	(49,023)	(264)	–	(6,917)	(56,204)
Net book amount	147,828	30,307	45,896	8,096	232,127

NOTES TO THE INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2022

15 PROPERTY, PLANT AND EQUIPMENT, INVESTMENT PROPERTIES AND INTANGIBLE ASSETS (CONTINUED)

The investment properties comprise four floors of a building located in Wuhan Guanggu High-Tech Development Zone for offices, held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties through rental.

The fair value of the investment properties as of 30 June 2022 was RMB72,005,000 (31 December 2021: RMB72,005,000).

16 LEASES

	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
Right-of-use assets		
– Buildings	237,633	94,809
– Land use right	190,356	5,007
	427,989	99,816
Lease liabilities		
– Current	50,894	41,421
– Non-current	191,168	61,620
	242,062	103,041

Additions to the buildings in right-of-use assets for the six months ended 30 June 2021 and the six months ended 30 June 2022 were RMB11,243,000 and RMB204,324,000, respectively. Additions to the land use right in right-of-use assets for the six months ended 30 June 2021 and the six months ended 30 June 2022 were nil and RMB185,410,000 respectively.

Disposals to the buildings in right-of-use assets for the six months ended 30 June 2021 and the six months ended 30 June 2022 were RMB10,004,000 and RMB64,788,000, respectively. No disposals of the land use right in right-of-use assets for the six months ended 30 June 2021 and 2022.

NOTES TO THE INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2022

16 LEASES (CONTINUED)

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Depreciation charge of right-of-use assets		
– Buildings	38,652	13,422
– Land use right	61	61
	38,713	13,483
Interest expense (included in finance costs)	5,647	1,168

The total cash outflow from financing activities for leases for the years ended 30 June 2021 and 30 June 2022 were RMB21,324,000 and RMB45,174,000 respectively, and the total cash outflow from operating activities for leases for the years ended 30 June 2021 and 30 June 2022 were RMB352,000 and RMB363,000.

17 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
Investments in wealth management products (a)	196,577	53,774
Investments in unlisted equity securities (b)	58,490	16,839
Investments in debt instruments (d)	301,584	298,613
	556,651	369,226
Less: non-current portion		
Investments in unlisted equity securities (b)	(58,490)	(16,839)
	498,161	352,387

NOTES TO THE INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2022

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

(a) Investment in wealth management products

Movements in investment in wealth management products were as follows:

	Six months ended 30 June 2022 RMB'000 (Unaudited)	Six months ended 30 June 2021 RMB'000 (Unaudited)
At the beginning of the period	53,774	300,700
Acquisitions	1,227,800	1,571,400
Disposals	(1,088,758)	(1,684,611)
Unrealised changes in fair value (Note 10)	991	–
Realised income (Note 10)	2,770	3,261
At the end of the period	196,577	190,750

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

As at 30 June 2022 and 31 December 2021, all wealth management products are mature within 1 year.

NOTES TO THE INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2022

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

(b) Investments in unlisted equity securities

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

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

	Six months ended 30 June 2022 RMB'000 (Unaudited)	Six months ended 30 June 2021 RMB'000 (Unaudited)
At the beginning of the period	16,839	6,740
Additions	44,112	–
Unrealised changes in fair value (Note 11)	(2,461)	–
At the end of the period	58,490	6,740

(c) Investments in debt instruments

Movements in investments in debt instruments were as follows:

	Six months ended 30 June 2022 RMB'000 (Unaudited)	Six months ended 30 June 2021 RMB'000 (Unaudited)
At the beginning of the period	298,613	–
Additions	35,636	316,916
Disposals	(29,325)	–
Unrealised changes in fair value (Note 11)	(7,858)	(658)
Realised gains (Note 10, Note 11)	4,518	–
At the end of the period	301,584	316,258

Note: They represented investments in publicly traded corporate bonds/debentures which had quoted prices in active markets. Therefore, they are classified as Level 1 financial instruments.

NOTES TO THE INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2022

18 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

The Group's investments in financial assets at FVOCI are all investments in unlisted equity securities, which represent the investment in certain privately owned companies. For the fair value estimation, please refer to Note 6.3 for details.

Movements of investments in unlisted equity securities were as follows:

	Six months ended 30 June 2022 RMB'000 (Unaudited)	Six months ended 30 June 2021 RMB'000 (Unaudited)
At the beginning of the period	10,101	12,000
Unrealised changes in fair value	(2,179)	(2,121)
At the end of the period	7,922	9,879

NOTES TO THE INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2022

19 TRADE RECEIVABLES, PREPAYMENTS AND OTHER RECEIVABLES

	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
Trade receivables from contracts with customers	182,563	108,495
Less: Allowance for impairment	(49,570)	(28,915)
Trade receivables – net	132,993	79,580
Prepayments to suppliers	62,117	29,435
Prepayments for land use right	–	36,440
Prepayments for leasehold improvements	–	14,431
Prepayments for employee benefits	7,314	7,596
Prepayments	69,431	87,902
Rental and other deposits	27,313	39,654
Interest receivables from bank deposits	23,292	14,265
Others	5,680	2,970
Less: Allowance for impairment of other receivables	(65)	(71)
Other receivables – net	56,220	56,818
Trade receivables, prepayments and other receivables	258,644	224,300
Less: Non-current deposits	(16,007)	(79,467)
Current portion	242,637	144,833

NOTES TO THE INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2022

19 TRADE RECEIVABLES, PREPAYMENTS AND OTHER RECEIVABLES (CONTINUED)

(a) Trade receivables

	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
Trade receivables from contracts with customers	182,563	108,495
Less: Allowance for impairment	(49,570)	(28,915)
	132,993	79,580

The Group normally allows 0 to 90 days credit period to its customers. Aging analysis of the trade receivables as at 30 June 2022 and 31 December 2021, based on date of recognition, is as follows:

	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
Aging		
Up to 3 months	75,211	70,391
3 to 6 months	37,030	14,526
6 months to 1 year	51,188	12,707
1 to 2 years	15,761	6,950
Over 2 years	3,373	3,921
	182,563	108,495

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

NOTES TO THE INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2022

19 TRADE RECEIVABLES, PREPAYMENTS AND OTHER RECEIVABLES (CONTINUED)

(a) Trade receivables (Continued)

The expected loss rates are determined based on historical observed default rates over the expected life which are adjusted to reflect current market condition and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

On that basis, the loss allowance as at 30 June 2022 and 31 December 2021 was determined as follows for both trade receivables and contract assets:

30 June 2022	Up to 3 months	3 to 6 months	6 to 12 months	1 to 2 years	Over 2 years	Total
(Unaudited)						
On individual basis						
Expected loss rate	76%	76%	80%	79%	70%	
Gross carrying amount (RMB'000) – trade receivables	2,202	2,143	10,149	4,043	794	19,331
Gross carrying amount (RMB'000) – contract assets	472	379	4,645	7,361	253	13,110
Loss allowance (RMB'000)	2,035	1,928	11,889	8,979	733	25,564

30 June 2022	Up to 3 months	3 to 6 months	6 to 12 months	1 to 2 years	Over 2 years	Total
(Unaudited)						
On collective basis						
Expected loss rate	7%	19%	34%	54%	100%	
Gross carrying amount (RMB'000) – trade receivables	73,009	34,887	41,039	11,718	2,579	163,232
Gross carrying amount (RMB'000) – contract assets	65,664	15,479	24,407	8,585	841	114,976
Loss allowance (RMB'000)	10,370	9,335	22,127	10,979	3,420	56,231

NOTES TO THE INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2022

19 TRADE RECEIVABLES, PREPAYMENTS AND OTHER RECEIVABLES (CONTINUED)

(a) Trade receivables (Continued)

31 December 2021	Up to 3 months	3 to 6 months	6 to 12 months	1 to 2 years	Over 2 years	Total
(Audited)						
On individual basis						
Expected loss rate	76%	85%	81%	71%	70%	
Gross carrying amount (RMB'000) – trade receivables	5,673	5,620	4,653	1,031	794	17,771
Gross carrying amount (RMB'000) – contract assets	2,657	1,181	5,677	1,236	253	11,004
Loss allowance (RMB'000)	6,372	5,752	8,363	1,599	733	22,819
31 December 2021	Up to 3 months	3 to 6 months	6 to 12 months	1 to 2 years	Over 2 years	Total
(Audited)						
On collective basis						
Expected loss rate	7%	18%	31%	51%	100%	
Gross carrying amount (RMB'000) – trade receivables	64,718	8,906	8,054	5,919	3,127	90,724
Gross carrying amount (RMB'000) – contract assets	62,396	13,309	13,732	5,541	1,281	96,259
Loss allowance (RMB'000)	9,251	4,017	6,821	5,879	4,409	30,377

NOTES TO THE INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2022

19 TRADE RECEIVABLES, PREPAYMENTS AND OTHER RECEIVABLES (CONTINUED)

(a) Trade receivables (Continued)

The loss allowances for trade receivables and contract assets as at 30 June 2022 and 30 June 2021 reconcile to the opening loss allowances as follows:

	Contract assets		Trade receivables	
	Six months ended 30 June 2022 RMB'000 (Unaudited)	Six months ended 30 June 2021 RMB'000 (Unaudited)	Six months ended 30 June 2022 RMB'000 (Unaudited)	Six months ended 30 June 2021 RMB'000 (Unaudited)
At the beginning of the period	24,281	4,049	28,915	5,578
Increase in loss allowance recognised in profit or loss during the period	7,944	4,389	20,655	2,366
At the end of the period	32,225	8,438	49,570	7,944

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

(b) Other receivables

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

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

NOTES TO THE INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2022

20 CASH AND CASH EQUIVALENTS

	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
Cash at bank and on hand (a)	2,376,714	2,018,206
Less: Restricted cash (b)	(1,573)	(850)
Cash and cash equivalents	2,375,141	2,017,356

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

	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
RMB	1,696,190	1,276,883
USD	606,805	454,316
HKD	73,719	287,007
	2,376,714	2,018,206

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

21 TERM DEPOSITS

	As at 30 June 2022 RMB'000	As at 31 December 2021 RMB'000
Term deposits	1,973,178	3,432,800

(a) This represented the Group's term deposits placed in banks through a reputable financial institution with maturities under twelve months, which is redeemable on demand and denominated in RMB and USD.

NOTES TO THE INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2022

22 SHARE CAPITAL

Authorised:

	Number of ordinary shares '000	Nominal value of ordinary shares HKD'000	Number of Preferred Shares '000	Nominal value of Preferred Shares HKD'000
As at 1 January 2021, 31 December 2021 and 30 June 2022	3,800,000	380	–	–

Issued:

	Number of ordinary shares '000	Nominal value of ordinary shares HKD'000	Share capital RMB'000	Treasury shares RMB'000	Total RMB'000
As at 1 January 2022	1,968,593	197	173	–	173
Issuance of ordinary shares (b)	6,045	1	1	–	1
Less: Treasury shares (b, c)	(122,652)	(12)	–	(191,636)	(191,636)
As at 30 June 2022	1,851,986	186	174	(191,636)	(191,462)
As at 1 January 2021	1,927,149	193	170	–	170
Issuance of ordinary shares (a)	41,444	4	3	–	3
Less: Treasury shares	(94,450)	(9)	–	(7)	(7)
As at 31 December 2021	1,874,143	188	173	(7)	166

- (a) On 1 July 2021, the Company allotted and issued 41,443,996 ordinary shares to MYC Marvellous Limited. The issuance resulted in the increase in share capital of RMB3,000 and the ordinary shares issued were also presented as treasury shares. During the year ended 31 December 2021, 19,000,000 ordinary shares of the Company held by MYC Marvellous Limited were transferred to the Grantees upon vesting (Note 24).
- (b) On 30 May 2022, the Company allotted and issued 6,044,996 ordinary shares to MYC Marvellous Limited. The issuance resulted in the increase in share capital of RMB1,000 and the ordinary shares issued were also presented as treasury shares.
- (c) During the six months ended 30 June 2022, the Group repurchased a total of 22,157,000 ordinary shares that listed on the Stock Exchange of Hong Kong Limited at a total cash consideration of RMB191,628,000. The repurchase resulted in the decrease in share premium of RMB191,628,000.

NOTES TO THE INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2022

23 RESERVES

	Share premium RMB'000	Surplus reserve RMB'000	Exchange reserve RMB'000	Share-based compensation reserve RMB'000	Other reserve RMB'000	Total reserves RMB'000
At 1 January 2022	7,559,582	-	(412,931)	227,444	(710,057)	6,664,038
Changes in fair value of financial assets at FVOCI, net of tax(Note 18)	-	-	-	-	(1,852)	(1,852)
Share-based compensation expenses (Note 24)	-	-	-	221,043	-	221,043
Dividend distribution to the owners of the Company	(101,912)	-	-	-	-	(101,912)
Currency translation differences	-	-	192,293	-	-	192,293
At 30 June 2022	7,457,670	-	(220,638)	448,487	(711,909)	6,973,610
At 1 January 2021	7,283,184	75,898	(251,574)	9,040	(115,130)	7,001,418
Changes in fair value of financial assets at FVOCI, net of tax(Note 18)	-	-	-	-	(1,909)	(1,909)
Share-based compensation expenses (Note 24)	-	-	-	6,026	-	6,026
Currency translation differences	-	-	(64,770)	-	-	(64,770)
At 30 June 2021	7,283,184	75,898	(316,344)	15,066	(117,039)	6,940,765

NOTES TO THE INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2022

24 SHARE-BASED COMPENSATION

2020 Share incentive plan

On 29 March 2020, the board of directors of the Company passed a resolution, according to which an aggregate of 7,484,080 ordinary shares of the Company was issued and allotted to MYC Marvellous Limited, an employee share trust controlled by the Company. Effective from 31 March 2020, the shares held by MYC Marvellous Limited were subdivided into 74,840,800 shares.

On 10 April 2020, 8 July 2021, 29 October 2021 and 1 November 2021, the Company granted restricted share units (“**RSUs**”) to the Group’s employees (the “**Grantees**”) subject to the 2020 Share Incentive Plan, representing 43,743,004 ordinary shares of par value HKD0.0001 each in the share capital of the Company. The RSUs awarded are either subject to a vesting scale in tranches from the grant date over a certain service period on condition that employees remain in service, or vested on the grant date. Once the vesting conditions underlying the respective RSUs are met and the RSUs are released, the shares shall be subject to applicable restrictions in the award and any legal restrictions.

On 11 January 2022, the Company granted RSUs to the Grantees, representing 6,435,898 ordinary shares of par value HKD0.0001 each in the share capital of the Company. The RSUs awarded are subject to a vesting scale in tranches from the grant date over a certain service period, on condition that employees remain in service with certain performance requirements. Once the vesting conditions underlying the respective RSUs are met and the RSUs are released, the shares shall be subject to applicable restrictions in the award and any legal restrictions.

2021 Share Award Scheme

On 11 June 2021, the board of directors of the Company passed a resolution, according to which an aggregate number of ordinary shares of the Company, not exceed 5% of total number of issued shares as at 11 June 2021, may be awarded to eligible persons.

On 1 July 2021, the Company granted RSUs to the Grantees, representing 41,443,996 ordinary shares of par value HKD0.0001 each in the share capital of the Company. The RSUs awarded are subject to a vesting scale in tranches from the grant date over a certain service period, on condition that employees remain in service with certain performance requirements. Once the vesting conditions underlying the respective RSUs are met and the RSUs are released, the shares shall be subject to applicable restrictions in the award and any legal restrictions.

On 30 May 2022, the Company granted RSUs to the Grantees, representing 6,044,996 ordinary shares of par value HKD0.0001 each in the share capital of the Company. The RSUs awarded are subject to a vesting scale in tranches from the grant date over a certain service period, on condition that employees remain in service with certain performance requirements. Once the vesting conditions underlying the respective RSUs are met and the RSUs are released, the shares shall be subject to applicable restrictions in the award and any legal restrictions.

NOTES TO THE INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2022

24 SHARE-BASED COMPENSATION (CONTINUED)

The share-based compensation expenses recognised during the six months ended 30 June 2022 and 2021 are summarised in the following table:

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Share-based compensation expenses	221,043	6,026

Expected retention rate

The Group has to estimate the expected percentage of grantees that will stay within the Group at the end of the vesting periods of the virtual share options (the “**Expected Retention Rate**”) in order to determine the amount of share-based compensation expenses charged to the consolidated statements of comprehensive income. As at 30 June 2022 and 31 December 2021, the Expected Retention Rate was assessed to be 96%.

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

	Number of RSUs	Weighted average grant date fair value per RSU (RMB)
Outstanding as at 1 January 2022	60,909,797	23.23
Granted during the six months ended 30 June 2022	12,480,894	11.65
Lapsed/Forfeited	(3,570,040)	25.61
Outstanding as at 30 June 2022	69,820,651	21.14
Outstanding as at 1 January 2021 and 30 June 2021	17,500,000	2.50

The fair value of each RSU at the grant dates is determined by reference to the fair value of the underlying ordinary shares on the date of grant.

NOTES TO THE INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2022

25 TRADE PAYABLES

	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
Trade payables to third parties	55,311	66,062

As at 30 June 2022 and 31 December 2021, the aging analysis of the trade payables based on invoice date were are follows:

	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
Aging		
Up to 3 months	55,311	66,062

26 OTHER PAYABLES AND ACCRUALS

	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
Accrued payroll and employee benefit expenses	115,428	205,045
VAT and surcharges payable	6,385	14,550
Commissions payable to regional channel partners	6,800	2,097
Deposits from regional channel partners	2,814	1,662
Operating expenses advanced by employees	1,255	97
Accrued auditor's remuneration	600	5,500
Payable in respect of investments in unlisted equity securities	–	5,000
Others	2,542	6,007
	135,824	239,958

NOTES TO THE INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2022

27 COMMITMENTS

(a) Capital commitments

The Group mainly has capital commitments with respect to assets under construction. Significant capital expenditure contracted for at the end of the reporting period but not recognised as liabilities were as follows:

	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
Assets under construction	5,320	12,261
Leasehold improvements	321	48,416
Land use right	–	151,317
	5,641	211,994

(b) Operating lease commitments

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

	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
Within 1 year	244	195

NOTES TO THE INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2022

28 SIGNIFICANT RELATED PARTY TRANSACTIONS

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

Save as disclosed elsewhere in this report, the directors of the Company are of the view that the following parties were related parties that had transactions or balances with the Group for the six months ended 30 June 2022 and 2021:

(a) Key management personnel compensation

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Salaries, wages, and bonuses	2,006	2,478
Pension costs – defined contribution plans	125	111
Other social security costs, housing benefits and other employee benefits	150	153
	2,281	2,742

29 CONTINGENT LIABILITIES

The Group had no material contingent liabilities outstanding as at 30 June 2022.

DEFINITIONS

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

“Articles of Association”	the articles of association of the Company, as amended from time to time
“Audit Committee”	the audit committee of the Board
“Award”	in the context of Share Award Scheme, an award granted by the Board to a Selected Participant, which may vest in the form of Award Shares or the Actual Selling Price of the Award Shares in cash, as the Board may determine in accordance with the terms of the Scheme Rules; or in the context of Share Incentive Plan, an Option, RSU, restricted share, or other share-based award or right granted or sold pursuant to terms of the Plan
“Award Letter”	a letter issued by the Company to each Selected Participant in such form as the Board or the committee of the Board or person(s) to which the Board has delegated its authority may from time to time determine, specifying the Grant Date, the number of Award Shares underlying the Award, the vesting criteria and conditions, and the Vesting Date and such other details as they may consider necessary
“Adoption Date”	11 June 2021, when Share Award Scheme was approved and adopted by the Board and Share Option Scheme approved and adopted by the Shareholders
“Board” or “our Board” or “Board of Directors”	the board of Directors
“Chairman”	the chairman of the Board
“China” or “PRC”	the People’s Republic of China, for the purposes of this report only, excluding Hong Kong, Macau Special Administrative Region and Taiwan
“Company” or “our Company” or “the Company”	Ming Yuan Cloud Group Holdings Limited (明源雲集團控股有限公司), an exempted company with limited liability incorporated in the Cayman Islands on 3 July 2019
“Consolidated Affiliated Entity”	the entity that we control through contractual arrangements
“Director(s)”	the director(s) of our Company

DEFINITIONS

“General Mandate I”	a general unconditional mandate granted to the Directors at the annual general meeting of the Company held on 11 June 2021, under which the maximum number of Shares that can be issued and allotted are 385,429,998 Shares
“General Mandate II”	a general unconditional mandate granted to the Directors at the annual general meeting of the Company held on 27 May 2022, under which the maximum number of Shares that can be issued and allotted are 393,718,797 Shares
“Global Offering”	the Hong Kong public offering and the international offering of the offer shares
“Group”, “our Group”, “the Group”, “we”, “us”, or “our”	our Company and its subsidiaries and Consolidated Affiliated Entity from time to time or, where the context so requires, in respect of the period prior to our Company becoming the holding company of its present subsidiaries and Consolidated Affiliated Entity, such subsidiaries and Consolidated Affiliated Entity as if they were subsidiaries and Consolidated Affiliated Entity of our Company at the relevant time
“HKD” or “HK\$” or “HK dollars”	Hong Kong Dollar, the lawful currency of Hong Kong
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“IFRS”	International Financial Reporting Standards
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
“Ming Yuan Cloud Procurement”	Shenzhen Mingyuan Cloud Procurement Technology Limited (深圳市明源雲採購科技有限公司) (previously known as Shenzhen Mingyuan Yunlian Electronic Commerce Co., Ltd. (深圳市明源雲鏈電子商務有限公司)), a limited liability company established in Shenzhen, the PRC on 22 April 2014 and is our Consolidated Affiliated Entity
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules
“Option(s)”	in the context of Share Incentive Plan, an option to subscribe for Shares as granted pursuant to the Plan; or in the context of Share Option Scheme, the right to subscribe for a specified number of Shares in issue at the subscription price pursuant to the terms of the Scheme
“Prospectus”	the prospectus of our Company, dated 15 September 2020, in relation to the Global Offering

DEFINITIONS

“Reporting Period”	for the six months ended 30 June 2022
“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
“Selected Participant(s)”	any eligible person approved for participation in the Share Award Scheme and who has been granted any Award pursuant to the Share Award Scheme
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) in the share capital of our Company with a nominal value of HK\$0.0001 each
“Share Award Scheme”	the share award scheme of the Company approved and adopted by the Board on 11 June 2021, in its present form or as amended from time to time in accordance with the Share Award Scheme
“Share Incentive Plan”	the share incentive plan of the Company approved and adopted by the Board on 29 March 2020, in its present form or as amended from time to time in accordance with the Share Incentive Plan
“Shareholder(s)”	holder(s) of our Shares
“the State Council”	The State Council of the People’s Republic of China
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“U.S.”	United States of America
“USD” or “US\$” or “US dollars”	United States Dollar, the lawful currency of the U.S.
“%”	per cent.

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

GLOSSARY OF TECHNICAL TERMS

“AI”	artificial intelligence
“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
“ERP”	enterprise resource planning, a business process management software that allows an organization to use a system of integrated applications to manage the business and digitalize back-office functions relating to technology, services, and human resources
“PaaS”	platform as a service, a category of cloud computing services that provides a platform and environment to allow property developers to build applications over the Internet
“SaaS”	software as a service, a cloud-based software licensing and delivery model in which software and associated data are centrally hosted
“Skyline PaaS Platform”	a low-code PaaS platform launched by the Group for aPaaS Capacity, iPaaS Capacity, bpmPaaS Capacity, DaaS Capacity and Technology Innovation
“Top 100 property developers”	top 100 property developer groups in China by sales value during a given period, according to a report published by China Real Estate Information Corporation in 2022